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## Ohio's Newest Tax Incentive

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Only four tax credits remain in Ohio as the taxing regime shifts from the corporation franchise tax to commercial activity tax. New state allocations of federal funding via the Workforce Investment Act provide great opportunity for local businesses to receive financial assistance for training activities. This newest tax incentive program in Ohio is known as Ohio's Incumbent Worker Training Program (the "IWTP Grant").

For years Ohio provided a training tax credit (the "OTTC") against the corporation franchise tax and personal income tax for shareholders of S corporations. The OTTC program expired at the end of last year, and legislation (S.B. 250) was introduced in Ohio's General Assembly to extend it for one more year through December 2008. Late last year, the legislation stalled permanently in the Senate Ways and Means and Economic Development Committee. In place of S.B. 250, Governor Strickland signed into law in the eleventh hour Sub. H.B. 372 which created the IWTP Grant, a grant-based economic development tool for training programs of Ohio businesses. The IWTP Grant took effect beginning March 24, 2008 and the funding is being distributed in two rounds - \$6M of grants during the state FYE June 30, 2008 and \$9M in the state FYE June 30, 2009 (compared with \$20M in funds authorized for the OTTC).

The IWTP Grant has notable advantages over its predecessor OTTC. One advantage is the new IWTP Grant provides cash reimbursements to companies for training activities, whereas the OTTC was a nonrefundable tax credit and required companies to pay tax in order to receive any benefit. Another advantage is the maximum benefit per company has increased to \$200,000 under the IWTP Grant, up from the \$100,000 maximum tax credit under the OTTC. The \$1,000 per employee limitation remains the same for the IWTP Grant as it was for the OTTC.

The most significant improvement, however, of the new IWTP Grant over the OTTC has to be – far and away – the application process. The OTTC was granted using a lottery system where companies were selected on a random basis during a pre-selected period of time. The lottery system resulted in many companies spending significant time and resources collecting necessary data with no tax credit "pay-off." Under the IWTP Grant, companies apply on-line and are selected based on eligibility, with preference given to those that apply early. Notwithstanding the many improvements, there is an important distinction between the IWTP Grant and the OTTC – the wages of trainees are not reimbursable costs under the IWTP Grant. Many companies received the maximum tax credit under the OTTC due to costs associated with trainee's wages. The only employee wages eligible for reimbursement under the new IWTP Grant are the wages of employee trainers.