

SB 166 Tax Credit Certificate Program for Work-Based Learning Experiences (ORC 5747.057)

This document serves as guidance for the Tax Credit Certificate Program for Work-Based Learning Experiences as passed in Senate Bill 166. In this program, a nonrefundable credit is allowed against a taxpayer's aggregate tax liability for a taxpayer that holds a tax credit certificate issued by the Department and employs an eligible student employee, defined below. The credit equals the amount listed on the certificate and shall be claimed for the taxable year that includes the last day of the calendar year for which the certificate was issued. The credit shall be claimed in the order required under [section 5747.98 of the Ohio Revised Code](#).

What Businesses are Eligible?

An employer who is a taxpayer or a pass-through entity, such as a Limited Liability Company, subject to the State of Ohio income tax and that employs an eligible employee in fulfillment of a work-based learning experience is eligible. The experience must be associated with an approved career-technical education (CTE) pathway in which the eligible employee is enrolled. New and current work-based learning experiences may be eligible for this tax credit.

Taxpayer is defined in [section 5747.01 \(N\) of the Ohio Revised Code](#) as any person subject to the tax imposed by [section 5747.02 of the Ohio Revised Code](#) or any pass-through entity that makes the election under [division \(D\) of section 5747.08 of the Ohio Revised Code](#). Pass-through entity generally means a corporation that has made an election under [subchapter S of Chapter 1 of Subtitle A of the Internal Revenue Code](#) for its taxable year under that code, or a partnership or limited liability company. The Commercial Activity Tax (CAT) imposed under [section 5751.02 of the Ohio Revised Code](#) is not state income tax and the income tax credit provided by [Ohio Revised Code 5747.057](#) does not apply to CAT liability. If taxpayers are uncertain if they are subject to Ohio income tax, they should consult with their tax advisor.

Definitions

[Strengthening Career and Technical Education for the 21st Century Act \(Perkins V\)](#) defines *work-based learning* as sustained interactions with industry or community professionals in real workplace settings, to the extent practicable, or simulated environments at an educational institution that foster in-depth, firsthand engagement with the tasks required in a given career field, that are aligned to curriculum and instruction.

Eligible employee means an employee who is nineteen years of age or younger and enrolled in an approved CTE pathway.

To be considered *enrolled in a CTE pathway*, a student must be enrolled in at least one course within the approved pathway. Students enrolled in Career-Based Intervention and Family Consumer Sciences programs are eligible.

Eligible compensation means compensation paid Jan. 1, 2025 – Dec. 31, 2025, from which the employer is required to deduct and withhold income tax.

Required Information

1. Name and Date of Birth of employee/student
2. Employee/student Social Security Number (SSN)
3. Employer Name and Address
4. Employer Person of Contact/Phone/Email
5. Type of Employment (Registered Pre-Apprenticeship/Registered Apprenticeship/Other (e.g., Paid Internship))
6. Work Start and End Date
7. Total compensation paid to employee/student during the preceding calendar year
8. Name of CTE program in which the employee/student is enrolled
9. Amount of tax credit received in any prior year for the employee/student
10. Description of the employee/student's duties as part of the work-based learning experience. [Use the work-based learning agreement as an example.](#)

Tax Credit and Funding Limits

Eligible employers may receive the lesser of \$5,000 per eligible employee or 15% of wages paid to an eligible employee. The tax credit certificate is submitted with the employer's Ohio income tax return and provides a credit against aggregate tax liability.

The total amount of funding is not to exceed \$5 million within the state fiscal biennium (2-year period).

Application Process

1. Eligible employer meets with CTE partner to outline mutual goals of the work-based learning experience, identify point persons for each organization and review application.
2. Eligible employer submits application to the department.
3. Department approves or denies application.
4. If approved, the department sends tax credit certificate to business within 60 days of submission of the application.
5. Eligible employer submits tax credit certificate when filing annual Ohio income tax return.

Scenarios

Scenario 1: *Student starts as an 18-year-old junior in February working in welding. They turn 19 in October of their senior year. Subsequently, they complete the CTE pathway and graduate in May. They were employed with this company for more than one year.*

An “eligible employee” (student) is “19 years of age or younger.” Any wages paid to a student prior to their 20th birthday and while enrolled in the approved CTE pathway would count as “eligible compensation.” The application for a tax credit would be filed between January 1 and February 1 for the previous calendar year. In scenario 1, wages paid in year 1 (February to December) would go on the application submitted in January of the next year. Wages paid in year 2 (January to May) would go on the application submitted in January of the next year. However, if the tax credit amounted to \$5,000 for year 1, in year 2 no tax credit would be available because the \$5,000 per eligible employee cap was reached.

Scenario 2: *Student is hired in January as 18-year-old senior in manufacturing. Student graduates in May but continues to work for the employer during the summer.*

“Eligible compensation” is limited to compensation paid while the employee/student is “enrolled in a CTE program”. Wages paid after the student graduates are not included in eligible compensation for purposes of the credit.

Scenario 3: *Company A hired an 18-year-old senior in September who then turned 19 in October. The student resigned from Company A in January and started with Company B in February, remaining with Company B for the rest of the school year. Are both companies eligible for the tax credit because the student is still in a CTE program?*

Each employer may apply for a tax credit for an eligible employee (student) in the amount of compensation paid to the student. The \$5,000 cap applies to each business and not the student. Therefore, each employer could theoretically claim \$5,000 for the student.

Scenario 4: *A 17-year-old student is hired to work for an eligible employer and is enrolled in an approved CTE pathway. The student worked the entire year of 2023 for 10 hours a week at \$9.00/hour. How much is the employer eligible to receive in tax credit for this student?*

Assuming the student worked 10 hours every week of the year, the student earned \$4,680. The employer would be eligible for a tax credit of 15% of the student’s total compensation, which equals \$702. The student still is considered enrolled in a CTE pathway during the summer between school years, but would not be eligible if they had graduated.

Scenario 5: *Company A is interested in starting a new work-based learning experience to benefit local students and earn the tax credit, for which they are an eligible business. Where should Company A start in designing a work-based learning experience?*

First, Company A should identify the type of work-based learning experience the business may be able to commit to based on the options providing in the [Work-Based Learning Overview](#). Then, Company A should connect with schools, career centers, [Tech Prep Regional Centers](#) and institutions in the community by setting up a meeting with the CTE administrators, principals or other staff to discuss how the business can provide work-based learning experiences for CTE students. The [Ohio Employer Guide to Work-Based Learning Experience](#) provides more information. For more information on creating a work-based learning experience, contact Tanya Rogers at tanya.rogers@education.ohio.gov.