

## Business and Industry | Business Incentives Tax Credits

Office of Tax Incentives

Program Description	Rate/Terms	Benefits	Eligibility	Contact / Phone #
<b>Ohio Job Creation Tax Credit</b> Provides corporate franchise or state income tax credit for businesses that expand or locate in Ohio for companies that incur tax liability under ORC Sections 5733.06 or 5747.02. Program will provide a tax credit against the Commercial Activity Tax (CAT) beginning on July 1, 2008. Insurance companies that pay the annual franchise tax under ORC Sections 5725.18/5729.03 are eligible for the tax credit beginning July 1, 2005.	Ohio Tax Credit Authority determines eligibility and terms Business must demonstrate to the Authority that the tax credit is a major factor in its decision to go forward with the project Local community must also provide financial support for the project	Refundable state franchise or income tax credits that minimize expenditures to encourage business expansion and/or location projects in Ohio. The tax credit will apply against the corporate franchise tax through 6/30/08, and transfer to cover the Commercial Activity Tax (CAT) liabilities for tax period beginning July 1, 2008. The program will continue to be refundable.	Businesses that create at least 25 net new full-time positions at a facility in Ohio and pay a minimum of 150% of federal minimum wage In special circumstances, a company could create as few as 10 new full-time positions paying at least 400% of the federal minimum wage	<b>Office of Tax Incentives</b> (614) 466-2317 or (800) 848-1300
<b>Ohio Job Retention Tax Credit</b> <small>(pdf 93k)</small> Provides corporate franchise or state income tax credit for businesses that commit to retain a significant number of full-time jobs. Program will provide a tax credit against the Commercial Activity Tax (CAT) beginning on July 1, 2008.	Ohio Tax Credit Authority determines eligibility and terms Credits awarded to companies that are engaged at the project site primarily as a manufacturer or providing significant corporate administrative functions and can demonstrate the tax credit is a major factor in its decision to retain jobs in Ohio.  Local community must also provide financial support for the project.	Nonrefundable corporate franchise or state income tax credits for corporations, partnerships, limited liability companies and other pass-through entities to minimize the costs of maintaining an operation in the state. The tax credit will transfer to cover the Commercial Activity Tax (CAT) liabilities for tax period beginning July 1, 2008. The program will continue to be non-refundable.	Businesses that currently employ at least 1,000 full-time employees and make a capital asset investment of at least \$200 million. In special circumstances, a company could invest at least \$100 million if the retained positions pay, and will continue to pay, at least 400% of the federal minimum wage.	<b>Office of Tax Incentives</b> (614) 466-2317 or (800) 848-1300
<b>Ohio Research and Development Investment Tax Credit</b> <small>(pdf 14k)</small> Provides a nonrefundable tax credit against the corporate franchise tax and is designed to encourage Ohio's corporations to invest in increased research and development activities.	The credit equals 7% of the excess amount of Qualified Research Expenses.	Nonrefundable tax credit.  The tax credit currently is applied against a company's corporate franchise tax. The tax credit will transfer to cover the Commercial Activity Tax (CAT) for corporations subject to ORC Section 5733.01(G)(2) after tax year 2008.  Any excess credit not used in the taxable year in which it is earned by be carried forward for up to 7 years.	Only those taxpayers subject to the franchise tax provision of ORC Section 5733.06, or those subject to division (G)(2) of section 5733.01 under CAT tax are eligible for the credit.  Taxpayer must invest in "Qualified Research Expenses", defined within Section 41 of the Internal Revenue Code and includes both in-house research expenses (wages and supplies) and contract research expenses.  New investment in a taxable year must exceed business' annual average	<b>Office of Tax Incentives</b> (614) 466-2317 or (800) 848-1300

investment in Qualifying Research Expenses for the three previous taxable years.

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**Training Tax Credit**

Provides tax credits for employers that train existing employees who are at risk of losing their jobs primarily due to skill deficiencies.

\$20 million in credits available annually with no single business receiving more than \$100,000 per year.

Tax credit available in tax year 2004, 2005, and 2006.

Nonrefundable tax credits to help businesses offset costs of training incumbent workers and improving the business' competitive position

Businesses must conduct an eligible training program to correct identified skill deficiencies in its existing workforce.

Training for management personnel is generally prohibited.

**Department of Job and Family Services**  
(614) 644-7104

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**Ohio Manufacturing Machinery & Equipment Grant/Ohio Manufacturing Machinery & Equipment Investment Tax Credit**

Provides a nonrefundable corporate franchise or state income tax credit for manufacturer located in Ohio that purchases qualified new or retooled machinery and equipment that is used in manufacturing.

