

As Introduced

**126th General Assembly
Regular Session
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H. B. No. 160

**Representatives Mason, S. Smith, Yuko, Sykes, Brown, Skindell, Chandler,
Hood, S. Patton, Key, Allen, Barrett**

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A B I L L

To amend sections 5733.98 and 5747.98 and to enact 1
sections 5733.421 and 5747.391 of the Revised Code 2
to create a tax credit for wages paid by employers 3
to employees who have been convicted of felonies. 4

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5733.98 and 5747.98 be amended and 5
sections 5733.421 and 5747.391 of the Revised Code be enacted to 6
read as follows: 7

Sec. 5733.421. (A) As used in this section: 8

(1) "Qualified reforming felon" means an individual who: 9

(a) Has been convicted of a felony under any statute of the 10
United States or any state; 11

(b) Was hired by a taxpayer within one year of the conviction 12
or, if sentenced to a term of incarceration, was hired within one 13
year of being released from incarceration; and 14

(c) Is a member of a family that, in the six months 15
immediately preceding the date of hiring, had an income that, on 16
an annual basis, would be seventy per cent or less of the most 17
recent lower living standard calculated by the federal bureau of 18

labor statistics. 19

(2) "Family" means an individual, an individual's spouse, and children. 20
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(3) "Wages" has the same meaning as in section 3306 of the Internal Revenue Code. 22
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(B)(1) Beginning in tax year 2006, a nonrefundable credit is allowed against the tax imposed by section 5733.06 of the Revised Code for the wages paid by a taxpayer to a qualified reforming felon who works at least one hundred twenty hours for the taxpayer during the taxpayer's taxable year. The amount of the credit shall be calculated as follows: 24
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(a) For each qualified reforming felon who works at least four hundred hours during the taxable year, the credit equals forty per cent of the wages paid to the qualified reforming felon, but shall not exceed two thousand four hundred dollars per qualified reforming felon. 30
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(b) For each qualified reforming felon who works less than four hundred hours but at least one hundred twenty hours during the taxable year, the credit equals twenty-five per cent of the wages paid to the qualified reforming felon, but shall not exceed one thousand five hundred dollars per qualified reforming felon. 35
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The credit shall be claimed in the order required under section 5733.98 of the Revised Code. The credit, to the extent it exceeds the taxpayer's tax liability for the tax year after allowance for any other credits that precede the credit under that section in that order, may be carried forward for the next five succeeding tax years, but the amount of any excess credit allowed in any such year shall be deducted from the balance carried forward to the succeeding year. 40
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(2) A taxpayer who received federally funded payments for 48

on-the-job training of a qualified reforming felon may not claim
the credit allowed under this section for any portion of the wages
paid to that qualified reforming felon.

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(3) A taxpayer may not claim the credit allowed under this
section for any portion of the wages paid to a qualified reforming
felon for services that were the same as, or substantially similar
to, services that, but for a strike or lockout, would have been
performed by another employee.

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(4) If a qualified reforming felon's employment is terminated
during the taxable year and the qualified reforming felon was
employed by the taxpayer for less than twelve months, the taxpayer
may not claim the full amount of the credit allowed under this
section unless the qualified reforming felon voluntarily
terminated employment; was unable to continue employment due to a
disability or death; or was terminated for cause. If a qualified
reforming felon's employment is terminated for any other reason,
the amount of the credit to which the taxpayer is entitled under
this section is reduced by a percentage equal to the percentage of
the taxable year that the qualified reforming felon was not
employed by the taxpayer.

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(C)(1) The tax commissioner may require a taxpayer to furnish
such information as is necessary to support a claim for a credit
under this section, and no credit shall be allowed unless the
information is provided.

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(2) All files, statements, returns, reports, papers, or
documents of any kind relating to qualified reforming felons or
their families are not public records under section 149.43 of the
Revised Code.

