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# OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 453  
133<sup>rd</sup> General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsors:** Reps. Rogers and Scherer

Michael Hinel, Attorney

### SUMMARY

- Authorizes an income tax deduction for certain out-of-pocket higher education expenses paid by a person obtaining a degree or credential after or, under some circumstances, before the bill's effective date.

### DETAILED ANALYSIS

#### **Income tax deduction for higher education expenses (“Blair Deduction”)**

The bill authorizes a person who obtains a post-secondary degree or technical credential from an eligible educational institution (collectively referred to in the bill as a “qualifying credential”) to claim an income tax deduction over a period of years for the person’s expenses in obtaining the credential. Anyone obtaining such a credential during a taxable year ending after the bill’s effective date is entitled to deduct all such expenses, while someone who obtains a credential during any preceding taxable year may be eligible to deduct a reduced amount of such expenses.

An eligible educational institution broadly includes any college, university, vocational school, or other post-secondary educational institution eligible to participate in a student aid program administered by the United States Department of Education.<sup>1</sup> The institution does not have to be located in Ohio.

#### **Deductible expenses**

Deductible higher education expenses include all of the following incurred while the credential-earner was a student enrolled at an eligible educational institution:

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<sup>1</sup> See 26 United States Code 529.

1. tuition, fees, books, supplies, and equipment required for attendance at the institution;
2. If the student enrolled for at least one-half of the full-time course load, room and board expenses, up to the amount of the allowance determined by the institution for federal financial aid purposes or the amount actually charged in the case of on-campus housing, whichever is greater;
3. Special needs services required for attendance at the institution.

The total amount of such expenses must be reduced by the following:

1. The amount of such expenses covered from grants, scholarships, gifts, or bequests;
2. The amount of such expenses covered from payments from a qualified tuition program qualifying for federal tax exemption under section 529 of the Internal Revenue Code (sometimes referred to as a “529 education savings program”);
3. The amount of any federal income tax reduction resulting from a deduction or credit claimed by the credential-earner on the basis of such expenses;
4. If the credential-earner obtained the credential during a taxable year ending before the bill’s effective date, \$2,000 for each taxable year ending between and including the taxable year in which the student obtained the credential and the taxable year that includes the bill’s effective date, excluding any taxable year within that range during which the student was enrolled full-time at an eligible educational institution to pursue another qualifying credential. For example, if the effective date falls in 2020 and a person spent \$70,000 for a master’s degree awarded in 2015, the person could deduct \$58,000 of those expenses:  $\$70,000$  [educational expenses] –  $(\$2,000 \times 6$  [years between and including 2015 and 2020]) = \$58,000. By contrast, if the person spent \$5,000 for an associate degree awarded in 2018, the person would not be able to deduct any of those expenses:  $\$5,000$  [educational expenses] –  $(\$2,000 \times 3$  [years between and including 2018 and 2020]) = <0.

The difference resulting from reducing higher education expenses by such sums is the total amount of qualified higher education expenses a person may deduct in computing taxable income.<sup>2</sup> The taxpayer may deduct up to \$4,000 for each taxable year until all such expenses have been deducted. The \$4,000 per year limit is tied to the limit on an existing deduction for contributions to an account created under the state’s 529 education savings program, which may increase or decrease if the state’s 529 program contribution deduction limit is later adjusted.<sup>3</sup> For persons who obtained the credential in a taxable year ending before the bill’s effective date, the deduction must be made beginning with the taxable year that includes the bill’s effective date; for persons obtaining the credential after that taxable year, the deduction

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<sup>2</sup> R.C. 5747.01(A)(34) and 5747.82.

<sup>3</sup> R.C. 5747.70, not in the bill, and 5747.82(A)(4) and (B).

must be made beginning with the taxable year following the year in which the qualifying credential was earned.<sup>4</sup>

### **Deferral**

A person may defer taking the deduction for any taxable year during which the person is enrolled full-time in an eligible educational institution to pursue another qualifying credential. The person must retain evidence of such enrollment for possible inspection by the Tax Commissioner for four years after the person finishes taking the deduction.<sup>5</sup> Additionally, each person taking the deduction must retain proof of graduation for four years after the person finishes taking the deduction.<sup>6</sup>

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## **HISTORY**

Action	Date
Introduced	12-17-19

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<sup>4</sup> R.C. 5747.82(B)(1) and (2).

<sup>5</sup> R.C. 5747.82(C).

<sup>6</sup> R.C. 5747.82(D).