



# Ohio Schedule E

## Business Credits (For taxable year beginning in 2001)

(Rev 11/01)

### Taxpayer Information

Your First Name	Initial	Last Name	Your Social Security Number
If a joint return, spouse's first name	Initial	Last Name	Spouse's Social Security Number
Your address (number and street,)			
City, town or post office, state and ZIP code			

### Business Information

(If more than one related business entity, attach list.)

Name of Related Business Entity	F.E.I.N. No.
Business address (number and street)	Ohio Tax ID. No. (if applicable)
City, town or post office, state and ZIP code	

This schedule applies to individuals and estates who as sole proprietors or as investors in pass-through entities (e.g. partnerships, limited liability companies taxed as partnerships for federal income tax purposes, or S corporations) are entitled to claim one or more of the thirteen nonrefundable Ohio business credits listed below. The nonrefundable credits may be used to reduce the tax liability (before payments) to zero.

**Schedule E -1 – Schedule of Nonrefundable Business Credits** Credits must be claimed in the order listed in Ohio Revised Code Section (ORC) 5747.98. Enter each credit amount from line 12 of the summary worksheet on page 2.

	Carryforward Period	Amount of Credit
1. Credit for contributions to candidates for Ohio statewide office or general assembly (ORC 5747.29)	none	1. _____
2. Credit for employers that enter into agreements with child day-care centers (ORC 5747.34)	none	2. _____
3. Credit for employers that reimburse child day-care centers (ORC 5747.36)	none	3. _____
4. Credit for purchases of lights and reflectors on agricultural equipment made after 10/4/00 (ORC 5747.38)	none	4. _____
5. Credit for purchases of new manufacturing machinery & equipment (the original 20% credit or the alternative 20% credit) (ORC 5747.26 or 5747.261)	Three Years	5. _____
6. Second credit for purchases of new manufacturing machinery & equipment (7.5%--13.5% credit) (ORC 5747.31)	Three Years	6. _____
7. Credit for new employees in an enterprise zone (ORC 5709.66(B))	Three Years	7. _____
8. Credit for eligible costs associated with a voluntary action (clean-up) (ORC 5747.32 and 122.19)	Three Years	8. _____
9. Credit for employers that establish on-site day-care center (ORC 5747.35)	Five Years	9. _____
10. Credit for purchases of grape production property (ORC 5747.28).	Seven Years	10. _____
11. Export Sales Credit Carryforward (attach computation) (ORC 5747.057)	1994-2004	11. _____
12. Edison Center Credit for research and development investors (attach credit certificate) (ORC 5747.33, 122.15, 122.151 to 122.154)	Fifteen Years	12. _____
13. Enterprise zone day-care and training credits (ORC 5709.65 (A)(4) & (A)(5))	Unlimited	13. _____
14. Total nonrefundable business credits (add the amounts on lines 1 through 13) Enter here and on line 13 of form IT-1040 or line 11 of form IT-4708.		14. _____



## GENERAL INSTRUCTIONS

The thirteen nonrefundable business credits listed in Schedule E-1 may be used to reduce the tax liability (before payments) to zero.

Schedule E-1 lists the nonrefundable credits in the order in which you may claim them as well as the carryover period for each credit. The order is important if you are entitled to more than one credit and if you are unable to use some portion of the total credit in the year generated.

Please read all of the following instructions carefully for each section to determine if you are eligible to claim that particular credit.

**Note 1:** Attach Schedules E-1 and E-2 to your form IT-1040, IT-1040X, IT-4708 or IT-1041E (whichever is applicable). Attach supporting schedules and certificates as specified in the instructions.

The remaining portion of this booklet and any supporting schedules or documentation are subject to examination by the Ohio Department of Taxation. You should retain a copy of the remaining portions of this booklet and any supporting schedules or documentation for four years from the later of the date your return is due or the date you file your return.

**Note 2:** If you own one or more sole proprietorships and/or hold an ownership interest in one or more pass-through entities which generate Ohio business credits, Ohio law requires that in some situations you must calculate the credit by aggregating (combining) those ownership interests.

You will need to review the applicable law. Schedule E-1 sets forth the applicable code sections needed for each business credit listed.

## MAILING INSTRUCTIONS

Taxpayers with business credits should attach Schedules E-1 and E-2 to their Ohio income tax return (form IT-1040, IT-1040X, IT-4708 or IT-1041E, whichever is applicable).

