

SALT WATCH

New Ohio Legislation Aims to Help Employers Protect the Value of Awarded Tax Credits

Ohio Substitute House Bill 64 (“HB 64”), the Executive Budget for Fiscal Years 2016-2017, continues the effort of the prior biennium budget to significantly cut personal income tax, while also affecting the computation of the Job Creation Tax Credit (“JCTC”) and Job Retention Tax Credit (“JRTC”). HB 64 becomes law on September 29, 2015.

JCTC and JRTC agreements awarded prior to the enactment of HB 64 compute the value of the tax credit based on new income tax revenue. Since personal income tax reductions over the past few years have negatively impacted the amount of tax credits realized by companies, HB 64 provides measures to help stabilize the value of the incentives for active agreements and future program awards.

JCTC and JRTC Awards Approved Prior to 2014

For JCTC and JRTC awards approved before December 31, 2013, HB 64 incorporates a withholding adjustment factor to account for personal income tax rate changes enacted since June 29, 2013. However, to be eligible for the adjustment factor, employers must achieve certain commitments set forth in their tax credit agreement. The withholding adjustment factor first applies to the reporting period ending December 31, 2015 (2015 Annual Progress Report).

JCTC and JRTC Awards Approved Since January 1, 2014

Under HB 64, a new computation method based on employee payroll (rather than state income tax withholding) is used to compute JCTC and JRTC benefits. Impacted employers are able to amend agreements to reflect the new payroll based computation method. The tax credit percentage awarded will be revised to account for the change from income tax withholding to employee payroll.

The new percentage aims to achieve the estimated value set forth in JobsOhio incentive offer letters. Converting to the new payroll computation method triggers clawback provisions included in HB 64 requiring employers to repay claimed tax credits if the number of new employees or new payroll is not maintained throughout the term of the agreement.



New Ohio Legislation Aims to Help Employers Protect the Value of Awarded Tax Credits (cont.)

Once HB 64 becomes law, newly awarded JCTC and JRTC incentives will be calculated by multiplying the net, new taxable payroll by the awarded tax credit percentage. In addition, HB 64 also includes the new, stricter claw-back provision.

GBQ SALT professionals are available to assist employers understand the impact of HB 64 on current and future agreements, amending existing tax credit agreements, and other tax incentive compliance issues.

For more information, please contact:

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