

As Introduced

**132nd General Assembly
Regular Session
2017-2018**

H. B. No. 790

Representative Ramos

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.

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:

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

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

(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;

(b) The taxpayer is a resident of this state during the
tax period for which the credit is claimed under this section

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 2017, 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 2018 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
divisions (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 5747.81 of the Revised Code;	188 189

(16) <u>The credit for educational loan payments under section 3345.83 of the Revised Code;</u>	190 191
(17) The enterprise zone credits under section 5709.65 of the Revised Code;	192 193
(17) -(18) The research and development credit under section 5747.331 of the Revised Code;	194 195
(18) -(19) The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	196 197
(19) -(20) The nonresident credit under division (A) of section 5747.05 of the Revised Code;	198 199
(20) -(21) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;	200 201
(21) -(22) The refundable motion picture production credit under section 5747.66 of the Revised Code;	202 203
(22) -(23) The refundable jobs creation credit or job retention credit under division (A) of section 5747.058 of the Revised Code;	204 205 206
(23) -(24) The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;	207 208 209
(24) -(25) The refundable credits for taxes paid by a qualifying pass-through entity granted under division (I) of section 5747.08 of the Revised Code;	210 211 212
(25) -(26) The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;	213 214 215 216

(26) <u>(27)</u> The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	217 218
(27) <u>(28)</u> The refundable credit for financial institution taxes paid by a pass-through entity granted under section 5747.65 of the Revised Code.	219 220 221
(B) For any credit, except the refundable credits enumerated in this section and the credit granted under division (H) of section 5747.08 of the Revised Code, the amount of the credit for a taxable year shall not exceed the taxpayer's aggregate amount of tax due under section 5747.02 of the Revised Code, 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 that credit. Nothing in this chapter shall be construed to allow a taxpayer to claim, directly or indirectly, a credit more than once for a taxable year.	222 223 224 225 226 227 228 229 230 231 232
Sec. 5751.98. (A) To provide a uniform procedure for calculating the amount of tax due under this chapter, a taxpayer shall claim any credits to which it is entitled in the following order:	233 234 235 236
(1) The nonrefundable jobs retention credit under division (B) of section 5751.50 of the Revised Code;	237 238
(2) The nonrefundable credit for qualified research expenses under division (B) of section 5751.51 of the Revised Code;	239 240 241
(3) <u>The nonrefundable credit for educational loan payments under section 3345.83 of the Revised Code;</u>	242 243
<u>(4)</u> The nonrefundable credit for a borrower's qualified research and development loan payments under division (B) of	244 245

section 5751.52 of the Revised Code;	246
(4) <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
(5) <u>(6)</u> The refundable motion picture production credit under section 5751.54 of the Revised Code;	250 251
(6) <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
(7) <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
Section 2. That existing sections 5747.98 and 5751.98 of the Revised Code are hereby repealed.	264 265