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Sec. 5733.98. (A) To provide a uniform procedure for
calculating the amount of tax imposed by section 5733.06 of the

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Revised Code that is due under this chapter, a taxpayer shall	79
claim any credits to which it is entitled in the following order,	80
except as otherwise provided in section 5733.058 of the Revised	81
Code:	82
(1) The credit for taxes paid by a qualifying pass-through	83
entity allowed under section 5733.0611 of the Revised Code;	84
(2) The credit allowed for financial institutions under	85
section 5733.45 of the Revised Code;	86
(3) The credit for qualifying affiliated groups under section	87
5733.068 of the Revised Code;	88
(4) The subsidiary corporation credit under section 5733.067	89
of the Revised Code;	90
(5) The savings and loan assessment credit under section	91
5733.063 of the Revised Code;	92
(6) The credit for recycling and litter prevention donations	93
under section 5733.064 of the Revised Code;	94
(7) The credit for employers that enter into agreements with	95
child day-care centers under section 5733.36 of the Revised Code;	96
(8) The credit for employers that reimburse employee child	97
care expenses under section 5733.38 of the Revised Code;	98
(9) The credit for maintaining railroad active grade crossing	99
warning devices under section 5733.43 of the Revised Code;	100
(10) The credit for purchases of lights and reflectors under	101
section 5733.44 of the Revised Code;	102
(11) The job retention credit under division (B) of section	103
5733.0610 of the Revised Code;	104
(12) The credit for losses on loans made under the Ohio	105
venture capital program under sections 150.01 to 150.10 of the	106
Revised Code if the taxpayer elected a nonrefundable credit under	107

section 150.07 of the Revised Code;	108
(13) The credit for purchases of new manufacturing machinery and equipment under section 5733.31 or section 5733.311 of the Revised Code;	109 110 111
(14) The second credit for purchases of new manufacturing machinery and equipment under section 5733.33 of the Revised Code;	112 113
(15) The job training credit under section 5733.42 of the Revised Code;	114 115
(16) The credit for qualified research expenses under section 5733.351 of the Revised Code;	116 117
(17) The enterprise zone credit under section 5709.66 of the Revised Code;	118 119
(18) The credit for the eligible costs associated with a voluntary action under section 5733.34 of the Revised Code;	120 121
(19) The credit for employers that establish on-site child day-care centers under section 5733.37 of the Revised Code;	122 123
(20) <u>The credit for employers that employ qualified reforming felons under section 5733.421 of the Revised Code;</u>	124 125
<u>(21)</u> The ethanol plant investment credit under section 5733.46 of the Revised Code;	126 127
(21) <u>(22)</u> The credit for purchases of qualifying grape production property under section 5733.32 of the Revised Code;	128 129
(22) <u>(23)</u> The export sales credit under section 5733.069 of the Revised Code;	130 131
(23) <u>(24)</u> The credit for research and development and technology transfer investors under section 5733.35 of the Revised Code;	132 133 134
(24) <u>(25)</u> The enterprise zone credits under section 5709.65 of the Revised Code;	135 136

(25) <u>(26)</u> The credit for using Ohio coal under section 5733.39 of the Revised Code;	137 138
(26) <u>(27)</u> The research and development credit under section 5733.352 of the Revised Code;	139 140
(27) <u>(28)</u> The credit for small telephone companies under section 5733.57 of the Revised Code;	141 142
(28) <u>(29)</u> The credit for eligible nonrecurring 9-1-1 charges under section 5733.55 of the Revised Code;	143 144
(29) <u>(30)</u> The credit for providing programs to aid the communicatively impaired under section 5733.56 of the Revised Code;	145 146 147
(30) <u>(31)</u> The refundable jobs creation credit under division (A) of section 5733.0610 of the Revised Code;	148 149
(31) <u>(32)</u> The refundable credit for tax withheld under division (B)(2) of section 5747.062 of the Revised Code;	150 151
(32) <u>(33)</u> The credit for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code if the taxpayer elected a refundable credit under section 150.07 of the Revised Code.	152 153 154 155
(B) For any credit except the credits enumerated in divisions (A) (30) , (31), and <u>(32)</u> , <u>and</u> <u>(33)</u> of this section, the amount of the credit for a tax year shall not exceed the tax due after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating that credit.	156 157 158 159 160 161 162
<u>Sec. 5747.391.</u> (A) As used in this section:	163
<u>(1) "Pass-through entity" has the same meaning as in section 5733.04 of the Revised Code and includes a sole proprietorship.</u>	164 165

