

Taxpayer Information

First name	Initial	Last name	Social security number
If a joint return, spouse's first name	Initial	Last name	Spouse's social security number
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. number
Business address (number and street)	Ohio tax I.D. number (if applicable)
City, town or post office, state and ZIP code	

This schedule applies to individuals, trusts and estates who as sole proprietors or as investors in pass-through entities (e.g., partnerships, limited liability companies treated as partnerships for federal income tax purposes, and S corporations) are entitled to claim one or more of the nonrefundable Ohio business credits listed below. Nonrefundable credits can reduce tax liability, before payments, to zero but cannot generate a tax refund.

Schedule E-1 – Schedule of Nonrefundable Business Credits. You must claim credits in the order listed in Ohio Revised Code section (O.R.C.) 5747.98. Enter on the applicable line below each credit amount from line 12 of the summary worksheet on page 2.		
Attach to your income tax return only Schedules E-1 and E-2 and the requested credit certificates.	Carryforward Period	Amount of Credit
1. Credit for contributions to candidates for Ohio statewide office or general assembly (O.R.C. 5747.29). Not available for trusts.	none	1. _____
2. Credit for job retention (O.R.C. 5747.058(B)). Attach Department of Development Tax Credit Certificate	none	2. _____
3. Credit for purchases of new manufacturing machinery and equipment (7.5%–13.5% credit) (O.R.C. 5747.31)	Three Years	3. _____
4. Job training credit (O.R.C. 5747.39). Attach credit certificate	Three Years	4. _____
5. Credit for new employees in an enterprise zone (O.R.C. 5709.66(B))	Three Years	5. _____
6. Credit for eligible costs associated with a voluntary action (clean-up) (O.R.C. 5747.32 and 122.19) (Carryforward amount only)	Three Years	6. _____
7. Credit for employers that establish an on-site day-care center (O.R.C. 5747.35) (Carryforward amount only)	Five Years	7. _____
8. Credit for certified ethanol plant investments (O.R.C. 5747.75)	Three Years	8. _____
9. Credit for purchases of grape production property (O.R.C. 5747.28).	Seven Years	9. _____
10. Export Sales Credit (O.R.C. 5747.057) (Carryforward amount only – attach computation)	1994-2004	10. _____
11. Technology Investment Credit (attach credit certificate) (O.R.C. 5747.33, 122.15, 122.151 to 122.154)	Fifteen Years	11. _____
12. Enterprise zone day-care and training credits (O.R.C. 5709.65 (A)(4) and (A)(5))	Unlimited	12. _____
13. Research and development loan repayment credit (O.R.C. 5747.331)	Unlimited	13. _____
14. Total nonrefundable business credits (add the amounts on lines 1 through 13, above). Enter here and on line 13 of form IT 1040 or on line 11 of form IT 4708 or on line 10 of form IT 1041		14. _____

General Instructions

The 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 only Schedules E-1 and E-2 to your income tax return. You also will need to attach any certificates required by Schedule E-1. The remaining portion of this booklet and any other supporting schedules or documentation are subject to examination by the Ohio Department of Taxation.

Note 2: If you own one or more sole proprietorships and/or hold an ownership interest in one or more pass-through entities that 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 Ohio Revised Code (O.R.C.) sections needed for each business credit listed.

Mailing Instructions

Each taxpayer with nonrefundable business credits should attach Schedules E-1 and E-2 to his/her Ohio income tax return (form IT 1040, IT 1040X, IT 4708 or IT 1041, whichever is applicable) and mail to the address reflected on that form. Also, attach supporting tax credit certificates, if any.

Taxpayer Assistance

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

- **Internet** – www.tax.ohio.gov
- **Call us** – (614) 438-5317
- **Write us** – Ohio Department of Taxation
P.O. Box 182847
Columbus, OH 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

Taxpayers other than trusts 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 (i) the combined total cash contributions made by each taxpayer during the taxable year or (ii) \$50 for each taxpayer. 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 lesser 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. Job Retention Credit

A taxpayer may claim a credit as provided in an agreement between the taxpayer and the Ohio Tax Credit Authority. For more information, contact the authority by calling 614-466-4551 or 1-800-848-1300.

