

## General Instructions

The nonrefundable business credits listed in Schedule E-1 may be used to reduce the tax liability (before payments) to zero.

Schedule E-1 lists the nonrefundable business credits in the order in which you may claim them as well as the carryover period for each credit. The order is important if you are entitled to more than one credit and if you are unable to use some portion of the total credit in the year generated.

Please read all of the following instructions carefully for each section to determine if you are eligible to claim that particular credit.

Please enclose with your tax return Schedule E-1 and E-2. You also will need to enclose any certificates required by Schedule E-1. All other supporting schedules or documentation are subject to examination by the Ohio Department of Taxation.

You will need to review the applicable law. Schedule E-1 sets forth the applicable Ohio Revised Code sections (R.C.) needed for each business credit listed.

### Mailing Instructions

Each taxpayer with nonrefundable business credits should enclose Schedule E-1 and E-2 and certificates, if any, with the taxpayer's Ohio income tax return (form IT 1040, IT 1040X, IT 4708 or IT 1041, whichever is applicable) and mail to the address reflected on that form.

### Taxpayer Assistance

If you want further information, you may use any of the following methods to contact us:

- **Internet** – [tax.ohio.gov](http://tax.ohio.gov)
- **Call us** – (614) 387-0232
- **Write us** – Ohio Department of Taxation  
P.O. Box 182847  
Columbus, OH 43218-2847
- **Walk-in** – Our walk-in locations and hours are listed on the inside back cover of the IT 1040 booklet.

### For Deaf, Hard of Hearing or Speech Impaired Who Use TTY or TDD Only

Please contact the Ohio Relay Service at 1-800-750-0750 and give the communication assistant the Ohio Department of Taxation telephone number that you wish to contact.

### Line 1 – Credit for Contributions Made to Candidates for Ohio Statewide Office or General Assembly

Taxpayers other than trusts may claim a credit for contributions of money during the taxable year to the campaign committee of candidates for any of the following Ohio offices:

- Governor
- Lieutenant governor
- Secretary of state
- Auditor of state
- Chief justice of the Ohio Supreme Court
- Justice of the Ohio Supreme Court

- Treasurer of state
- Attorney general
- Ohio Board of Education
- Ohio Senate
- Ohio House of Representatives

The amount of the credit is the lesser of (i) the combined total cash contributions made by each taxpayer during the taxable year or (ii) \$50 for each taxpayer. If the contributor is a pass-through entity, each pass-through entity investor, other than investors that are trusts, may claim a proportionate share of the contribution. However, the credit for each investor, other than investors that are trusts, cannot exceed the lesser of each investor's proportionate share of the contribution or \$50.

**Note: If you claim the credit for political contributions in Schedule E, you may not claim a credit for the same political contributions in Schedule B of form IT 1040. The combined total of your political contributions credit claimed on Schedule E and on Schedule B of form IT 1040 cannot exceed \$50 per taxpayer.**

### Line 2 – Credit for Selling Alternative Fuel in Ohio

For taxable years ending in 2008 and 2009 taxpayers directly or indirectly owning retail dealer service stations in Ohio may claim a nonrefundable credit for selling alternative fuel. For taxable year ending in 2008 the credit equals 15 cents per gallon of alternative fuel sold at a retail dealer's Ohio service station during any part of calendar years 2007 and 2008 that is included in the dealer's taxable year ending in 2008. For taxable year 2009 the credit equals 15 cents per gallon of alternative fuel sold at a retail dealer's Ohio service station during any part of calendar year 2008 that is included in the dealer's taxable year ending in 2009, plus 13 cents per gallon of alternative fuel sold and dispensed during any part of calendar year 2009 that is included in the dealer's taxable year ending in 2009.

Dealers must calculate the credit separately for each Ohio retail service station owned or operated by the retail dealer. Alternative fuel sales are credit eligible only when sold and dispensed from a metered pump.

Definitions:

"Alternative fuel" means E85 blend fuel or blended biodiesel.

"E85 blend fuel" means fuel containing 85% or more ethanol, or containing any other percentage of not less than 70% ethanol if the United States department of energy determines, by rule, that the lower percentage is necessary to provide for the requirements of cold start, safety or other vehicle functions, and that meets the American Society for Testing and Materials (ASTM) specification for E85 blend fuel.