Mail the income tax return with attachments to:

**Ohio Department of Taxation  
Attn: Business Credit Processing  
P.O. Box 182847  
Columbus, Ohio 43218-2847**

Write "Ohio Schedule E Enclosed" in the lower left hand corner of the envelope.

## TAXPAYER ASSISTANCE

If you want further information, you may use any of the following methods:

**\* Internet**

[www.state.oh.us/tax/](http://www.state.oh.us/tax/)

**\* Call us**

(614) 438-5317

**\* Write us**

Ohio Department of Taxation  
P.O. Box 182847  
Columbus, Ohio 43218-2847

**\* Walk-in**

Our walk-in locations and hours are listed on the inside back cover of the IT-1040 booklet.

**For Deaf, Hard of Hearing or Speech Impaired who use TTY or TDD only:**

Please contact the Ohio Relay Service at 1-800-750-0750 and give the Communication Assistant the Ohio Department of Taxation telephone number that you wish to contact.

## 1. CREDIT FOR CONTRIBUTIONS MADE TO CANDIDATES FOR OHIO STATEWIDE OFFICE OR GENERAL ASSEMBLY

A taxpayer may claim a credit for contributions of money during the taxable year to the campaign committee of candidates for any of the following Ohio offices:

- Governor
- Lieutenant Governor
- Secretary of State
- Auditor of State
- Treasurer of State
- Attorney General
- Ohio Board of Education
- Chief Justice of the Ohio Supreme Court
- Justice of the Ohio Supreme Court
- Ohio Senate or
- Ohio House of Representatives.

The amount of the credit is the lesser of the combined total cash contributions made by each taxpayer during the taxable year or \$50 for each taxpayer, whichever is less. If the contributor is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. However, the credit for each investor cannot exceed the greater of each investor's proportionate share or \$50. **Note: if you claim the credit for political contributions in Schedule E, you may not claim a credit for the same political contributions in Schedule B of form IT-1040. The combined total of your political contributions credit claimed on Schedule E and on Schedule B of form IT-1040 cannot exceed \$50 per taxpayer.**

## 2. CREDIT FOR EMPLOYERS THAT ENTER INTO AGREEMENTS WITH CHILD DAY-CARE CENTERS

An employer that makes periodic "support payments" directly to an Ohio licensed child day-care center that agrees to serve a child of an employee for the period covered by the support payments may claim a credit equal to 50% of the support payments that the employer makes to the day-care center during the taxable year. The credit applies to taxable years 1997 through 2002.

In determining the credit the employer may not include amounts directly or indirectly paid in connection with a cafeteria plan or program described in section 125 of the Internal Revenue Code and may not include reimbursements paid to employees for dependent child day-

care expense for which the taxpayer is claiming the credit provided by ORC 5747.36 (see credit #3, below). The credit is determined by the employer. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2. Credit amounts that are not used in the year generated may not be carried to another year.

## 3. CREDIT FOR EMPLOYERS THAT REIMBURSE CHILD DAY-CARE EXPENSES

An employer may claim a credit equal to 50% of the amount that the employer incurs during the taxable year to reimburse employees for dependent child day-care expense at an Ohio licensed day-care center. The credit may not exceed \$750 per dependent child. In determining the credit the employer may not include any amount incurred in connection with a cafeteria plan described in section 125 of the Internal Revenue Code and may not include child day-care center agreement "support payments" used to determine the ORC section 5747.34 day-care credit (see credit # 2, above). The credit applies to taxable years 1997 through 2002. The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2. Credit amounts that are not used in the year generated may not be carried to another year.

## 4. CREDIT FOR PURCHASES OF LIGHTS AND REFLECTORS FOR TRACTORS

A taxpayer may claim a nonrefundable credit for purchasing lights and reflectors for installation on multi-wheel agricultural tractors in order to comply with the new lighting and reflector requirements set forth in ORC section 4513.111. A multi-wheel agricultural tractor has two or more wheels on each side of one rear axle. See ORC section 4511.01.

The credit is the lesser of \$1,000 or fifty per cent of the cost of the lights and reflectors purchased during the period October 5, 2000 (the effective date of the new law) through October 4, 2001. The taxpayer must claim the credit for the taxable year during which the taxpayer purchased the lights and reflectors.

If the taxpayer is an investor in a pass-through entity which made such purchases, the investor may claim the investor's proportionate share of the credit. Unused credit amounts may not be carried forward.