3. Credit for Purchases of New Manufacturing Machinery and Equipment (7.5%-13.5% Credit)

The department has prepared a computerized spreadsheet to help you 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.tax.ohio.gov. When you have reached the department's home page, follow these procedures: Click on the "Tax Forms" tab on the left side (under Popular Links) of your monitor screen. At "Tax Type," choose "Individual Income Tax" then click on "Search." Then scroll down to "Worksheet for 7.5% and 13.5% Manufacturer's Credit Under O.R.C. sections 5733.33 and 5747.31 – 2004" and click on it.

After you have used the spreadsheet to compute the credit, enter the credit amount on line 3 of the appropriate column in Schedule E-2 on page 2. Make no entry on lines 1 and 2 of the column you use for claiming this credit.

Manufacturers and taxpayers that have an interest in pass-through entities may claim a credit for “new manufacturing machinery and equipment” purchased during the qualifying purchase period (July 1, 1995 through December 31, 2015) provided that the manufacturer or pass-through entity installs the machinery and equipment in Ohio by December 31, 2016.

“**New manufacturing machinery and equipment**” is manufacturing machinery and equipment the original use of which in Ohio 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 that 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 21 separate qualifying purchase periods that comprise the period July 1, 1995 to December 31, 2015. The 21 separate qualifying periods are the six-month period July 1, 1995 to December 31, 1995 and each of the calendar years 1996 through 2015. 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 that 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 compute the credit after aggregating the taxpayer’s 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.

Calendar Year of Purchase	Base Years
7/01/95-12/31/95	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
2006	2000, 2001, 2002

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.

For additional information please see O.R.C. sections 5747.31 and 5733.33 and the Department of Taxation’s information re-

leases dated September 22, 1995; May 6, 1996; May 7, 1996; and June 18, 1996. These releases are available on the Internet at www.tax.ohio.gov.

4. Job Training Credit

This temporary credit applies to taxpayers that incurred “**eligible training costs**” and received a tax credit certificate from the Director of Job and Family Services with respect to an “**eligible training program**” for “**eligible employees**.” The director will review job training credit applications and authorize credits to qualified applicants in the order in which the applicants submit complete and accurate applications. The director may not issue tax credit certificates in excess of \$20 million dollars per calendar year;

The credit applies to individuals and to investors in pass-through entities that incur eligible training costs and received a tax credit certificate from the director of Job and Family Services with respect to an “eligible training program.” Each investor in a pass-through entity on December 31 of the investor’s taxable year may claim a proportionate share of the pass-through entity’s credit.

For taxable years beginning in 2003 the amount of the credit equals one-half of the average of the eligible training costs paid or incurred by the taxpayer during calendar years 1999, 2000 and 2001. For taxable years beginning in 2004 the amount of the credit equals one-half of the average of the eligible training costs paid or incurred by the taxpayer during calendar years 2002, 2003 and 2004. For the taxable years beginning in 2005 the amount of the credit equals one-half of the average of the eligible training costs paid or incurred by the taxpayer during calendar years 2003, 2004 and 2005.

The credit is based upon costs incurred during a calendar year regardless of whether the taxpayer has a fiscal year end. The credit claimed by a taxpayer for each taxable year may not exceed \$100,000 and is not to exceed \$1,000 for each eligible employee on account of whom the taxpayer paid or incurred eligible training costs during the calendar years applicable to that taxable year.

“**Eligible training program**” means a program to provide job skills to **eligible employees** who are unable to function effectively on the job due to skill deficiencies or who would otherwise be displaced because of their skill deficiencies or inability to use new technology or to provide job skills to eligible employees that enable them to perform other job duties for the taxpayer. Eligible training programs do not include executive, management, or personal enrichment training programs, or training programs intended exclusively for personal career development.

“**Eligible training costs**” are the sum of the following: (1) direct instructional costs, such as, instructor salaries, materials and supplies, textbooks and manuals, videotapes, and other instructional media and training equipment used exclusively for the purpose of training “eligible employees” and (2) wages paid to eligible employees for time devoted exclusively

to an “eligible training program” during normal paid working hours.

“**Eligible employees**” are individuals who are employed full-time by the taxpayer in Ohio and have been so employed by the taxpayer for at least one hundred eighty consecutive days before the day an application for the credit is filed. “Eligible employees” do not include executive or managerial personnel except for the immediate supervisors of nonexecutive, nonmanagerial personnel, employees for whom the taxpayer claims the enterprise zone training credit pursuant to O.R.C. section 5709.65(A) or employees that are not full-time employees. See credit #12 for a summary of the enterprise zone training credit.

