



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Sam Benham

H.B. 666

132nd General Assembly
(As Introduced)

Reps. Ramos, Patterson, West, Antonio, Howse

BILL SUMMARY

- Authorizes a refundable income tax credit based on the amount of undergraduate higher education expenses paid by or on behalf of a student to attend a public Ohio institution of higher education.
 - Authorizes a refundable income tax credit based on loans used to pay those education expenses for which the taxpayer is primarily responsible for repaying.
 - Permits the credit to be claimed only for taxable years during which a taxpayer has income apportioned to Ohio.
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CONTENT AND OPERATION

Higher education expense credits

The bill authorizes two refundable personal income tax credits based on the amount of undergraduate higher education expenses paid by or on behalf of a student to attend a public institution of higher education in Ohio. Specifically, one credit is based on educational expenses paid by the student or other taxpayer ("educational expense credit") and the second is based on the amount of educational loans used to pay those expenses for which the student or taxpayer is primarily responsible for repaying ("educational loan credit").¹

¹ R.C. 5747.08, 5747.82, and 5747.98.

Credit eligibility

Both credits are based on educational expenses paid by or on behalf of a student who files a free application for federal student aid (FAFSA) to attend one of Ohio's public institutions of higher education, i.e., a state-chartered university, college, or community college, to obtain an associate or baccalaureate degree. The credits are available only for payments and loans used to cover the student's educational expenses necessary to attend such an institution.²

Under federal law, institutions of higher education are required to calculate these necessary educational expenses for each academic year, i.e., July to June, to determine the general cost to attend the institution for that year (under federal education law, an academic year is referred to as an "award year"³). This "cost of attendance" is used to determine the student's eligibility for federal student aid in the award year for which the student files the FASFA.⁴ The FASFA also determines how much of the student's educational expenses the student's family is expected to pay for in that award year, referred to as the "expected family contribution."⁵

Educational expenses built into this cost of attendance figure include amounts or allowances for the following:

- Tuition and fees;
- Room and board;
- Books, supplies, and transportation;
- Dependent care expenses for a student with children or other dependents;
- Disability expenses for a disabled student;
- Loan fees.⁶

² R.C. 5747.82(A)(1), (2), (3), (6), and (9).

³ R.C. 5747.82(A)(4).

⁴ R.C. 5747.82(A)(5).

⁵ R.C. 5747.82(A)(8).

⁶ R.C. 5747.82(A)(3); 20 United States Code (U.S.C.) 1087I.



Credit amount

Educational expense credit

The educational expense credit is based on the portion of the student's cost of attendance at the qualifying institution covered by the student or other taxpayer for the award year that ends in the student's or taxpayer's taxable year. To calculate the credit, the student's total cost of attendance is adjusted by deducting the portion of such cost paid by scholarships, grants, educational loans, and federal work-study awards. Also deducted from the student's total cost of attendance is 10% of the student's expected family contribution for that award year and 50% of federal tax reductions resulting from any federal income tax credits or deductions claimed on the basis of the student's qualified tuition and related expenses during that taxable year and the preceding taxable year (the 50% reduction approximates the federal tax benefit incurred by the student for the award year). The bill refers to this adjusted cost amount as the student's "credit basis."⁷

The educational expense credit equals the student's credit basis for the award year multiplied by the proportion of the student's educational expenses, less those covered by loans, paid during the award year by the taxpayer claiming the credit.⁸

The educational expense credit may be claimed beginning with the taxable year in which the student's applicable award year ends. A portion of the credit, 10%, may be claimed in that first taxable year, and 10% may be claimed in each of the nine following years.⁹ However, no credit may be claimed for any taxable year during which the student or taxpayer does not have income apportioned to Ohio.¹⁰ (Income is apportionable to Ohio under continuing law if it is attributed to an Ohio source (e.g., wages or business income originating in Ohio); a nonresident therefore would qualify for the credit in a year only if he or she had Ohio-source income for that year.¹¹)

Educational loan credit

The educational loan credit equals the proceeds of an educational loan used to pay the student's educational expenses for an award year that the student or other

⁷ R.C. 5747.82(A)(1).

⁸ R.C. 5747.82(B)(1).

⁹ R.C. 5747.82(C).

¹⁰ R.C. 5747.20, 5747.21, and 5747.82(D).

¹¹ R.C. 5747.05(A), not in the bill.



taxpayer has the primary responsibility to repay.¹² Unlike the educational expense credit, the loan payment credit may not be claimed until the taxable year during which the taxpayer first makes a repayment on that loan, which may be after the student graduates from the institution. Similar to the educational expense credit, 10% of the loan repayment credit may be claimed for that taxable year, and 10% may be claimed in each of the nine following years.¹³ Also similarly, no credit may be claimed for any taxable year during which the taxpayer has no income apportioned to Ohio.¹⁴

HISTORY

| ACTION | DATE |
|------------|----------|
| Introduced | 05-22-18 |

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¹² R.C. 5747.82(B)(2).

¹³ R.C. 5747.82(C).

¹⁴ R.C. 5747.82(D).