"Blended biodiesel" means a blend of biodiesel with petroleum-based diesel fuel in which the resultant product contains not less than 20% biodiesel and meets the ASTM specification for blended diesel fuel.

“Biodiesel” means a mono-alkyl ester combustible liquid fuel that is derived from vegetable oils or animal fats, or any combination of those reagents that meets the ASTM specification for biodiesel fuel (B100) blend stock distillate fuels.

“Diesel fuel” means any liquid fuel that is capable of use in discrete form or as a blend component in the operation of engines of the diesel type.

### Line 3 – Job Training Credit

With the exception of credit carryforward amounts from earlier years, this credit no longer applies. Taxpayers may carry forward unused credit amounts for three taxable years.

### Line 4 – Credit for Eligible New Employees in an Enterprise Zone

An employer that is complying with an enterprise zone agreement under R.C. 5709.62 and 5709.63 and that has not closed or reduced employment at any place of business in Ohio within the previous 12 months may apply to the director of the Ohio Department of Development for an “employee tax credit certificate” for each “eligible new employee,” which the employer hires after June 30, 1994 at the facility to which the enterprise zone agreement applies.

An employer that receives a tax credit certificate for an eligible employee may claim a \$1,000 nonrefundable credit for each taxable year covered under the enterprise zone agreement during which the employer employs the eligible new employee. If an eligible employee is employed for less than the employer’s full taxable year, the taxpayer’s credit is proportionately reduced. See R.C. 5709.66(B)(1).

An “eligible employee” is a new employee at the facility to which the enterprise zone agreement applies who at the time hired was a recipient of aid to dependent children or general assistance and who resided for at least one year in the county in which the facility is located. See R.C. 5709.66(B)(2)(a).

**Important:** Taxpayers who claim this credit should maintain for four years a supporting schedule that provides the following information for **each** eligible employee for which an employee tax credit certificate is received from the director of the Ohio Department of Development: (a) name of employee, (b) date hired (and date of termination of employment if applicable) and (c) amount of credit claimed. If a taxpayer claims the R.C. 5709.66 enterprise zone new employee tax credit with respect to an employee, the taxpayer may not claim the R.C. 122.17 new jobs refundable credit with respect to that employee. See R.C. 5709.66(B)(2)(b)(i) and 122.17(A).

The employer calculates the credit. If the employer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter credit amount in Schedule E-2, line 1 in the appropriate column. Unused credit amounts may be carried forward for three taxable years following the taxable year in which the credit is generated.

### Line 5 – Credit for Investment in a Certified Ethanol Plant

A taxpayer may claim a credit if the taxpayer invests in a certified ethanol plant. The investment must be made after Jan. 1, 2002 and before Dec. 31, 2012.

The amount of the credit is equal to 50% of the money the taxpayer invests in a certified ethanol plant up to a maximum of \$5,000 per taxpayer per ethanol plant regardless of the number of years in which the taxpayer makes investments. The credit shall be claimed for the taxable year during which the investment was made.

“Ethanol” means the fermentation of ethyl alcohol from agricultural products, including potatoes, cereal, grains, cheese whey, sugar beets, forest products and other renewable resources that meet all of the specifications of the ASTM. Certified ethanol plant means a facility at which ethanol is produced **and** for which the Ohio Department of Agriculture has issued a certificate under R.C. 901.13.

If the investor is a pass-through entity, each equity investor in the pass-through entity may claim a proportionate share of the credit. The total credit for all years may not exceed the maximum limit of \$5,000 per taxpayer per certified ethanol plant.

The Ohio Department of Agriculture administers this credit. To request a credit application form and to obtain additional information, please contact the **Ohio Department of Agriculture, 8995 East Main Street, Reynoldsburg, OH 43068; general phone number: 614-466-2732; e-mail address: agri@odant.agri.state.oh.us.**

### Line 6 – Credit for Purchases of Grape Production Property

Grape producers may claim a credit equal to 10% of the cost of purchasing and installing or constructing qualifying property on or after Jan. 1, 1994. Qualifying property is any property, plant or equipment used in growing, harvesting or producing grapes in Ohio. The credit is subject to recapture if the taxpayer disposes of the property or ceases to use it as qualifying property within seven years after placing it in operation. The grape producer calculates the credit. If the producer is a pass-through entity, each investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2, line 1, in the appropriate column. Unused credit amounts may be carried forward for seven taxable years following the taxable year in which the credit is generated. After that time the unused portion of the credit expires.