<u>(2) "Qualified reforming felon" means an individual who:</u>	166
<u>(a) Has been convicted of a felony under any statute of the United States or any state;</u>	167 168
<u>(b) Was hired by a pass-through entity within one year of the conviction or, if sentenced to a term of incarceration, was hired within one year of being released from incarceration; and</u>	169 170 171
<u>(c) Is a member of a family that, in the six months immediately preceding the date of hiring, had an income that, on an annual basis, would be seventy per cent or less of the most recent lower living standard calculated by the federal bureau of labor statistics.</u>	172 173 174 175 176
<u>(3) "Family" means an individual, an individual's spouse, and children.</u>	177 178
<u>(4) "Wages" has the same meaning as in section 3306 of the Internal Revenue Code.</u>	179 180
<u>(B)(1) For taxable years beginning in 2005 or thereafter, a nonrefundable credit is allowed against the tax imposed by section 5747.02 of the Revised Code for the wages paid by a pass-through entity to a qualified reforming felon who works at least one hundred twenty hours for the pass-through entity during the taxable year. The amount of the credit shall be calculated as follows:</u>	181 182 183 184 185 186 187
<u>(a) For each qualified reforming felon who works at least four hundred hours during the taxable year, the credit equals forty per cent of the wages paid to the qualified reforming felon, but shall not exceed two thousand four hundred dollars per qualified reforming felon.</u>	188 189 190 191 192
<u>(b) For each qualified reforming felon who works less than four hundred hours but at least one hundred twenty hours during the taxable year, the credit equals twenty-five per cent of the</u>	193 194 195

wages paid to the qualified reforming felon, but shall not exceed 196
one thousand five hundred dollars per qualified reforming felon. 197

The amount of a taxpayer's credit is the taxpayer's 198
proportionate share of the credit distributed by the pass-through 199
entity. The credit shall be claimed in the order required under 200
section 5747.98 of the Revised Code. The credit, to the extent it 201
exceeds the taxpayer's tax liability for the taxable year after 202
allowance for any other credits that precede the credit under that 203
section in that order, may be carried forward for the next five 204
succeeding taxable years, but the amount of any excess credit 205
allowed in any such year shall be deducted from the balance 206
carried forward to the succeeding year. 207

(2) A taxpayer may not claim the credit allowed under this 208
section for any portion of the wages paid to a qualified reforming 209
felon for whom the pass-through entity received federally funded 210
payments for on-the-job training. 211

(3) A taxpayer may not claim the credit allowed under this 212
section for any portion of the wages paid to a qualified reforming 213
felon for services that were the same as, or substantially similar 214
to, services that, but for a strike or lockout, would have been 215
performed by another employee. 216

(4) If a qualified reforming felon's employment is terminated 217
during the taxable year and the qualified reforming felon was 218
employed by the pass-through entity for less than twelve months, a 219
taxpayer may not claim the full amount of the credit allowed under 220
this section unless the qualified reforming felon voluntarily 221
terminated employment; was unable to continue employment due to a 222
disability or death; or was terminated for cause. If a qualified 223
reforming felon's employment is terminated for any other reason, 224
the amount of the credit to which the taxpayer is entitled under 225
this section is reduced by a percentage equal to the percentage of 226

the taxable year that the qualified reforming felon was not 227
employed by the pass-through entity. 228

(C)(1) The tax commissioner may require a taxpayer to furnish 229
such information as is necessary to support a claim for a credit 230
under this section, and no credit shall be allowed unless the 231
information is provided. 232

(2) All files, statements, returns, reports, papers, or 233
documents of any kind relating to qualified reforming felons or 234
their families are not public records under section 149.43 of the 235
Revised Code. 236

Sec. 5747.98. (A) To provide a uniform procedure for 237
calculating the amount of tax due under section 5747.02 of the 238
Revised Code, a taxpayer shall claim any credits to which the 239
taxpayer is entitled in the following order: 240

(1) The retirement income credit under division (B) of 241
section 5747.055 of the Revised Code; 242

(2) The senior citizen credit under division (C) of section 243
5747.05 of the Revised Code; 244

(3) The lump sum distribution credit under division (D) of 245
section 5747.05 of the Revised Code; 246

(4) The dependent care credit under section 5747.054 of the 247
Revised Code; 248

(5) The lump sum retirement income credit under division (C) 249
of section 5747.055 of the Revised Code; 250

