



## Business Tax Credits

**A** number of Ohio's business tax credits can be claimed against more than one type of tax. Rather than continue to list the same business tax credits in multiple chapters of this annual report, we have chosen to consolidate information about them here.

The tax credits available to Ohio businesses underwent significant reorganization with the 2005 enactment of House Bill 66, which phased out the corporation franchise tax for the vast majority of corporations after the 2009 report year.

For taxpayers subject to the corporation franchise tax phase-out and the phase-in of the commercial activity tax (CAT), the 2008 franchise tax reports (based on 2007 business activity) were the last on which the following credits could be applied:

- Job creation credit
- Job retention credit
- Research expense credit
- Research and development loan payment credit

After Jan. 1, 2008, these credits were automatically converted to credits against the CAT. However, these credits continue to apply against the franchise tax for taxpayers such as financial institutions, which are not subject to the CAT and remain subject to the franchise tax through tax year 2013. Additionally, a CAT credit for unused franchise tax net operating loss deductions was made available to qualifying corporations starting in calendar year 2010.

### Credits

#### **Enterprise zone day care and training credits** (R.C. 5709.65(A))

Taxpayers that locate in an enterprise zone and who are awarded the appropriate tax incentive certificate by the Ohio Department of Development may claim a nonrefundable credit equal to:

- the amount reimbursed to specified employees for the cost of day care services up to a maximum of \$300 per child; and
- the amount reimbursed to specified employees for training costs up to a maximum of \$1,000 per employee.
- **Taxes:** Individual income.

#### **Enterprise zone eligible new employees** (R.C. 5709.66(B))

Taxpayers that locate in an enterprise zone and who are issued the appropriate tax incentive certificate for an

eligible employee may claim a \$1,000 nonrefundable credit for each taxable year covered by the enterprise zone agreement during which the eligible employee is employed by the taxpayer. An "eligible employee" is a new employee at the facility to which the enterprise zone agreement applies, who at the time hired was a recipient of aid through the Ohio Works First program (Temporary Assistance to Needy Families) or general assistance and who resided for at least one year in the county in which the facility is located.

**Taxes:** Individual income.

#### **Ethanol investment credit** (R.C. 901.13, 5733.46 and 5747.75)

This nonrefundable credit equals 50 percent of the taxpayer's investment in an ethanol plant certified by the Ethanol Incentive Board in the calendar year preceding the report year. The credit is limited to \$5,000 per taxpayer per plant. The credit was first available for taxable year 2002.

**Taxes:** Individual income.

#### **Grape production property credit** (R.C. 5733.32, 5747.28)

This nonrefundable credit equals 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

**Taxes:** Individual income.

#### **Historic building preservation credit** (R.C. 149.311, 5725.34, 5726.52, R.C. 5747.76)

This refundable credit is based on the expenses incurred by owners or a qualified lessee of a historic building to rehabilitate such a building. The credit, if approved by the Ohio Department of Development, equals 25 percent of the owner's or qualified lessee's "qualified rehabilitation expenditures" paid or incurred during the 24- or 60-month rehabilitation period.

**Taxes:** Financial institutions, insurance or individual income.

#### **Job creation credit** (R.C. 122.17, 5726.50, 5747.058, 5751.50)

The Ohio Tax Credit Authority may award taxpayers a refundable credit for new jobs created according to an agreement pursuant to R.C. 122.17. The credit equals a designated percentage of the additional Ohio income tax withheld from a site or from home-based employees over a baseline

amount intended to represent the amount of withholding taking place before the job creation agreement. The exact percentage of the credit is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to 15 years.

**Taxes:** Commercial activity, financial institutions, individual income or insurance taxes.

**Job retention credit** (R.C. 122.171, 5726.26, 5747.058(B), 5751.50)

The Ohio Tax Credit Authority may award a refundable tax credit if the project has a retention of at least 500 full-time jobs and minimum annual retained payroll of at least \$20 million, or minimum annual retained payroll of \$35 million with no required job retention threshold; and a fixed asset investment of at least \$5 million.

The Ohio Tax Credit Authority may award this non-refundable credit to businesses that invest at least \$50 million in fixed-assets for manufacturing operations or at least \$20 million in fixed-assets for significant corporate administrative functions. In exchange for the credit, employers must commit to retain at least the equivalent of 500 full-time employees at the site for at least seven years or the term of the credit plus three years, whichever is greater. The size of the credit, determined by agreement with the Ohio Tax Credit Authority, equals up to 75 percent of the Ohio individual income tax withheld from the wages or salary paid to employees retained at the site.

**Taxes:** Commercial activity (beginning in 2008), financial institutions, individual income (before 2008) or insurance taxes (for job retention agreements reached after Oct. 16, 2009).

**Lottery Commission Withholding Credit** (R.C. 5747.062(B))

This refundable credit equals the amount the Ohio Lottery Commission withheld from payments to the taxpayer.

**Taxes:** Individual income.

**Motion picture production credit** (R.C. 122.85, 5726.55, 5733.59, 5747.66)

This refundable credit can be claimed against individual income or corporation franchise tax liability based on awards from the Department of Development for motion picture production work performed in Ohio. Productions with budgets that exceed \$300,000 may qualify for the credits, which are based on 35 percent of payroll expenditures for Ohio resident cast and crew and 25 percent of other eligible production expenses. The value of each credit may not exceed \$5 million per production, and the total credits to be issued are capped at \$40 million for fiscal biennium, beginning on or after July 1, 2011. Corporations may claim this credit against the corporation franchise tax even if they are no longer subject to the franchise tax.

**Taxes:** Financial institutions or individual income.

**New markets tax credit** (R.C. 5725.33, 5726.54, 5729.16)

This credit is a nonrefundable tax credit with a four-year carry forward for financial institutions and insurance companies that invest in "Community Development Entities," as defined by the federal New Markets Tax Credit program. To qualify, a taxpayer must first qualify for the federal credit program by holding an equity investment in a qualified Community Development Entity. The Ohio Department of Development may annually issue a maximum of \$10 million worth of credits.

**Taxes:** Financial institutions or insurance taxes.

**Research expense credit** (R.C. 5726.56, 5733.351, 5751.51)

This nonrefundable credit equals seven percent of the amount by which the taxpayer's "qualified research expenses" (as defined in Internal Revenue Code section 41) in Ohio during the taxable year exceed the taxpayer's average annual qualified research expenses in Ohio for the three preceding years.

**Taxes:** Commercial activity (starting in 2008) or financial institutions.

**Research and development loan payments credit** (R.C. 5751.52)

The amount of this nonrefundable credit equals the borrower's qualified research and development loan payments during the calendar year that immediately precedes the report year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development.

**Taxes:** Commercial activity (starting in 2008) or individual income (before the 2008 taxable year).

**Unused net operating losses credit** (R.C. 5751.53)

Beginning in calendar year 2010, qualifying taxpayers may claim a nonrefundable tax credit equal to 8 percent of the taxpayer's franchise tax net operating loss carry forwards and other deferred tax items against the commercial activity tax. This credit is limited to taxpayers that elected to claim the credit by filing with the Tax Commissioner before July 1, 2006.

**Tax:** Commercial activity.

**Venture capital credit** (5707.031, 5725.19, 5726.53, 5727.241, 5729.08, 5733.49, 5747.80)

The Ohio Venture Capital Authority has the authority to issue refundable tax credits to its creditors. The credits are redeemable in the event of losses on loans to the authority.

**Taxes:** Financial institutions, individual income, insurance taxes and public utility excise tax.