## 5. CREDIT FOR PURCHASES OF NEW MANUFACTURING MACHINERY AND EQUIPMENT

### A. ORIGINAL 20% CREDIT

This credit applies to manufacturers that during the eighteen-month period January 1, 1995 through June 30, 1996 purchase new manufacturing machinery and equipment which the taxpayer will locate in Ohio and use as a manufacturer. This is the last year for the carryforward provision of this credit.

For additional information please see ORC section 5747.26 and the Department's October 14, 1994, September 21, 1995, and May 7, 1996 information releases. Please address your request for these information releases to Ohio Department of Taxation, P.O. Box 2476, Columbus, OH 43216-2476. Many of these information releases are available on the Internet at: [www.state.oh.us/tax/](http://www.state.oh.us/tax/)

### B. ALTERNATIVE 20% CREDIT

We refer to the ORC section 5747.261 credit as the "alternative 20% credit" because a taxpayer can claim this credit as an alternative to the original 20% credit provided by ORC section 5747.26. This the last year for the carryforward provision of this credit.

For additional information please see Ohio Revised Code section 5747.261 and the Department's October 14, 1994, September 21, 1995, and May 7, 1996 information releases. Please address your request for the information releases to Ohio Department of Taxation, P. O. Box 2476, Columbus, OH 43216-2476. These information releases are available on the Internet at: [www.state.oh.us/tax/](http://www.state.oh.us/tax/)

## 6. SECOND CREDIT FOR PURCHASES OF NEW MANUFACTURING MACHINERY AND EQUIPMENT (7.5%-13.5% CREDIT)

**Note 1: Amended Substitute House Bill 283 recently amended the 7.5%-13.5% manufacturer's credit. Among other changes, the new law extends the purchase period for the credit to December 31, 2005.** (Under prior law the purchase period was to expire on December 31, 2000).

**Note 2: New manufacturing machinery and equipment for which a taxpayer claims either the original 20% credit or the alternative 20% credit is not considered new manufacturing machinery and equipment for**

**purposes of the 7.5%-13.5% credit (see ORC sections 5747.31(B) and 5733.33(G)). Therefore, new manufacturing machinery and equipment for which the taxpayer claims either the original 20% credit or the alternative 20% credit: (i) is not eligible for the 7.5%-13.5% credit and (ii) is not considered when determining the amount by which the taxpayer's cost of new manufacturing equipment purchased during a qualifying period for use in an Ohio county exceeds the taxpayer's base investment for that county.**

The Department has prepared computerized spreadsheets to calculate the credit. The spreadsheets are available only through the Internet. To access these spreadsheets and download the file to your computer, visit the Department on the Internet at: [www.state.oh.us/tax/](http://www.state.oh.us/tax/)

Manufacturers may claim a credit for "new manufacturing machinery and equipment" purchased during the period July 1, 1995 to December 31, 2005 provided that the taxpayer installs the machinery and equipment in Ohio by the required date. The credit also applies to taxpayers that have an interest in pass-through entities that during the period July 1, 1995 to December 31, 2005 purchase new manufacturing machinery and equipment provided that the pass-through entity installs the machinery and equipment in Ohio by the required date. New manufacturing machinery and equipment purchased prior to January 1, 2001 must be installed no later than December 31, 2001. New manufacturing machinery and equipment purchased during the calendar years 2001 through 2005 must be installed no later than December 31, 2006.

**"New manufacturing machinery and equipment"** is manufacturing machinery and equipment the original use in Ohio of which begins with the taxpayer or a pass-through entity in which the taxpayer has an interest. For purposes of this credit, equipment is "new" if the taxpayer or pass-through entity is the first to use the equipment in Ohio.

New manufacturing equipment that is manufactured or assembled primarily by the taxpayer for the taxpayer's own use is deemed to have been purchased on the date the taxpayer places the property in service in the county for which the taxpayer will calculate the credit. New manufacturing machinery and equipment that is not manufactured or assembled by the taxpayer is deemed to have been purchased on the date which the agreement to acquire the property becomes binding.

A taxpayer must separately determine the credit in each

Ohio county with respect to the qualifying equipment that the pass-through entity purchases for use in that county during each of eleven separate qualifying purchase periods that comprise the period July 1, 1995 to December 31, 2005. The eleven separate qualifying periods are the six month period July 1, 1995 to December 31, 1995 and each of the calendar years 1996 through 2005. The credit is based on purchases during the calendar year even if the pass-through entity has a fiscal year end.