A taxpayer proposing to conduct an eligible training program for which the taxpayer intends to claim the credit must apply to the director of the Department of Job and Family Services for a tax credit certificate for each taxable year with respect to a calendar year in which the taxpayer incurred eligible training costs. The director may charge an application fee to cover the expenses incurred in administering the credit program, and the director may adopt rules to implement and administer the credit.

Upon receipt of an application the director of Job and Family Services may authorize a credit by granting the applicant a tax credit certificate if the director determines that the applicant has satisfied the following four conditions:

- i. The proposed training program is an “eligible training program,” as defined above;
- ii. The proposed training program is economically sound and will benefit the people of Ohio by improving work force skills and strengthening the economy of Ohio;
- iii. Receiving the credit is a major factor in the taxpayer’s decision to implement the program; and
- iv. Authorization of the credit is consistent with the following:
 - The aggregate amount of credits authorized may not exceed \$20 million dollars per calendar year;
 - No more than \$10 million dollars in credits per calendar year may be authorized for corporations engaged primarily in manufacturing; and
 - No less than \$5 million dollars per calendar year will be set aside for corporations engaged primarily in activities other than manufacturing and having fewer than five hundred employees.

If the director issues the taxpayer a tax credit certificate and later determines that the training program fails to meet the above requirements, the director may reduce the amount of the credit previously granted. If the director reduces the credit, the director must certify the reduction to the tax commissioner, and the tax commissioner will reduce the credit accordingly. The taxpayer can appeal a reduction or denial of the credit to the director of the Department of Job and Family

Services and can appeal the director's determination to the Board of Tax Appeals.

Taxpayers must use the credit in the order established in O.R.C. section 5747.98 and may carry forward unused credit amounts for three taxable years following the tax year for which the credit is computed.

As a result of Amended Substitute House Bill 94, 124th General Assembly (the Budget Bill enacted in June 2001), the credit now applies to taxable years 2000, 2003, 2004 and 2005. The Ohio General Assembly significantly amended the credit in Amended Substitute Senate Bill 287, 123rd General Assembly.

5. Credit for Eligible New Employees in an Enterprise Zone

An employer that is complying with an enterprise zone agreement under O.R.C. sections 5709.62 and 5709.63 and that has not closed or reduced employment at any place of business in Ohio within the previous 12 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 O.R.C. 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 O.R.C. section 5709.66(B)(2)(a).

Important: Taxpayers who claim this credit should maintain for four years 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 O.R.C. section 5709.66 enterprise zone new employee tax credit with respect to an employee, the taxpayer may not claim the O.R.C. section 122.17 new jobs refundable credit with respect to that employee. See the O.R.C. 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.

6. 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 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.

7. Credit for Employers That Establish On-site Child Day-Care Centers

An employer that establishes an Ohio-licensed day-care center serving 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 percent 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 during 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.

8. Credit for Investment in a Certified Ethanol Plant

A taxpayer may claim a credit if the taxpayer invests in a certified ethanol plant. The investment must be made after January 1, 2002 and before December 31, 2012.

The amount of the credit is equal to 50 percent of the money the taxpayer invests in a certified ethanol plant up to a maximum of \$5,000 per taxpayer per ethanol plant regardless of the number of years in which the taxpayer makes investments. The credit shall be claimed for the taxable year during which the investment was made.

“Ethanol” means the fermentation of ethyl alcohol from agricultural products, including potatoes, cereal, grains, cheese whey, and sugar beets, forest products and other renewable resources that meet all of the specifications in the American Society for Testing and Materials (ASTM). Certified ethanol plant means a facility at which ethanol is produced AND for which the Ohio Department of Agriculture has issued a certificate under O.R.C. section 901.13.

If the investor is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. The total credit for all years may not exceed the maximum limit of \$5,000 per taxpayer per certified ethanol plant.

The Ohio Department of Agriculture administers this credit. To request a credit application form and to obtain additional information, please contact the **Ohio Department of Agriculture, 8995 East Main Street, Reynoldsburg, OH 43068; general phone number: 614-466-2732; e-mail address: agri@odant.agri.state.oh.us.**

9. Credit for Purchases of Grape Production Property

Grape producers may claim a credit equal to 10 percent of the cost of purchasing and installing or constructing qualifying property 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 that time the unused portion of the credit expires.

10. 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 on Schedule E-2, line 4, in the appropriate column the unused carryforward amount reported on last year's Schedule E-2, line 13.

