



Ohio Legislative Service Commission

Bill Analysis

Sam Benham

H.B. 281

131st General Assembly
(As Introduced)

Reps. Rogers, Cera, Fedor, Clyde, Antonio, Bishoff, Sweeney, K. Smith

BILL SUMMARY

- Authorizes a post-secondary school graduate obtaining a degree after the effective date to take a personal income tax deduction for certain out-of-pocket higher education expenses.

CONTENT AND OPERATION

Educational expense income tax deduction ("Blair Deduction")

The bill authorizes students that graduate on or after the effective date from an "eligible educational institution" to deduct, over a period of years beginning in the year after graduation, each graduate's "qualified higher education expenses" from the graduate's Ohio adjusted gross income. Deductible higher education expenses include all of the following incurred when the graduate was a student enrolled toward the completion of a degree program at an eligible educational institution:

(1) Tuition, fees, books, supplies, and equipment required for the student's attendance at the institution;

(2) Provided the student enrolled for at least one-half of the full-time course load, room and board expenses, up to the amount of the room and board allowance determined by the institution for federal financial aid purposes or the amount actually charged in the case of on-campus housing, whichever is greater;

(3) Special needs services required for the student's attendance at the institution;

The graduate is required to subtract from the above expenses the following:

(1) The amount of such expenses covered from grants, scholarships, gifts, or bequests;

(2) The amount of such expenses covered from payments from a qualified tuition program qualifying for federal tax exemption under section 529 of the Internal Revenue Code;

(3) The amount of any federal income tax reduction resulting from a deduction or credit claimed by the graduate on the basis of such expenses.

The resulting difference is the amount the graduate may deduct from the graduate's adjusted gross income.¹ An eligible educational institution broadly includes any college, university, vocational school, or other post-secondary educational institution eligible to participate in a student aid program administered by the United States Department of Education.²

A graduate who receives an associate, technical, baccalaureate, master's, professional, or other advanced degree may deduct the lesser of \$10,000 or the graduate's qualified higher education expenses for each taxable year beginning with the taxable year following the year in which the graduate received the degree until the graduate has deducted all of those expenses.³

A graduate may defer taking the deduction for any taxable year during which the graduate is enrolled full-time in an eligible educational institution to pursue a more advanced degree. The deferring graduate must retain evidence of such enrollment for possible inspection by the Tax Commissioner for four years after the graduate finishes taking the deduction.⁴ Additionally, each graduate taking the deduction must retain proof of graduation for four years after the graduate finishes taking the deduction.

A graduate is required to add back any higher education expense deduction taken for the purpose of determining whether the graduate is eligible to claim the existing personal income tax credit that eliminates income tax liability for a person with an adjusted gross income of less than \$10,000.⁵ Thus, the bill's deduction would not

¹ R.C. 5747.01(A)(32) and 5747.82.

² See 26 U.S.C. 529.

³ R.C. 5747.82(B).

⁴ R.C. 5747.82(C).

⁵ R.C. 5747.82(D).

reduce a person's adjusted gross income such that a person otherwise ineligible for the credit would become eligible for the credit.

HISTORY

ACTION	DATE
Introduced	07-07-15

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