For those Ohio counties not designated as “eligible areas” the credit equals 7.5% of the amount by which the cost of qualifying equipment purchased during a qualifying period for use in an Ohio county exceeds the “base investment” for that county. “**Eligible areas**” are those Ohio counties and municipalities which the Ohio Department of Development annually designates and certifies based upon the economic criteria set forth in the law.

For those Ohio counties designated as eligible areas the credit equals 13.5% of the amount by which the cost of qualifying equipment purchased during a qualifying period for use in the county exceeds the base investment for the county. For those Ohio counties that are not designated as eligible areas but that contain within their boundaries eligible areas, the credit equals the sum of the following:

- . 13.5% of the lesser of: (a) the cost of qualifying equipment purchased during the qualifying period for use in the eligible areas of the county or (b) the county excess (the cost of qualifying equipment purchased during the qualifying period for use in the entire county minus the taxpayer’s base investment for that county) **and**
- .7.5% of the amount by which the county excess is greater than the cost of qualifying equipment purchased during the qualifying period for use in the eligible areas in the county.

The credit for qualifying equipment purchased by a pass-through entity is not computed at the pass-through entity level and then passed through to the taxpayers that have an interest in the pass-through entity. Instead, taxpayers that have an interest in a pass-through entity during a qualifying period in which the pass-through entity purchased qualifying equipment must claim a proportionate share of the cost of such equipment and a proportionate share of the pass-through entity’s base investment in the county for which the qualifying equipment was purchased. For each qualifying period and for each county and eligible area such proportionate share amounts are then added to (i) the proportionate share amounts from other pass-through entities in which the taxpayer has an interest and (ii) the taxpayer’s own purchases of qualifying equipment and base investment. The taxpayer must com-

pute the credit after aggregating its proportionate share amounts with the taxpayer’s own purchases and the taxpayer’s own base investment.

“**Base investment**” is determined by adding the cost of new manufacturing machinery and equipment purchased for use in an Ohio county during the “base years” and dividing the total by three.

<b>Calendar Year of Purchase</b>	<b>Base Years</b>
7/1/95-12/31/95	1992, 1993, 1994
1996	1992, 1993, 1994
1997	1992, 1993, 1994
1998	1992, 1993, 1994
1999	1993, 1994, 1995
2000	1994, 1995, 1996
2001	1995, 1996, 1997
2002	1996, 1997, 1998
2003	1997, 1998, 1999
2004	1998, 1999, 2000
2005	1999, 2000, 2001

A taxpayer must claim one-seventh of the credit in each of the seven taxable years beginning with the calendar year during which the taxpayer purchased the equipment. However, for qualifying equipment purchased during the period July 1, 1995 to December 31, 1995 a taxpayer may not begin to claim the one-seventh credit amounts until taxable year 1996.

If the taxpayer sells the equipment or moves the equipment from the county for which the credit was originally computed, the taxpayer is not allowed any remaining one-seventh credit amounts on the equipment sold or moved unless the equipment is fully depreciated for federal income tax purposes at the time the equipment is sold or moved. However under certain limited circumstances, the purchaser of a “large manufacturing facility” may claim the unused credits of the seller of the manufacturing equipment located at that manufacturing facility.

The Department has prepared computerized spreadsheets to calculate the credit. The spreadsheets are available only through the Internet. To access these spreadsheets and download the file to your computer, visit the Department on the Internet at: [www.state.oh.us/tax/](http://www.state.oh.us/tax/)

For additional information please see ORC sections 5747.31 and 5733.33 and the Income Tax Audit Division’s September 22, 1995, May 6, 1996, May 7, 1996 and June, 1996 Information Releases. These releases are available on the Internet at: [www.state.oh.us/tax/](http://www.state.oh.us/tax/)

## 7. CREDIT FOR ELIGIBLE NEW EMPLOYEES IN AN ENTERPRISE ZONE

An employer that is complying with an enterprise zone agreement under ORC sections 5709.62 and 5709.63 and that has not closed or reduced employment at any place of business in Ohio within the previous twelve months may apply to the Director of the Ohio Department of Development for an “employee tax credit certificate” for each “eligible new employee” which the employer hires after June 30, 1994 at the facility to which the enterprise zone agreement applies. An employer that receives a tax credit certificate for an eligible employee may claim a \$1,000 nonrefundable credit for each taxable year covered under the enterprise zone agreement during which the employer employs the eligible new employee. If an eligible employee is employed for less than the employer’s full taxable year, the taxpayer’s credit is proportionately reduced. See ORC section 5709.66(B)(1).

