



Representative John M. Rogers
60th House District

Thank you Chairman McClain, Vice Chair Scherer, Ranking Member Cera, and fellow members of the House Ways and Means Committee for granting me the opportunity to provide sponsor testimony on House Bill 281, the Blair Deduction.

This legislation, conceptually, was originally introduced in the last General Assembly as HB 246, which I co-authored with the late Representative Terry Blair.

As many of you are aware, countless Ohioans' have accumulated significant personal debt while pursuing an education beyond high school in their efforts to obtain certifications and post-secondary degrees. Every individual who chooses to invest in themselves and increase their knowledge, skills and marketability to compete in today's job market must weigh the benefits of furthering their education against the ever increasing debt 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 \$28K. Graduates seeking employment often find themselves at the lowest level of their earning potential, regardless of career path, while at the same time having to start repaying their loans.

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:

- Offer an incentive by rewarding students who 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, obtain an associates, baccalaureate or more advanced degree.
- Provide greater incentive for recent graduates either to come here or to remain here in Ohio.
- Assist 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 41(a) of the Ohio IT 1040 Individual Income Tax Form. It targets Qualified Higher Education Expenses as it applies to tuition, fees, books, supplies and equipment, room and board, and special needs beneficiaries, and becomes available in the year following graduation.

Procedurally, a worksheet would be completed on which all qualified education expenses would be listed. The sum of these expenses would be reduced by amounts received in the form of grants, scholarships, 529 or similar payments, netting the actual out of pocket expenses incurred by students. This net amount would then be the basis of a yearly reduction to the individuals Adjusted Gross Income or AGI, limited to \$10,000 per year until the initial amount has been depleted.

Eligibility for this adjustment would:

- Require an ability to provide proof of completion/graduation, and
- become available in the calendar year following the year of graduation, (e.g.: a graduate in the class of 2015 would be able to begin adjusting their gross income in the taxable 2016 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 could choose to postpone any continued application of this deduction, until completion.

The bill I am offering today is much like Senate Bill 6, introduced by Senator's Eklund and Jones. Passed out of the Senate earlier this year, Senator Eklund proffered sponsor testimony to this committee on May 26th.

As described by the Legislative Service Commission, under continuing law, two tax-preferred college savings programs are authorized allowing individuals to purchase tuition units or make contributions to an investment account to pay for future college expenses. Both plans are designed to receive favorable tax treatment under Internal Revenue Code § 529. Earnings in 529 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.

Furthermore, continuing law also allows a state income tax deduction for purchases of tuition credits and contributions to a 529 college savings plan to the extent such purchases or contributions are included in the contributor's federal adjusted gross income. The deduction is limited to \$2,000 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. SB 6 would increase this annual limit to \$10,000.

Finally under current law, the bill allows a taxpayer to carry forward any excess deduction amount to future years until the amount of the purchases and contributions has been fully deducted. The bill's increased deduction first applies to taxable years ending on or after the date the bill becomes effective.

The benefits of a 529 program is provides the ability to invest monies for someone's future education costs, obtain a market rate of return on that investment, and 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. Ohio provides investors an additional advantage by allowing a \$2,000 per year, per student, deduction, until that investment amount has been amortized. This legislation mimics SB6, but instead of being offered for the investment on the front end, it is offered on the back end.

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

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

This legislation would give a similar benefit to those who invest in themselves after the fact as opposed to what is currently available before the fact.

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 in Ohio.

I would respectfully ask for your support for this legislation and I am prepared to answer any questions you may have. Thank you.