

## Ohio Job Creation Tax Credit

<b>Overview</b>	Provides a Commercial Activity Tax (CAT) credit for businesses that expand or locate in Ohio. The tax credit is based on the state income tax withheld by the taxpayer for new jobs created as a result of new business investment in Ohio.
<b>Benefits</b>	Tax credit available for businesses creating new jobs by investing in land, building, machinery, equipment or infrastructure improvements.
<b>Eligibility</b>	Businesses that expand or locate in Ohio. State guidelines regulate the type of business and project eligible for the incentive.  <i>See additional conditions on back &gt;&gt;&gt;&gt;</i>
<b>Rate/Terms</b>	All taxpayers interested in applying for JCTC assistance must consult with an ODOD representative prior to submitting an application and before project starts.  The Ohio Tax Credit Authority determines eligibility, rates and terms based on the number of jobs to be created, the new payroll generated by the project, the fixed asset investment in the project and the extent of interstate competition for the project.  Companies may receive refundable credits generally up to 75 percent of withheld state income taxes for a period of up to 15 years.  Businesses must generally agree to create at least 25 jobs at 175% of the minimum wage, generating at least \$660,000 in annual total payroll during the first three years of project operations. <ul style="list-style-type: none"><li>- The company can create as few as 10 new jobs, providing the payroll threshold is reached.</li><li>- In counties with unemployment rates greater than 7%, the company may pay hourly rates at 150% of the federal minimum wage, providing the payroll threshold is reached.</li><li>- The business must maintain baseline payroll and the level of proposed new payroll for the term of the tax credit and maintain operations through the post-term reporting period.</li></ul> The business must demonstrate to the Authority that the tax credit is a major factor in the decision to go forward with the project.
<b>Contact</b>	Youngstown/Warren Regional Chamber at 330.392.6140 or Ohio Department of Development at 330.797.6301

*This summary is prepared as a reference, and should not be construed as the actual law. For more information, contact the Youngstown/Warren Regional Chamber.*

## Eligible Projects

Projects must meet the following specific eligibility criteria to receive JCTC assistance:

1. The potential taxpayer commits to create at least 10 full-time equivalent employees paying wages of at least 175% of the federal minimum wage (or \$12.69/hour) and generating at least \$660,000 in total annual payroll during the first three years of project operations. The taxpayer is expected to maintain that level of committed payroll. The payroll threshold will increase if federal minimum wage (\$7.25) increases. The payroll amount of \$660,000 equals 175% of the federal minimum wage for 25 full-time equivalent employees.
  - If the unadjusted employment rate within the county of the project site is greater than 7% at the time the Authority approves the tax credit, then the potential JCTC grantee may only be required to maintain an average hourly wage of 150% of the federal minimum wage (or \$10.88) for all new employment positions for the entirety of the tax credit term generating at least \$660,000 in total annual payroll during the first three years of project operations.
2. The potential JCTC grantee must commit to maintain the level of proposed new payroll for the term of the tax credit and maintain operations at the project site for the post-term reporting period.
3. If the project involves an expansion or consolidation of an existing Ohio facility, the potential JCTC grantee must commit to retaining on an annual basis its baseline payroll. Baseline payroll is the aggregate wages paid to employees, not including fringe benefits, at the project site for the 12 months preceding approval of the project by the Tax Credit Authority.
4. The project must involve a fixed-asset investment in land, building, machinery/equipment and/or infrastructure improvements.
5. The taxpayer must demonstrate to the state, through its financial statements and sources and uses of funds, that it is economically sound and possesses the financial ability to complete the required capital investment.
6. The potential JCTC grantee must demonstrate that the tax credit is a "major factor" in its decision to expand or locate in Ohio. If a project starts prior to Authority approval, the JCTC will not be considered a major factor in the taxpayers decision. Accordingly, the project must not have started, i.e., construction begun at the site or project publicly announced as planned for the project site, prior to approval by the Authority. Payroll generated proper to the approval by the Authority cannot be counted as eligible new payroll for the purpose of the tax credit.
7. Service-oriented projects must demonstrate that at least 51 percent of the project site-attributable sales or revenues attributable to the project are generated from buyers located outside Ohio.
8. Intrastate relocation projects are generally ineligible to receive JCTC assistance unless a formal determination is made by the Director of Development that the legislative authority of the negatively impacted county, township, or municipal corporation has been notified of the relocation by the potential taxpayer. The notice must include: the number of full-time equivalent employees that will be relocated; payroll attributed to the relocated employees; and the business reason for the move. The taxpayer must also send a copy of the notice to the Tax Credit Authority.
9. The local community in which a project is located must provide a letter of support for the project.
10. The potential taxpayer must maintain operations at the project site for the greater of (a) the term of the credit plus three years or (b) 7 years.

## JCTC Calculation

$$\text{Tax Credit Value} = (\text{Income tax base revenue} - \text{baseline income tax revenue}) \times \text{tax credit percentage}$$

Where *baseline income tax revenue (BITR)* means *aggregate income tax revenue (ITR)* withheld at the project site over the 12 months immediately preceding the date the Authority approves the project, multiplied by the 'Pay Increase Factor' The *Pay Increase Factor (PIF)* means one plus the numeric figure determined by the Authority to annually adjust the BITR. The figure is determined by the Authority and will be no more than the greater of (a) the taxpayer's average payroll increase base on the three most recent years of data, or (b) twice the most recently published consumer price available at the time the Authority approves the project.