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 to dependent children or general assistance and who resided for at least one year in the county in which the facility is located. See ORC section 5709.66(B)(2)(a).

**Important:** Taxpayers who claim this credit should attach to Schedule E a supporting schedule that provides the following information for each eligible employee for which an employee tax credit certificate is received from the Director of the Ohio Department of Development: (a) Name of employee, (b) Date hired (and date of termination of employment if applicable) and (c) Amount of credit claimed. If a taxpayer claims the ORC section 5709.66 enterprise zone new employee tax credit with respect to an employee, the taxpayer may not claim the ORC section 122.17 new jobs refundable credit with respect to that employee. See the Ohio Revised Code sections 5709.66(B)(2)(b)(i) and 122.17(A).

The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter credit amount in Schedule E-2, line 1 in the appropriate column. Unused credit amounts may be carried forward for three taxable years following the taxable year in which the credit is generated.

## 8. CREDIT FOR ELIGIBLE COSTS ASSOCIATED WITH A VOLUNTARY ACTION (BROWNFIELD SITE CLEAN-UP)

A taxpayer who participates in the Ohio Environmental Protection Agency’s (OEPA) Voluntary Action Program and who has received and maintained a “covenant not to sue” from the OEPA may apply to the director of the Ohio Department of Development for this credit, which is intended to encourage private sector cleanup and reuse of properties that have been contaminated by hazardous substances. After considering the application, the director and the taxpayer may enter into an agreement under which the director will grant a nonrefundable credit in exchange for the taxpayer’s redevelopment of the contaminated site in a manner that will create employment opportunities.

The credit equals a portion of the “eligible costs” incurred during the period July 1, 1996 through June 30, 1999 that are associated with a “voluntary action” to clean up the contaminated site. If the site is located in an area which the Ohio Department of Development has designated as an “eligible area,” the credit equals the lesser of \$750,000 or 15% of the taxpayer’s eligible costs associated with the voluntary action. If the contaminated site is not located in an eligible area, the credit equals the lesser of \$500,000 or 10% of the taxpayer’s eligible costs associated with the voluntary action.

The business entity calculates the credit. If the business entity is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. The Director of Development will issue the entity a certificate indicating the amount of the credit. Taxpayers that claim the credit must attach a copy of the certificate to this schedule and claim their proportionate share of the credit ratably over five years beginning with the calendar year in which the entity enters into the agreement. The taxpayer may carry forward for three taxable years the unused portion of any one-fifth credit amount after which time the unused portion of any one-fifth amount expires. Enter the credit amount in Schedule E-2, line 1, in the appropriate column.

The **Ohio Department of Development** administers this credit. For more information, contact the Ohio Department of Development, Office of Tax Incentives, 77 S. High Street, 28th Floor, P.O. Box 1001, Columbus, OH 43216-1001 or call (614) 466-2317, or 1 (800) 848-1300.

## 9. CREDIT FOR EMPLOYERS THAT ESTABLISH ON-SITE CHILD DAY-CARE CENTERS

An employer that establishes an Ohio licensed day-care center that serves only children of the taxpayer's employees and is located at the employees' worksite may claim a credit equal to the lesser of \$100,000 or 50% of the amount the employer incurred for equipment, supplies, labor, and real property, including renovation of real property, to establish the day-care center. The employer can claim the credit for the taxable year in which the child day-care center begins operations, and the employer can claim the credit only for taxable years beginning after December 31, 1996 but beginning prior to January 1, 2003. The credit amount that the taxpayer does not use in the taxable year in which the credit was generated may be carried forward for five taxable years after which time the unused portion of the credit expires. However, if the employer ceases to operate the center within the five year carryforward period, any unused portion of the credit is lost.

The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2, line 1, in the appropriate column.

## 10. CREDIT FOR PURCHASES OF GRAPE PRODUCTION PROPERTY

Grape producers may claim a credit equal to 10% of the cost of qualifying property purchased on or after January 1, 1994. Qualifying property is any property, plant, or equipment used in growing, harvesting or producing grapes in Ohio. The credit is subject to recapture if the taxpayer disposes of the property or ceases to use it as qualifying property within seven years after placing it in operation. The grape producer calculates the credit. If the producer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2, line 1, in the appropriate column. Unused credit amounts may be carried forward for seven taxable years following the taxable year in which the credit is generated after which time the unused portion of the credit expires.

