



Ohio Legislative Service Commission

Bill Analysis

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S.B. 18

131st General Assembly
(As Introduced)

Sens. Gentile, Brown, Cafaro, Sawyer, Schiavoni, Skindell, Tavares, Thomas, Williams, Yuko

BILL SUMMARY

- Authorizes a refundable income tax credit for employers that hire one or more qualified veterans or members of the National Guard or reserves.
- Provides that the credit for hiring a qualified veteran is equal to the federal Work Opportunity Tax Credit claimed with respect to that veteran, the maximum amount of which may equal between \$2,400 and \$9,600.
- Provides that the credit for hiring a member of the National Guard or reserves equals 40% of the employee's first-year wages, with a maximum credit of \$2,400.

CONTENT AND OPERATION

Tax credit for hiring veterans and National Guard or reserve members

The bill authorizes a refundable income tax credit for employers that hire one or more qualified veterans or members of the National Guard or reserves. The credit partially mirrors the federal Work Opportunity Tax Credit (WOTC), which applies both to veterans and other targeted groups.

Federal Work Opportunity Credit

The federal WOTC is a nonrefundable tax credit designed to encourage employers to hire workers from certain target groups.¹ One such target group is

¹ 26 U.S.C. 51.

unemployed veterans.² The credit equals 40% of the veteran's first-year wages if the veteran works at least 400 hours during the first year of employment, or 25% of the veteran's wages if the veteran works less than 400, but at least 120, hours during that year.³ The employment of a veteran qualifies if:

(1) The veteran (a) served on active duty in the U.S. Armed Forces for more than 180 days or (b) was discharged or released from active duty for a service-connected disability;

(2) It has been more than 60 days since the end of the veteran's last period of active duty lasting 90 days or more; and

(3) The veteran meets one of the following criteria, which are paired with the maximum credit amount allowed for each category:

Qualifying categories	Maximum credit amount
The veteran (a) was unemployed for at least four weeks in the year ending on the hiring date or (b) belongs to a family that received food stamp (SNAP) benefits for any 3-month period during the 15 months leading up to the hiring date.	\$2,400 (40% of \$6,000 in wages)
The veteran has a service-connected disability and is hired within one year of discharge or release from active duty.	\$4,800 (40% of \$12,000 in wages)
The veteran was unemployed for at least six months in the year ending on the hiring date.	\$5,600 (40% of \$14,000 in wages)
The veteran has a service-connected disability and was unemployed for at least six months in the year ending on the hiring date.	\$9,600 (40% of \$24,000 in wages)

² The other target groups are: long-term unemployment recipients, welfare (TANF) recipients, food stamp (SNAP) recipients, ex-felons, residents of Rural Renewal Counties or Empowerment Zones, individuals referred from vocational rehabilitation agencies, Supplemental Security Income (SSI) recipients, and summer youth employees. 26 U.S.C. 51(d).

³ The veteran's "first year of employment" is the one-year period that begins on the day the veteran starts working for the employer. 26 U.S.C. 51(b)(2).

Ohio credit

The bill authorizes a credit against the state income tax for employers that hire (1) veterans who qualify for the federal WOTC or (2) members of the National Guard or reserves. If the employer hires a qualified veteran, the employer may claim an Ohio credit equal to the WOTC claimed on the employer's federal tax return. If the employer hires a National Guard or reserve member, the credit equals 40% of the employee's first-year wages, with a maximum credit amount of up to \$2,400.⁴ There is no limit on the number of veterans or National Guard or reserve members for which an employer may claim a credit. Since the credit may be claimed only against the income tax, it applies to sole proprietors and to partnerships and other pass-through entities, but not to corporations unless they have made an S corporation election under federal law.

The credit is refundable, meaning that, if the amount of the credit exceeds the employer's income tax liability, the employer may receive a refund of the excess.

The bill states that it applies to taxable years beginning in 2015 and thereafter.⁵

HISTORY

ACTION	DATE
Introduced	02-02-15

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⁴ For this purpose, "first-year wages" has the same definition as under the federal WOTC. R.C. 5747.78(A)(1).

⁵ R.C. 5747.78 and 5747.98; Section 3.