As of July 1, 2005, the M&E Equipment Grant replaced the M&E Investment Tax Credit as the mechanism for companies to take the incentive. The M&E Equipment Investment Grant Program incentive values are calculated in the same manner at the M&E Investment Tax Credit, and therefore the annual incentive amounts previously calculated through the tax credit program will apply to the grant program. The M&E Equipment Grant program will require companies /individuals intending on taking the incentive (again – the same amounts as the annual values calculated through the M&E Investment Tax Credit program on the Notice of Intent) must file a grant request form with their tax return.

Manufacturer receives a 7.5% tax credit on the excess investment, credit of 13.5% is available in "priority investment areas" Total value of credit is divided equally over 7 years and manufacturer is permitted to carry forward any unused credit for up to 3 years.

Purchases must be made by June 30, 2005 and installation must occur before June 30, 2006.

Credit exceeding \$1 million must meet special requirements.

Notice of Intent must still be filed with ODOT for investment made in calendar years 1995 through 6/30/05.

A company's deadline to file a Notice of Intent for any investment year is determined by the required filing date of its tax return (see the M&E Investment Credit website under "Notice of Intent Due Dates" for the deadlines).

Substantial state franchise or income tax reductions which minimize capital expenditures to encourage business expansions and locations in Ohio.

For state franchise tax filers, the incentive is applicable to the corporate franchise tax credit during the tax's phase out period. After the tax is eliminated, the incentive is eliminated.

For state income tax filers, the incentive can be taken against the state income tax until the term of the incentive is completed.

Corporations, partnerships, limited liability companies or proprietorships.

New investment must exceed business' annual average county investment in machinery and equipment determined by the filing year.

Machinery and equipment must be new to Ohio Retooling qualifies if costs are capitalized for federal tax depreciation purposes

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or  
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**Technology Investment Tax Credit**

Offers a variety of benefits to Ohio taxpayers who invest in small, research and development and technology-oriented forms.

Provides a tax credit for taxpayers that invest in small, Ohio-based technology companies. The amount of the tax credit is 25% (or 30% in some limited cases) of the amount invested by the taxpayer. The maximum investment to which this credit may be applied is \$250,000 (or \$300,000). The credit may be claimed against personal income tax, corporate franchise

Investors may reduce their state taxes by up to 25% of amount invested

Businesses primarily focused on research and development, technology transfer, or the application of a new technology Business must have gross revenues less than \$1 million, or net book value of less than \$1 million, at the end of most recent fiscal year.

Principal place of business and 1/2 of its gross assets and employees must be in

**Technology Division**  
(614) 466-3887  
or  
(800) 848-1300  
or  
**Ohio's Thomas Edison Program**

	<p>tax, public utility excise tax or the dealers in intangibles tax.</p> <p>To be eligible, the company must have its principal place of business located in Ohio and must also have less than \$2.5 million in revenue or less than \$2.5 million in net assets for the most recently completed fiscal year. Finally, the entity must be engaged in a business that primarily involves R&amp;D and/or technology transfer.</p>		Ohio Business must have received less than \$1 million in investments that have qualified for the tax credit.	
<p><b>Research and Development Sales Tax Exemption</b></p> <p>Provides an exemption from the usual state and county sales tax for companies that purchase equipment for research and development activities. Vendor needs a blanket exemption certificate, available on-line at the Department of Taxation's website (<a href="http://tax.ohio.gov/">http://tax.ohio.gov/</a>) under Business, Tax Forms.</p>	Exempts business from entire state and county sales tax for purchases of machinery and equipment used primarily for research and development	Provides significant tax savings for companies undertaking research and development activities in Ohio	<p>Includes research and development activity in both direct and pure research.</p> <p>Direct research refers to research conducted to design, create or formulate new or better products, equipment or processes.</p> <p>Pure research refers to scientific or technological inquiry and experimentation in the physical sciences.</p>	<p><b>Ohio Department of Taxation, Sales Tax Division</b></p> <p>(614) 466-7351 or (888) 405-4039</p>
<p><b>Manufacturing Machinery &amp; Equipment Sales Tax Exemption</b></p> <p>Provides an exemption from state and county sales tax for companies that purchase machinery and equipment for manufacturing activities. Vendor needs a blanket exemption certificate, available on-line at the Department of Taxation's website (<a href="http://tax.ohio.gov/">http://tax.ohio.gov/</a>) under Business, Tax Forms</p>	Exempts business from entire state and county sales tax for purchases of machinery and equipment used primarily for manufacturing	Provides significant tax savings for companies and individuals that are involved in manufacturing in Ohio	Includes machinery, equipment, supplies and fuel used primarily in a manufacturing operation to produce tangible personal property for sales	<p><b>Ohio Department of Taxation, Sales Tax Division</b></p> <p>(614) 466-7351 or (888) 405-4039</p>
<p><b>Warehouse Machinery &amp; Equipment Sales Tax Exemption</b></p> <p>Provides an exemption from state and county sales tax for companies that purchase eligible warehousing equipment. Vendor needs a blanket exemption certificate, available on-line at the Department of Taxation's website (<a href="http://tax.ohio.gov/">http://tax.ohio.gov/</a>) under Business, Tax Forms</p>	Exempts business from entire state and county sales tax for purchases of eligible machinery and equipment	Provides significant tax savings for companies purchasing machinery and equipment for warehousing, distribution and direct marketing activities	Includes machinery and equipment used primarily (51%) in storing, transporting, mailing or handling inventory in a warehouse, distribution center or similar facility if the inventory handled by the facility is primarily distributed outside Ohio to retail stores owned by the business or affiliated group that owns the Ohio facility or distributed by means of direct marketing	<p><b>Ohio Department of Taxation, Sales Tax Division</b></p> <p>(614) 466-7351 or (888) 405-4039</p>
<p><b>Warehouse Inventory Tax Exemption</b></p> <p>Provides an exemption from the personal property tax on qualifying inventory.</p>	Current rate is 0%	Significant tax savings for companies that have substantial amounts of inventory.	Inventory brought into Ohio from out of state, held for storage only with no further processing and then distributed back outside of	<p><b>Ohio Department of Taxation, Personal Property Tax Division</b></p> <p>(614) 466-3280</p>