## 11. EXPORT SALES CREDIT CARRYOVER

The Export Sales Credit Carryover applies to the owners of the business entities that increase export sales and also increase either Ohio property or Ohio payroll.

The increase in export sales need not originate from Ohio. For the period 2000 through 2004, unused carryover amounts from prior years may be carried forward and used. Enter the unused carryforward amount reported on your 1999 Schedule E on line 1 of your 2000 Schedule E-2 and attach your computation.

## 12. EDISON CENTER CREDIT FOR RESEARCH AND DEVELOPMENT INVESTORS

Investors that provide capital to qualifying small Ohio based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25% of the taxpayer's at-risk investment. Investors that intend to claim the credit must apply to one of the state's seven Edison Centers for approval of the proposed investment. The credit application fee is \$200 for a single investor and \$800 for a group of investors.

For taxable years after June 30, 1997, Amended Substitute H.B. 215 ( 122nd) amended this credit. See ORC section 122.15 as amended by the new law.

The Ohio Department of Development administers this credit. To request a credit application form and to obtain additional information, please contact:

**Ohio Department of Development, Technology Division, 77 S. High Street, P.O. Box 1001, Columbus, OH 43216-1001 or call (614) 466-3887 or 1 (800) 848-1300.**

## 13. ENTERPRISE ZONE DAY-CARE CREDIT AND ENTERPRISE TRAINING CREDIT

### ENTERPRISE ZONE DAY-CARE CREDIT

Employers who hold a Tax Incentive Qualification Certificate issued by the Ohio Department of Development and who reimburse "qualifying new employees" (defined below) for all or part of day-care services necessary to enable such employees to be employed at the enterprise zone facility, to which the tax incentive qualification certificate applies, can claim a nonrefundable tax credit equal to the amount reimbursed. However, the credit is limited to a maximum of \$300 for each child or dependent of the qualifying new employee receiving the day-care services. Only reimbursements of amounts which new employees pay to day-care centers licensed by the Ohio Department of Human Services for day-care services provided during the first twenty-four months of employment are eligible for this credit. The credit is available for the taxable year in which the reimbursement is made.

**Important:** Taxpayers claiming the day-care credit should attach a supporting schedule which provides the following information for *each* qualifying new employee receiving reimbursement for day-care expenses:

- Name of employee
- Date hired
- Number of children or dependents receiving day-care services
- Amount reimbursed to employee.

For purposes of the enterprise zone day-care credit and the enterprise zone training credit, Ohio Revised Code section 5709.64(A)(2) defines “**qualifying new employees**” as persons who at the time they were hired were one of the following:

- Unemployed persons residing for at least six months in the county in which the enterprise’s project site is located,
- “Job Training Partnership Act” eligible employees residing for at least six months in the county in which the enterprise’s project site is located,
- Recipients of aid to dependent children, general relief, or unemployment compensation benefits who reside for at least six months in the county in which the enterprise’s project site is located,
- Handicapped persons as defined under division (A) of section 3304.11 of the Ohio Revised Code, residing for at least six months in the county in which the enterprise’s project site is located, or
- Residents for at least one year of an enterprise zone located in the county in which the enterprise’s facility is located.

The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in schedule E-2, line 1 in the appropriate column. Credit amounts that are not used in the year generated can be carried forward to the next succeeding taxable year or years until fully utilized.

### **ENTERPRISE ZONE TRAINING CREDIT**

Employers that hold a Tax Incentive Qualification Certificate issued by the Ohio Department of Development and that pay or reimburse all or part of the cost of participation by “qualifying new employees” in a “qualified training program” can claim a nonrefundable tax credit equal to the amount which the employer pays or reimburses the qualifying new employee for the training program. However, the maximum credit is \$1,000 per employee. In addition, the employee must be employed by the enterprise for at least ninety days following completion of the training program. This credit is allowed for the taxable year in which the employee completes the ninety days of subsequent employment.

