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CORPORATE TAX UPDATE**State of Ohio Job Creation and Job Retention Tax Credits****BASICS OF THE PROGRAM**

The state of Ohio through its Department of Development administers a program offering credits against the state Commercial Activity Tax for certain projects that result in job creation or job retention within the state. In most instances, the state offers these credits in situations where the business creating or retaining jobs has an opportunity to do the same in another state that is in competition with the state of Ohio. However, there is no firm requirement that the state of Ohio be in competition with another state in order for tax credits to be awarded.

The tax credits awarded can be in effect for a range of years, usually five to seven years. Depending on the size of the project and other factors, the credits range from 30 percent to 70 percent of the taxes.

JOB CREATION TAX CREDIT

The current requirements for the Job Creation Tax Credit are that the company seeking the credit must create at least 10 full-time positions at 175 percent of the federal minimum wage that generate at least \$660,000 annually in payroll over the first three years of the initial operations.

JOB RETENTION TAX CREDIT

The payroll requirements for the Job Retention Tax Credit are similar to those for the Job Creation Tax Credit. However, there must be at least 500 **retained** employees. In addition, a minimum capital investment of \$20 million for non-manufacturing businesses and \$50 million for manufacturing businesses is required. There is also a cap of \$13 million in new annual tax credits per year; however, few projects have qualified for Job Retention Tax Credits over the last several years, so it is not anticipated that the cap will be a serious barrier.

CHANGES ALLOW FOR FLEXIBILITY AND EASIER REPORTING

In order to make the program more accessible, the requirements above reflect a number of recent changes. In the past, the Job Creation Tax Credit was based upon net new full-time employees, with new employees defined as working 35 hours per week or more. The focus on full-time employees led to very cumbersome reporting and thus some dissatisfaction with the program. The change to a growth in payroll requirement simplifies reporting and permits recognition of flexible work environments offered by Ohio employers.



With respect to the Job Retention Tax Credit, in addition to the change from full-time employees to a payroll-based requirement, the requirement for the number of retained jobs has been lowered from 1,000 to 500. The previous requirements were \$100 million in capital investment if wages averaged over \$29 per hour and \$200 million in capital investment if wages averaged less than \$29 per hour.

In addition to simplified reporting, the duration of the reporting requirements has also been lowered. In the past, companies were required to report for twice the term of the tax credit. Now the reporting requirements are the greater of seven years or the term of the tax credit plus three years.

EXTRAORDINARY OPPORTUNITIES

In addition, projects that present “an extraordinary opportunity” for the state may be eligible for tax credits and other incentives. Extraordinary circumstances include projects located in counties with high unemployment, projects establishing a division or national company headquarters and projects in priority investment areas or targeted industries.

POTENTIAL CLAWBACK

The program permits the state to reclaim a portion of the credit if the commitments for the project at the time of the approval of the credits are not met. These “clawback” situations typically have been limited to instances where the company abandoned the project before completion of the tax credit term.

FOR MORE INFORMATION

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