(6) The lump sum retirement income credit under division (D) 251
of section 5747.055 of the Revised Code; 252

(7) The lump sum retirement income credit under division (E) 253
of section 5747.055 of the Revised Code; 254

(8) The credit for displaced workers who pay for job training 255

under section 5747.27 of the Revised Code;	256
(9) The campaign contribution credit under section 5747.29 of the Revised Code;	257 258
(10) The twenty-dollar personal exemption credit under section 5747.022 of the Revised Code;	259 260
(11) The joint filing credit under division (G) of section 5747.05 of the Revised Code;	261 262
(12) The nonresident credit under division (A) of section 5747.05 of the Revised Code;	263 264
(13) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;	265 266
(14) The credit for employers that enter into agreements with child day-care centers under section 5747.34 of the Revised Code;	267 268
(15) The credit for employers that reimburse employee child care expenses under section 5747.36 of the Revised Code;	269 270
(16) The credit for adoption of a minor child under section 5747.37 of the Revised Code;	271 272
(17) The credit for purchases of lights and reflectors under section 5747.38 of the Revised Code;	273 274
(18) The job retention credit under division (B) of section 5747.058 of the Revised Code;	275 276
(19) The credit for losses on loans made under the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code if the taxpayer elected a nonrefundable credit under section 150.07 of the Revised Code;	277 278 279 280
(20) The credit for purchases of new manufacturing machinery and equipment under section 5747.26 or section 5747.261 of the Revised Code;	281 282 283
(21) The second credit for purchases of new manufacturing	284

machinery and equipment and the credit for using Ohio coal under	285
section 5747.31 of the Revised Code;	286
(22) The job training credit under section 5747.39 of the	287
Revised Code;	288
(23) The enterprise zone credit under section 5709.66 of the	289
Revised Code;	290
(24) The credit for the eligible costs associated with a	291
voluntary action under section 5747.32 of the Revised Code;	292
(25) The credit for employers that establish on-site child	293
day-care centers under section 5747.35 of the Revised Code;	294
(26) <u>The credit for employers that employ qualified reforming</u>	295
<u>felons under section 5747.391 of the Revised Code;</u>	296
<u>(27)</u> The ethanol plant investment credit under section	297
5747.75 of the Revised Code;	298
(27) <u>(28)</u> The credit for purchases of qualifying grape	299
production property under section 5747.28 of the Revised Code;	300
(28) <u>(29)</u> The export sales credit under section 5747.057 of	301
the Revised Code;	302
(29) <u>(30)</u> The credit for research and development and	303
technology transfer investors under section 5747.33 of the Revised	304
Code;	305
(30) <u>(31)</u> The enterprise zone credits under section 5709.65 of	306
the Revised Code;	307
(31) <u>(32)</u> The research and development credit under section	308
5747.331 of the Revised Code;	309
(32) <u>(33)</u> The refundable jobs creation credit under division	310
(A) of section 5747.058 of the Revised Code;	311
(33) <u>(34)</u> The refundable credit for taxes paid by a qualifying	312
entity granted under section 5747.059 of the Revised Code;	313

~~(34)~~(35) The refundable credits for taxes paid by a 314
qualifying pass-through entity granted under division (J) of 315
section 5747.08 of the Revised Code; 316

~~(35)~~(36) The refundable credit for tax withheld under 317
division (B)(1) of section 5747.062 of the Revised Code; 318

~~(36)~~(37) The credit for losses on loans made to the Ohio 319
venture capital program under sections 150.01 to 150.10 of the 320
Revised Code if the taxpayer elected a refundable credit under 321
section 150.07 of the Revised Code. 322

(B) For any credit, except the credits enumerated in 323
divisions (A)~~(32)~~(33) to ~~(36)~~(37) of this section and the credit 324
granted under division (I) of section 5747.08 of the Revised Code, 325
the amount of the credit for a taxable year shall not exceed the 326
tax due after allowing for any other credit that precedes it in 327
the order required under this section. Any excess amount of a 328
particular credit may be carried forward if authorized under the 329
section creating that credit. Nothing in this chapter shall be 330
construed to allow a taxpayer to claim, directly or indirectly, a 331
credit more than once for a taxable year. 332

Section 2. That existing sections 5733.98 and 5747.98 of the 333
Revised Code are hereby repealed. 334