11. Technology Investment Credit

The Department of Taxation previously referred to this credit as the Edison Center Credit for Research and Development Investors.

Investors providing 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.

Note: Amended Substitute House Bill 1, 125th General Assembly (effective July 9, 2003) amended the law and increased the credit percentage to 30% in the case of investments in qualifying companies in distressed areas of the state and in “EDGE” business enterprises. An EDGE business enterprise is an Ohio entity certified by the director of Administrative Services as a participant in the “encouraging diversity, growth and equity” program established by the governor's executive order 2002-17T.

Investors intending to claim the credit must apply to one of the state's seven Edison Centers for recommendation to grant the credit for the proposed investment. The credit application fee is \$200 for a single investor and \$800 for a group of investors.

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

12. Enterprise Zone Day-Care Credit and Enterprise Zone 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 that new employees pay to day-care centers licensed by the Ohio Department of Human Services for day-care services provided during the first 24 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 maintain for four years a supporting schedule that 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, O.R.C. 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 O.R.C. section 3304.11, 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 that 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 90 days following completion of the training program. This credit is allowed for the taxable year in which the employee completes the 90 days of subsequent employment.

Important: Taxpayers claiming the training credit should maintain for four years a supporting schedule providing 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

O.R.C. 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 O.R.C. section 1713.02
- School district
- Joint vocational school district
- School registered under O.R.C. section 3332.05
- 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.

13. Research and Development Loan Repayment Credit

Amended Substitute House Bill 1, 125th General Assembly, effective July 9, 2003, enacted this nonrefundable credit. The credit first applies to taxable year 2003 regardless of whether the taxpayer’s taxable year ended prior to the July 9, 2003 effective date of this new law. The amount of the credit equals the borrower’s qualified research and development loan payments during the calendar year – regardless of whether the taxpayer’s taxable year is a calendar year or a fiscal year. The term *qualified research and development loan payments*

means payments of principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development.

The borrower's credit generated as a result of its qualified research and development loan payments made during a calendar year that includes the last day of the taxpayer's taxable year may not exceed \$150,000 per loan. The credit amount not used in the taxable year can be carried forward until fully used. The borrower may assign the tax credit, or a portion thereof, to any of the following: (i) the borrower's related member, (ii) the owner or lessee of the eligible research and development project, or (iii) a related member of the owner or lessee of the eligible research and development project. If the borrower is a pass-through entity and if the taxpayer is a partner or member of the pass-through entity-borrower, the taxpayer can claim a proportionate share of the pass-through entity-borrower's credit.

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 a credit amount in excess of tax due after reduction for all nonrefundable credits. Do not show refundable credits on Schedule E. There are two refundable Ohio business credits: (i) the Jobs Creation Credit and (ii) the Pass-Through-Entity Credit.

Jobs Creation Credit – O.R.C. Section 5747.058(A)

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 that 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 cannot exceed 10 years. The credit equals the amount of Ohio income tax that 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 be-

fore the taxpayer signs the tax credit agreement with the Tax Credit Authority as long as the taxpayer signs the agreement within 60 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 O.R.C. 5709.66 enterprise zone eligible new employee credit with respect to that same employee (see page 6 of the instructions).

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 1041 (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 O.R.C. sections 122.17 and 5747.058.

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 614-466-4551 or 1-800-848-1300.**

Credit for Taxes Paid By a Pass-through Entity – O.R.C. Section 5747.059

Each taxpayer investing in a pass-through entity can claim a refundable credit for Ohio tax that a pass-through entity paid on the taxpayer's behalf on form IT 4708 (Composite Income Tax Return for Investors in Pass-Through Entities) and/or form IT 1140 (Withholding Tax Return for Pass-Through Entity Distributive Shares and Certain Trust Distributions). Enter the credit amount on the appropriate payment line on form IT 1040, IT 1040X, IT 4708 or IT 1041 (whichever is applicable). **Do not enter the Pass-through Entity Credit on Schedule E.**

Federal Privacy Act Notice

Because we are requesting your social security account number, the *Federal Privacy Act of 1974* requires us to inform you that your providing us your social security number is mandatory. Ohio Revised Code sections 5703.05 and 5747.08 authorize our asking you for this information. We need your social security number in order to administer this tax. Your failure to supply any information requested on a tax form prescribed by the Tax Commissioner may result in the imposition of penalties for failing to file a complete tax return or the denial of a license application, if applicable.

