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Credits & Incentives talk with Deloitte

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CREDITS & INCENTIVES TALK WITH DELOITTE

Ohio: Available Training Incentives

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Media coverage during this presidential election cycle has given significant attention to the topic of employment and putting people back to work. Bringing manufacturing jobs back to the United States along with the focus on green jobs, technology-enabled jobs, and jobs for the 21st century economy are goals that resonate with potential voters regardless of party affiliation. Candidates are talking about this because voters are telling them it is important.

According to recent polling information from Gallup, approximately forty percent of Americans believe "economic problems" are the most important problems facing this country today¹ with nearly a quarter of that particular group identifying "unemployment/jobs" as the most important problem facing the country today.² These are not just individual concerns. Organizations such as the Tax Foundation review each of the presidential candidate's tax plans and estimate the impact on the economy, including additional jobs created.³

This column will focus on Ohio, consistently a swing state in presidential elections, where the subject of the economy, job creation and job retention are as important as ever. Ohio's governor, John Kasich, has mentioned the need to have job training programs, noting that various business leaders frequently cite the difficulty of finding trained people to fill available jobs in Ohio, a number that could be as high as 80,000.⁴

States and localities typically rely on two types of credits or incentives when seeking to address unemployment and create jobs, those that create or retain jobs and those that are focused on equipping individuals, from a skill perspective, to fill available open jobs. As companies focus on training and skill development, traditional employee training represents a \$130 billion global market with the average employer spending about \$30 per hour on employee training.⁵

Providing training incentives to businesses of all sizes, while permitting them to determine the appropriate curriculum, can encourage the necessary training and retraining of people for existing unfilled jobs. When considering the significant costs of traditional employee training—an area undergoing a transformation with flipped classrooms, learning-centric models, and a vast increase in the content being delivered over a variety of online and mobile platforms—tax credits and incentives can enable businesses to potentially offset their investment in employees and this training re-design.

Two programs in Ohio, which will be described below, seek to support businesses as they train or retrain their workforce. The first is the Workforce Grant program⁶ administered through JobsOhio, a private non-profit corporation designed to drive job creation and new capital investment in Ohio through business attraction, retention, and expansion efforts. The second program is the Incumbent Workforce Training Voucher Program⁷ administered through the Ohio Development Services Agency.

Workforce Grant program

This discretionary program was created to promote economic development, business expansions, and job creation in Ohio by providing funding for the improvement of worker skills and abilities. Grants are awarded to businesses based on a number of factors, some of which include: job creation, incremental payroll, fixed-asset investments and return on project investment.

When evaluating which projects may be eligible, it is important to look at targeted industries or those businesses that will meet the wage floor set by JobsOhio.⁹ Industry groups that potentially meet these criteria include: advanced manufacturing, aerospace and aviation, automotive, biohealth, energy, financial services, food processing, information technology and services, polymers and chemicals, and logistics and business operations.¹⁰ It is also important to note that retail and certain other businesses tend to be excluded by JobsOhio.

This program may be able to assist businesses in reducing overall training costs by a reimbursement of up to 50% of qualifying training costs (and up to 75% of costs if the training is provided by one of Ohio's public training providers.)

The Workforce Grant program supports a wide range of eligible training programs, including training in the following areas: information technology, leadership skills, on-the-job, product knowledge, quality management processes, safety, supervisory, and technical.¹¹ Eligible training costs may include instructor wages, travel costs, and materials.¹²

This program has an application requirement as well as a compliance requirement involving submission of ongoing progress reports during the term of the grant agreement (generally about five years) to demonstrate that the grantee is meeting the agreement terms and the wage floor.

Grant funding is provided in the form of reimbursements after an employer submits periodic reimbursement requests and provides the necessary documentation to show completion of the training. This would include class rosters, transcripts or certifications, invoices and proof of payment for outside vendors, trainer lists and wages paid for in-house instructors and invoices for any training materials.

Ohio Incumbent Workforce Training Voucher Program (OIWTVP)

Effective June 30, 2011, this program was created to assist employers in retraining, upgrading and retaining existing employees to help the Ohio workforce remain competitive in the 21st century economy. For-profit entities within the targeted industries or targeted operations as provided in the Workforce Grant program (described above) who have an Ohio facility that has been in continuous operation for the 12 months prior to application may be eligible for reimbursement of 50 percent of the total training cost up to \$4,000 per employee or \$100,000 per employer (identified by Federal Employee Identification Number/FEIN) for a program year.¹³

Reimbursable training costs are for eligible employees who must be Ohio residents at least 18 years old, earning at least 150 percent of the federal minimum wage, and working a minimum of 25 hours each week. Similar to the Workforce Grant program, employees in retail or similar roles are not eligible for this program.¹⁴

Examples of eligible training programs include, but are not limited to the following:

- Training related to the employee's current job
- Seminars/webinars/workshops that include passing an exam for completion
- Computer skills training
- Training that leads to industry recognized certification
- Training associated with a new piece of equipment
- Training for improved efficiency

Qualified training costs include instructor costs, both internal and external, and instruction material cost (materials must be requested and approved in the application in order to be eligible for reimbursement and are limited to 25 percent of the cost of training per employee per training). Unlike the Workforce Grant program, travel expenses are not eligible.

Applications for the program are submitted online on a first-come, first-served basis when a grant submission round is opened, typically in September or October. Once an employee has successfully completed training and the grantee has paid for that training, a reimbursement invoice may be submitted to the Ohio Development Services Agency. Requests can be submitted no more than once during each quarter.¹⁵ The grantee must compile both the electronic reimbursement invoice and supporting documentation as part of the reimbursement request.

To receive reimbursement, employers must provide requested documentation, including: documentation to show completion of the training, such as class rosters, transcripts or certifications; invoices and proof of payment for outside vendors; trainer lists and wages paid for in-house instructors; and invoices for any training materials. When gathering the required information, a business should be aware that providing the last four digits of the trainees' Social Security number and date of birth is also a requirement in order to secure reimbursement.

While touting new jobs may grab headlines, the Ohio programs demonstrate that job creation in itself is only one goal; filling available jobs is just as important. A trained and ready workforce to fill both new and existing jobs will continue to be of utmost importance to the economic health of the U.S. As human resources departments work to "upskill" their current workforce or train individuals for new and existing jobs, they should continue to work with tax and government affairs professionals to determine what federal and state training incentives may be available.

¹ <http://www.gallup.com/poll/1675/most-important-problem.aspx>

² *Id.*

³ <http://taxfoundation.org/comparing-2016-presidential-tax-reform-proposals>

⁴ <http://www.politifact.com/ohio/promises/kasich-o-meter/promise/772/create-voucher-program-for-job-training/>

⁵ Karen O'Leonard, *The corporate learning factbook® 2014: Benchmarks, trends, and analysis of the U.S. training market*, Bersin by Deloitte, January 2014, www.bersin.com/library or www.bersin.com/factbook.

⁶ Ohio Rev. Code Ann. § 187.01.

⁷ Ohio 129th General Assembly, Amended Substitute H.B. 153, § 261.20.90, effective June 30, 2011.

⁸ <http://jobs-ohio.com/why-ohio/incentives/>

⁹ *Id.*

¹⁰ <http://jobs-ohio.com/industries/>. (Note: "logistics and business operations" encompass back office, corporate headquarters, and research and development facilities.)

¹¹ <http://jobs-ohio.com/why-ohio/incentives/>

¹² *Id.*

¹³ Ohio Incumbent Workforce Training Voucher Program Guidelines FY '16, available at https://development.ohio.gov/bs/bs_wtvp.htm.

¹⁴ *Id.*

¹⁵ *Id.*