



Representative John M. Rogers
60th House District
Representative Gary Scherer
92nd House District

Chairman Merrin, Vice-chair LaRe and fellow members of the House Ways and Means Committee, thank you for allowing Rep. Scherer and me the opportunity to provide sponsor testimony on House Bill 453, the Blair Deduction.

This legislation, conceptually, was originally introduced in the 130th General Assembly as HB 246. I was honored to have the late Representative Terry Blair (Rep –Washington Twp.), join me in introducing this legislation. When reintroduced in the 131st General Assembly as HB281, it was afforded two separate hearings. In the 132nd General Assembly, this proposal was again afforded two hearings as HB 186. And today we again offer the current again, it is being offered for your consideration.

As many of you are aware, countless Ohioans have spent many hard earned dollars and/or accumulated significant personal debt in the pursuit of an education beyond high school in an effort to obtain technical skills certifications or post-secondary degrees. Every individual who today chooses to invest in themselves, to increase their knowledge, skills and marketability to better compete in today's job market must increasingly weigh the benefits of furthering their education against the ever increasing burden needed to gain that education.

Indeed, the state of Ohio is classified as a high debt state with regard to outstanding student loans with the average amount of debt facing an Ohio graduate in excess of \$30K¹. Graduates seeking employment often find themselves at an entry level of their earning potential, regardless of career path, while at the same time having to start repaying their loans.

¹"Student debt still higher in Ohio than many other states" <https://www.daytondailynews.com/business/student-debt-still-higher-ohio-than-many-other-states/TWc0IQGdfzBJEhNGrkw75K/>

To support established business, to attract new businesses and to help with the growth of our state's economy, it is essential that we keep our educated and attract other talented individuals here to Ohio.

THIS LEGISLATION IS AIMED AT ACCOMPLISHING THE FOLLOWING:

- Offers an incentive by rewarding students who successfully complete some level of post-secondary education.
- It offers some relief to those who have invested in themselves and completed post-secondary training. Specifically, it would apply to those students who graduate from a technical program, or earn an associates, baccalaureate or more advanced degree.
- Provide an additional incentive for recent graduates to either relocate here, or to remain here, in Ohio.
- Assist us in our efforts to provide a skilled and educated workforce to those companies located in or looking to do business here in Ohio.

QUALIFIED GRADUATE ADJUSTED GROSS INCOME ADJUSTMENT

The premise of this legislation is to provide an adjustment much like that currently available on Schedule A, Line 31 of the Ohio IT 1040 Individual Income Tax Form 529 Plan Contributions. It targets Qualified Higher Education Expenses as it applies to tuition, fees, books, supplies and equipment, room and board, and special needs beneficiaries, and would become available in the year following graduation.

To be eligible for this adjustment, the graduate would be required to be able to provide proof of completion or graduation. Procedurally, a worksheet would be necessary detailing all qualified education expenses. The sum of these expenses would be the reduced by amounts received in the form of grants, scholarships, 529 program funds or similar payments, netting the actual out of pocket expenses incurred by a student. This net amount would then be the basis of an annual reduction to the individuals' Adjusted Gross Income or AGI, limited to the annual contribution limit as is currently defined in Ohio's R.C., Section 5747.70 (which today is \$4,000/year per child) until the eligible amount has been depleted.

The adjustment would become available in the calendar year following the year of completion or graduation, (e.g.: a graduate in the class of 2020 would be able to adjusting their taxable income in the 2021 calendar year).

As for those students who have begun to take advantage of the deduction but then choose to go back to school to further their education, they would have the option to postpone any continued application of this deduction, until completing their course of study.

Under continuing law, a tax-preferred college savings program allows individuals to purchase tuition units or contribute to an investment account in order to pay for future college expenses. Contributions to these 529 plans are designed to receive favorable tax treatment under Internal Revenue Code § 529.

Also, earnings in these plans are not subject to federal income tax, and as long as they are used for qualified higher education expenses, withdrawals from 529 plans are exempt from both federal and state income taxation.

Ohio law also provides a state income tax deduction for purchases of tuition credits and contributions to an Ohio 529 college savings plan to the extent such purchases or contributions are included in the contributor's federal adjusted gross income. This deduction is limited to \$4,000 per beneficiary per year for the taxpayer or the taxpayer and the taxpayer's spouse, regardless of whether the taxpayer and spouse file separate returns or a joint return.

Finally under current law, a taxpayer is able to carry forward any excess deduction amounts into future years until that investment amount has been amortized and contributions fully deducted.

The benefits of Ohio's 529 program is that it provides the incentive to invest monies for someone's future educational expenses, obtain a market rate of return on that investment, and then use those funds when the need arises to pay for Qualified Higher Education Expenses - without having to pay taxes on any of the capital gains or interest earned.

Whereas the current deduction is allowed up front, at the time of the investment, the deduction Representative Scherer and I are proposing would be available to the student after he or she successfully completes their education and again be based upon their actual out of pocket investment in themselves.

Not all graduates have families who are able to set aside funds for future educational needs. And, those who are financially able - may not be able to set aside the total needed.

This legislation provides a similar benefit to Ohio's existing deduction but only after the fact and to those who invest in themselves.

In summary, the goal of this legislation is to give due recognition to our graduates and their value to Ohio by offering support and encouraging them to live and work here.

We thank you for your consideration and would respectfully ask you for your support of this legislation. We would welcome any questions you might have.

Thank you.