

**As Introduced**

**131st General Assembly**

**Regular Session**

**2015-2016**

**H. B. No. 565**

**Representative Ramos**

**Cosponsor: Representative Lepore-Hagan**

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**A BILL**

To amend sections 5747.98 and 5751.98 and to enact  
section 3345.83 of the Revised Code to allow a  
credit against the income tax or commercial  
activity tax for graduates or employers who make  
payments on student loans obtained by the  
graduate to earn a degree from an Ohio college  
or university.

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**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 5747.98 and 5751.98 be amended  
and section 3345.83 of the Revised Code be enacted to read as  
follows:

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**Sec. 3345.83.** (A) As used in this section:

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(1) "Qualifying individual" means a taxpayer who meets all  
of the following requirements:

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(a) The taxpayer earned a bachelor's degree or associate's  
degree from a state institution of higher education on or after  
January 1, 2014;

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(b) The taxpayer is a resident of this state during the

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tax period for which the credit is claimed under this section 18  
for the purposes of Chapter 5747. of the Revised Code; 19

(c) During the tax period for which the credit is claimed 20  
under this section, the taxpayer was employed for an average of 21  
sixteen or more hours per week by an employer located in this 22  
state, was self-employed, or was deployed for military service 23  
in the United States armed forces, including any component of 24  
the national guard or reserve forces of the United States armed 25  
forces. 26

(2) "State institution of higher education" has the same 27  
meaning as in section 3345.011 of the Revised Code. 28

(3) "Accredited non-Ohio institution of higher education" 29  
means any accredited university or college located outside this 30  
state. 31

(4) "Qualifying loan" means an educational loan received 32  
under either of the following circumstances: 33

(a) As part of a financial aid package offered to a 34  
qualifying individual by a state institution of higher 35  
education; 36

(b) As part of a financial aid package offered to a 37  
qualifying individual to pay for up to thirty credit hours of 38  
course work completed at an accredited non-Ohio institution of 39  
higher education prior to transfer to a state institution of 40  
higher education. 41

A loan is not a "qualifying loan" if the qualifying 42  
individual refinances the loan and the loan is combined with 43  
noneducational debt. 44

(5) "Principal loan cap" means, for calendar year 2015, 45

nine thousand seven hundred dollars with respect to a loan 46  
obtained to earn a bachelor's degree and three thousand nine 47  
hundred fifty dollars with respect to a loan obtained to earn an 48  
associate's degree. For calendar year 2016 and thereafter, on or 49  
before the first day of November, the tax commissioner shall 50  
adjust the principal loan caps by multiplying each cap by the 51  
percentage increase in the gross domestic product deflator 52  
computed that year under section 5747.025 of the Revised Code, 53  
and adding the resulting amount to the corresponding cap. 54

(6) "Individual principal cap" means the applicable 55  
principal loan cap for the calendar year in which a qualifying 56  
individual receives a bachelor's or associate's degree, 57  
multiplied by four if the qualifying individual receives a 58  
bachelor's degree, or multiplied by two if the qualifying 59  
individual receives an associate's degree. 60

(7) "Benchmark monthly payment" means the monthly payment 61  
that would be paid on a loan for the amount of the applicable 62  
individual principal cap for the calendar year in which the 63  
qualifying individual graduates, if the loan were to be paid 64  
over ten years at the interest rate offered for federally 65  
subsidized Stafford loans under 20 U.S.C. 1077a. The tax 66  
commissioner shall calculate the benchmark monthly payment with 67  
respect to the individual loan caps annually on or before the 68  
first day of November. 69

(8) "Tax period" means: 70

(a) In the case of a business applying the tax credit 71  
against the tax imposed under section 5747.02 of the Revised 72  
Code, the business's taxable year; 73

(b) In the case of a business applying the tax credit 74

against the tax imposed under section 5751.02 of the Revised 75  
Code, the business's tax period as defined for the purposes of 76  
that section. 77

(B) (1) A credit is allowed against the tax imposed by 78  
section 5747.02 or 5751.02 of the Revised Code for payments made 79  
on a qualifying loan by a qualifying individual or the employer 80  
of a qualifying individual. For an employer to qualify for the 81  
credit, the employer must employ the qualifying individual for 82  
an average of sixteen or more hours per week. For payments made 83  
on qualifying loans described in division (A) (4) (a) of this 84  
section, the amount of the credit shall equal one of the 85  
following amounts: 86

(a) If the benchmark loan payment is less than the 87  
qualifying individual's actual monthly payment, the product of 88  
the benchmark loan payment and the number of months during the 89  
tax period in which the taxpayer made loan payments. 90