**Important:** Taxpayers claiming the training credit should attach a supporting schedule to Schedule E-1 that provides the following information for *each* qualifying new employee for whom the taxpayer is claiming the credit:

- Name of employee
- Date hired and date of termination (if applicable)
- Amount paid or reimbursed for all or part of the cost of the employee’s participation in the qualified training program

Ohio Revised Code section 5709.61(P) defines a “**qualified training program**” as any noncredit training program or course of study that is offered by any of the following:

- State college or university,
- University branch district,
- Community college,
- Technical college,
- College or university certified under section 1713.02 of the Ohio Revised Code,
- School district,
- Joint vocational school district,
- School registered under section 3332.05 of the Ohio Revised Code,
- An entity administering any federal, state, or local adult education and training program, or
- Any enterprise.

In addition, a qualified training program must meet all the following requirements:

- The training program is approved by the Director of the Ohio Department of Development, and
- The purpose of the training program is to satisfy the need of a particular industry or enterprise for skilled or semi-skilled employees, and
- An individual is required to complete the course or program before filling a position at the enterprise’s facility.

The employer calculates the credit. If the employer is a pass-through entity, each investor may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2, line 1 in the appropriate column. Credit amounts that are not used can be carried forward to the succeeding taxable year or years until fully utilized.

### **REFUNDABLE BUSINESS CREDITS**

A refundable credit is treated as a payment of the tax and is accounted for after the nonrefundable credits. Unlike a nonrefundable credit, a refundable credit may result in the taxpayer’s receiving a refund for an amount in excess of tax due after reduction for all nonrefundable credits. There are two refundable Ohio credits: (i) the Jobs Creation Credit and (ii) the Pass-Through-Entity credit.

### **JOBS CREATION CREDIT**

The Jobs Creation Credit is a refundable tax credit whose purpose is to foster the creation of new jobs in Ohio. The

credit is administered by the Tax Credit Authority with the Ohio Department of Development. The Ohio Tax Credit Authority may enter into a tax credit agreement with an employer or a potential employer who proposes a project which will create new Ohio jobs. The Tax Credit Authority may enter into such an agreement if the Authority determines the following:

- the proposed project will create new jobs in Ohio,
- the proposed project is economically sound, and
- the credit is a major factor in the employer's decision to proceed with the project.

The credit applies to the employer's taxable years specified in the agreement. However, the term of the credit can not exceed ten years. The credit equals the amount of Ohio income tax which the taxpayer withheld from compensation paid to "new employees" during its taxable year multiplied by the percentage specified in the taxpayer's agreement with the Tax Credit Authority. The employer must agree to maintain its operations at the project location for at least twice the number of years as the term of the credit and, if the employer fails to do so, the credit is subject to recapture.

The term "**new employee**" means a full-time employee first employed by the taxpayer for the project that is the subject of the tax credit agreement after the taxpayer enters into the agreement. New employees include employees hired after the Tax Credit Authority approves the taxpayer's project but before the taxpayer signs the tax credit agreement with the Tax Credit Authority as long as the taxpayer signs the agreement within sixty days after receiving the agreement from the Department of Development. If the Authority determines that it is appropriate, a "new employee" also may include an employee rehired or called back from layoff to work in a new facility or on a new product or service.

If a taxpayer claims the refundable new jobs credit with respect to an employee, the taxpayer may not claim the

nonrefundable ORC section 5709.66 enterprise zone eligible new employee credit with respect to that same employee (see page 8 of the instructions).

The Tax Credit Authority and the Ohio Department of Development administer this credit. Tax Credit Agreement application forms are available from the **Ohio Department of Development, Economic Development Division, 77 S. High Street, 28th floor, Columbus, Ohio 43215-6130 or call 614-466-3612 or 1-800-848-1300.**

The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. The credit is considered a payment of the tax on the first day of the taxpayer's taxable year. Enter the credit amount on the appropriate payment line of form IT-1040, IT-1040X, IT-4708 or IT-1041E (whichever is applicable). Taxpayers who claim the credit must attach to their returns a copy of the Director of Development's certificate of verification. **Do not enter the Jobs Creation Credit on Schedule E.** For further information see Ohio Revised Code sections 122.17 and 5747.058.

#### **CREDIT FOR TAXES PAID BY A PASS-THROUGH ENTITY**

Individuals who invest in pass-through entities can claim a refundable credit for Ohio tax which a pass-through entity paid on their behalf on form IT-4708 (Composite Return for Investors in Pass-Through Entities) and form IT-1140 (Pass-Through Entity and Trust Tax Return). Enter the credit amount on the appropriate payment line of form IT-1040, IT-1040X, IT-4708 or IT-1041E (whichever is applicable). **Do not enter the Pass-through Entity Credit on Schedule E-2.**