Claimed as part of the Personal Property Tax return.

This exemption will only be applicable as long as there is tangible personal property tax is assessed on inventory. Once the personal property tax is eliminated, the exemption is eliminated.

the state, will be subject to a reduced personal tangible property assessment rate "Held for Storage Only" is a specific standard of eligibility that may preclude the value of some inventory being shipped directly to customers from qualifying for the reduced assessment rate

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#### Enterprise Zones

Provides real and personal property tax incentives for businesses that expand or locate in Ohio. In order to apply, the municipality or county must apply to the State Development Director for certification. To secure benefits, non-retail businesses must apply to the local community for local property tax exemptions and to the State Development Director for state franchise or state income tax incentives.

Up to 75% exemption in incorporated areas and up to 60% exemption in unincorporated areas on real property improvements or tangible personal property tax valuation for up to 10 years  
Local school board approval is required to exceed these rate and/or term limits

Substantial tax reductions on new real and/or personal property investment.

Reductions apply to the increase in assessed value for real property and items first-used by the business in Ohio for personal property.  
Note that: 1) manufacturing machinery and equipment new to the state purchased after 1/1/05 will not be taxed and 2) once personal property tax is phased out, the personal property tax incentive will no longer be applicable.

Industrial projects (retail/service projects are eligible in limited areas)  
Business must finalize agreement to retain or create employment; establish expand, renovate or occupy a facility in an Enterprise Zone; and invest in new real and/or personal property prior to project initiation

#### Office of Tax Incentives

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or  
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#### Ohio Historic Preservation Tax Credit.

The Ohio Historic Preservation Tax Credit program provides a tax credit for the rehabilitation expenses to owners of historically significant buildings. Funding is provided through competitive rounds based on economic benefit and regional distributive balance.

The tax credit subsidy is 25% of qualified rehabilitation expenditures (QRE) not to exceed the QRE estimates in the application, with an application cap of \$5M. QREs are hard construction costs that meet the requirements of the US Secretary of Interior's Standards for Rehabilitation of Historic Properties.

The tax credit can be applied to applicable dealer in tangible, corporate franchise, or state income taxes.

Applicants must meet four threshold criteria:

- The applicant is the fee simple owner of the building described in the application and is a non-governmental entity.
- The building is listed on the National Register of Historic Places; is located in a registered historic district and is certified by Ohio's State Historic Preservation Officer as being of historic significance to the district/ or is listed as a historic landmark by a certified local government.
- The rehabilitation work as described in the application is consistent with the United States Secretary of the Interior's Standards for Rehabilitation.
- The issuance of an Ohio Historic Preservation Tax Credit is a major factor in the applicant's decision to rehabilitate the historic building or

#### Urban Development Division

(614) 995-2292

[Email Us](#)

to increase the level of investment in the rehabilitation of the historic building.

**Community  
Reinvestment Areas**

Provides local real-property tax incentives for residents and businesses that invest in designated areas of Ohio. In order to apply, the municipality or county must apply to the State Development Director for confirmation. Investors meeting the local criteria must apply to the municipality or county for the real property tax exemption.

Up to 100% exemption of the improved real property tax valuation for up to 15 years depending on the project.

Local legislative authority establishes rates and terms.

In some instances, local school board approval may be required.

Substantial real estate property tax reduction for new real property

Real property investment incentives are available for residential, commercial, and/or industrial projects involving remodeling or new construction.

Commercial and industrial projects must have an agreement in place prior to investment.

Local legislative authority establishes project eligibility.

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