(b) If the qualifying individual's actual monthly payment 91  
is less than or equal to the benchmark loan payment, the actual 92  
loan payments made during the tax period. 93

For payments made on qualifying loans described in 94  
division (A) (4) (b) of this section, the credit shall equal the 95  
amount that would be calculated under division (B) (1) (a) or (b) 96  
of this section if the qualifying loan were described in 97  
division (A) (4) (a) of this section, multiplied by fifty per cent 98  
if the loan was received to obtain an associate's degree, or by 99  
seventy-five per cent if the loan was received to obtain a 100  
bachelor's degree. 101

(2) If an individual is not a qualifying individual for an 102  
entire tax period, the credit amount computed under division (B) 103

(1) of this section shall be reduced by a fraction, the 104  
numerator of which shall be the number of months in the tax 105  
period during which the individual was not a qualifying 106  
individual and the denominator of which shall be the total 107  
number of months in the tax period. For purposes of this 108  
division, an individual is a qualifying individual during a 109  
month if the individual was a qualifying individual on any day 110  
of that month. 111

(3) If the credit allowed under this section is claimed by 112  
the employer of a qualifying individual, and the employer 113  
employs the qualifying individual for an average of less than 114  
thirty-two hours per week, the credit amount computed under 115  
division (B) (1) and (2) of this section shall be reduced by 116  
fifty per cent. 117

(C) (1) The tax credit shall be claimed in the order 118  
required under section 5747.98 or 5751.98 of the Revised Code. 119  
If the amount of the credit exceeds the amount of tax otherwise 120  
due and the tax credit is applied against the tax imposed under 121  
section 5747.02 of the Revised Code, the excess shall be allowed 122  
as a credit in each of the ensuing ten taxable years. If the tax 123  
credit is applied against the tax imposed under section 5751.02 124  
of the Revised Code, any excess credit shall be allowed as a 125  
credit against the tax due for each tax period in the ensuing 126  
ten years. The amount of any excess credit allowed in a taxable 127  
year or tax period shall be deducted from the balance carried 128  
forward to the next taxable year or tax period. 129

(2) If an employer of a qualifying individual is a pass- 130  
through entity and the credit is to be claimed against the tax 131  
imposed by section 5747.02 of the Revised Code, each equity 132  
owner of the entity that is subject to that tax may claim the 133

distributive or proportionate share of the credit for the 134  
owner's taxable year that includes the last day of the entity's 135  
taxable year in which the loan payments are made. 136

(D) More than one taxpayer may claim a credit based on 137  
loan payments made to a lender to benefit a single qualifying 138  
individual, but no two taxpayers may claim the credit based on 139  
the same payment. 140

(E) For each individual who earns a bachelor's or 141  
associate's degree from a state institution of higher education, 142  
the state institution of higher education shall certify to the 143  
tax commissioner the total principal amount of loans the 144  
individual received as part of that individual's financial aid 145  
package. Each institution shall provide to a qualifying 146  
individual, upon request, any information necessary to claim a 147  
credit authorized under this section. 148

(F) The tax commissioner may require individuals and 149  
employers to maintain records of loan payments and to provide 150  
any information necessary to support a claim for a credit 151  
authorized under this section. 152

**Sec. 5747.98.** (A) To provide a uniform procedure for 153  
calculating a taxpayer's aggregate tax liability under section 154  
5747.02 of the Revised Code, a taxpayer shall claim any credits 155  
to which the taxpayer is entitled in the following order: 156

(1) Either the retirement income credit under division (B) 157  
of section 5747.055 of the Revised Code or the lump sum 158  
retirement income credits under divisions (C), (D), and (E) of 159  
that section; 160

(2) Either the senior citizen credit under division (F) of 161  
section 5747.055 of the Revised Code or the lump sum 162

distribution credit under division (G) of that section;	163
(3) The dependent care credit under section 5747.054 of the Revised Code;	164 165
(4) The low-income credit under section 5747.056 of the Revised Code;	166 167
(5) The credit for displaced workers who pay for job training under section 5747.27 of the Revised Code;	168 169
(6) The campaign contribution credit under section 5747.29 of the Revised Code;	170 171
(7) The twenty-dollar personal exemption credit under section 5747.022 of the Revised Code;	172 173
(8) The joint filing credit under division (G) of section 5747.05 of the Revised Code;	174 175
(9) The earned income credit under section 5747.71 of the Revised Code;	176 177
(10) The credit for adoption of a minor child under section 5747.37 of the Revised Code;	178 179
(11) The nonrefundable job retention credit under division (B) of section 5747.058 of the Revised Code;	180 181
(12) The enterprise zone credit under section 5709.66 of the Revised Code;	182 183
(13) The ethanol plant investment credit under section 5747.75 of the Revised Code;	184 185
(14) The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;	186 187
(15) The small business investment credit under section	188

