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H.B. 53
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Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Schmidt and A. Miller

Zachary P. Bowerman, Attorney

SUMMARY

- Authorizes a refundable tax credit, claimable over up to five years, against several state taxes for an employer that hires certain veterans, service members, and their spouses.
- Computes the credit amount on a scale from \$100 up to \$750 per year depending on the disability and employment status of the qualifying employee.

DETAILED ANALYSIS

Tax credit for hiring veterans, service members, and spouses

The bill authorizes a refundable tax credit, to be claimed over as many as five years, for employers that hire certain veterans, service members, and their spouses (referred to in the bill as “qualifying employees”). To obtain a credit, an employer must file an application with the Tax Commissioner by January 15 on the basis of a qualifying employee hired in the preceding year. The employer must include on the application the hiring date and, if applicable, termination date, the total hours the qualifying employee worked in the preceding year, and the tax against which the employer will claim the credit, which may include the insurance premiums, financial institutions, public utilities excise, petroleum activity, income, or commercial activity tax.¹ The Tax Commissioner is required to evaluate applications in the order in which they are received, but may only issue initial determinations after the application window closes on January 15.²

An employer awarded a credit may claim it against the preceding year’s tax liability in the calendar year the credit is first awarded and in the following four years, so long as the employee remains employed at the specified hours and the employer submits continuing applications. The

¹ R.C. 5751.55(B)(1), (D), and (E), 5725.38, 5725.98 5726.60, 5726.98, 5727.242, 5727.301, 5729.21, 5729.98, 5736.51, 5747.85, 5747.98, and 5751.98.

² R.C. 5751.55(B)(1).

bill requires the Tax Commissioner, by December 1 of each of those four following years, to provide continuing applications to each employer that was initially awarded a credit. These employers then have until December 31 to submit the application and reserve a continuing credit. The Commissioner evaluates the continuing applications to determine if employers are still entitled to the credit and issues new certificates before January 15, after which first-time credit awards begin to be distributed.³

The value of the credit is determined by whether the employee qualifies as a disabled veteran, the hours the employee worked for at least half of the preceding year, and whether it is the first or a subsequent year of the credit period. The following table lists the value of the credit in the first year and the up to four following years based on the classification of the subject employee in the preceding year:

| Employee classification in the preceding year | First year | Subsequent years |
|---|------------|------------------|
| Disabled veteran: employed full time for 180 or more days | \$750 | \$750 |
| Disabled veteran: less than full time for 180 or more days | \$375 | \$375 |
| Other qualifying employee: full time for 180 or more days | \$500 | \$200 |
| Other qualifying employee: less than full time for 180 or more days | \$250 | \$100 |

An employee may change classifications from year to year, including if an employee becomes a disabled veteran, and the credit amount can be increased or decreased accordingly in the remaining years of the credit period. If an employee is employed for fewer than 180 days of the year, the amounts described above are multiplied by the percentage of days out of the year the employee worked to arrive at the reduced credit value.⁴

The Tax Commissioner may not issue more than \$1 million in credits in each calendar year, with priority given to continuing applications.⁵

Application date and administrative rules

A tax credit authorized by the bill may first be claimed for employees hired in the first year following the bill's 90-day effective date.⁶ The bill requires the Tax Commissioner to adopt rules establishing what qualifies an employee as a veteran, disabled veteran, service member, or spouse of one of the former as well as what hours qualify an employee as full time. These rules are not subject to the requirements in continuing law governing agency review of rules to identify

³ R.C. 5751.55(B)(2).

⁴ R.C. 5751.55(C).

⁵ R.C. 5751.55(B)(3).

⁶ Section 3.

regulatory restrictions or the removal of two regulatory restrictions upon adoption of one regulatory restriction.⁷

HISTORY

| Action | Date |
|------------|----------|
| Introduced | 02-16-23 |

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⁷ R.C. 5751.55(F).