5747.81 of the Revised Code;	189
(16) <u>The credit for educational loan payments under</u>	190
<u>section 3345.83 of the Revised Code;</u>	191
(17) The enterprise zone credits under section 5709.65 of	192
the Revised Code;	193
<del>(17)</del> (18) The research and development credit under	194
section 5747.331 of the Revised Code;	195
<del>(18)</del> (19) The credit for rehabilitating a historic	196
building under section 5747.76 of the Revised Code;	197
<del>(19)</del> (20) The nonresident credit under division (A) of	198
section 5747.05 of the Revised Code;	199
<del>(20)</del> (21) The credit for a resident's out-of-state income	200
under division (B) of section 5747.05 of the Revised Code;	201
<del>(21)</del> (22) The refundable motion picture production credit	202
under section 5747.66 of the Revised Code;	203
<del>(22)</del> (23) The refundable jobs creation credit or job	204
retention credit under division (A) of section 5747.058 of the	205
Revised Code;	206
<del>(23)</del> (24) The refundable credit for taxes paid by a	207
qualifying entity granted under section 5747.059 of the Revised	208
Code;	209
<del>(24)</del> (25) The refundable credits for taxes paid by a	210
qualifying pass-through entity granted under division (I) of	211
section 5747.08 of the Revised Code;	212
<del>(25)</del> (26) The refundable credit under section 5747.80 of	213
the Revised Code for losses on loans made to the Ohio venture	214
capital program under sections 150.01 to 150.10 of the Revised	215



Code;	216
<del>(26)</del> <u>(27)</u> The refundable credit for rehabilitating a	217
historic building under section 5747.76 of the Revised Code;	218
<del>(27)</del> <u>(28)</u> The refundable credit for financial institution	219
taxes paid by a pass-through entity granted under section	220
5747.65 of the Revised Code.	221
(B) For any credit, except the refundable credits	222
enumerated in this section and the credit granted under division	223
(H) of section 5747.08 of the Revised Code, the amount of the	224
credit for a taxable year shall not exceed the taxpayer's	225
aggregate amount of tax due under section 5747.02 of the Revised	226
Code, after allowing for any other credit that precedes it in	227
the order required under this section. Any excess amount of a	228
particular credit may be carried forward if authorized under the	229
section creating that credit. Nothing in this chapter shall be	230
construed to allow a taxpayer to claim, directly or indirectly,	231
a credit more than once for a taxable year.	232
<b>Sec. 5751.98.</b> (A) To provide a uniform procedure for	233
calculating the amount of tax due under this chapter, a taxpayer	234
shall claim any credits to which it is entitled in the following	235
order:	236
(1) The nonrefundable jobs retention credit under division	237
(B) of section 5751.50 of the Revised Code;	238
(2) The nonrefundable credit for qualified research	239
expenses under division (B) of section 5751.51 of the Revised	240
Code;	241
(3) <u>The nonrefundable credit for educational loan payments</u>	242
<u>under section 3345.83 of the Revised Code;</u>	243

<u>(4)</u> The nonrefundable credit for a borrower's qualified research and development loan payments under division (B) of section 5751.52 of the Revised Code;	244 245 246
<del>(4)</del> <u>(5)</u> The nonrefundable credit for calendar years 2010 to 2029 for unused net operating losses under division (B) of section 5751.53 of the Revised Code;	247 248 249
<del>(5)</del> <u>(6)</u> The refundable motion picture production credit under section 5751.54 of the Revised Code;	250 251
<del>(6)</del> <u>(7)</u> The refundable jobs creation credit or job retention credit under division (A) of section 5751.50 of the Revised Code;	252 253 254
<del>(7)</del> <u>(8)</u> The refundable credit for calendar year 2030 for unused net operating losses under division (C) of section 5751.53 of the Revised Code.	255 256 257
(B) For any credit except the refundable credits enumerated in this section, the amount of the credit for a tax period shall not exceed the tax due after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating the credit.	258 259 260 261 262 263
<b>Section 2.</b> That existing sections 5747.98 and 5751.98 of the Revised Code are hereby repealed.	264 265