### Line 7 – Technology Investment Credit

The Department of Taxation previously referred to this credit as the Edison Center Credit for Research and Development Investors.

**Investors providing capital to certain qualifying, small, Ohio-based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25% of the taxpayer’s at-risk investment**

**(30% of the taxpayer's at-risk investment in the case of investments in qualifying business enterprises in distressed areas of the state and in business enterprises certified by the director of administrative services as a participant in the encouraging diversity, growth and equity {EDGE} program established by executive order 2002-17T). An investor or investor group proposing to invest in a qualifying, small, Ohio-based research and development company or technology transfer company and seeking to claim the credit must apply to one of the state's seven Edison Centers for recommendation of the proposed investment. The credit application fee is \$200 for a single investor and \$800 for an investor group. The credit is evidenced by a tax credit certificate.**

The Ohio Department of Development administers this credit. To request a credit application form and to obtain additional information, please contact the **Ohio Department of Development, Technology Division, 77 S. High Street, P.O. Box 1001, Columbus, OH 43216-1001 or call (614) 466-3887 or 1-(800) 848-1300.**

#### **Line 8 – Enterprise Zone Day Care Credit and Enterprise Zone Training Credit**

##### **Enterprise Zone Day Care Credit**

Employers who hold a Tax Incentive Qualification Certificate issued by the Ohio Department of Development and who reimburse "qualifying new employees" (defined below) for all or part of day-care services necessary to enable such employees to be employed at the enterprise zone facility to which the tax incentive qualification certificate applies, can claim a nonrefundable tax credit equal to the amount reimbursed. However, the credit is limited to a maximum of \$300 for each child or dependent of the qualifying new employee receiving the day-care services. Only reimbursements of amounts that new employees pay to day-care centers licensed by the Ohio Department of Human Services for day-care services provided during the first 24 months of employment are eligible for this credit. The credit is available for the taxable year in which the reimbursement is made.

**Important:** Taxpayers claiming the day-care credit should maintain for four years a supporting schedule that provides the following information for **each** qualifying new employee receiving reimbursement for day-care expenses:

- Name of employee
- Date hired
- Number of children or dependents receiving day-care services
- Amount reimbursed to employee.

For purposes of the enterprise zone day-care credit and the enterprise zone training credit, R.C. 5709.64(A)(2) defines "qualifying new employees" as persons who at the time they were hired were one of the following:

- Unemployed persons residing for at least six months in the county in which the enterprise's project site is located,

- "Job Training Partnership Act" eligible employees residing for at least six months in the county in which the enterprise's project site is located,
- Recipients of aid to dependent children, general relief or unemployment compensation benefits who reside for at least six months in the county in which the enterprise's project site is located,
- Handicapped persons as defined under division (A) of R.C. 3304.11, residing for at least six months in the county in which the enterprise's project site is located, or
- Residents for at least one year of an enterprise zone located in the county in which the enterprise's facility is located.

The employer calculates the credit. If the employer is a pass-through entity, each equity investor in the pass-through entity may claim a proportionate share of the credit. Enter the credit amount in schedule E-2, line 1 in the appropriate column. Credit amounts that are not used in the year generated can be carried forward to the next succeeding taxable year or years until fully utilized.

##### **Enterprise Zone Training Credit**

Employers that hold a tax incentive qualification certificate issued by the Ohio Department of Development and that pay or reimburse all or part of the cost of participation by "qualifying new employees" in a "qualified training program" can claim a nonrefundable tax credit equal to the amount that the employer pays or reimburses the qualifying new employee for the training program. However, the maximum credit is \$1,000 per employee. In addition, the employee must be employed by the enterprise for at least 90 days following completion of the training program. This credit is allowed for the taxable year in which the employee completes the 90 days of subsequent employment.

**Important:** Taxpayers claiming the training credit should maintain for four years a supporting schedule providing the following information for **each** qualifying new employee for whom the taxpayer is claiming the credit:

- Name of employee
- Date hired and date of termination (if applicable)
- Amount paid or reimbursed for all or part of the cost of the employee's participation in the qualified training program

R.C. 5709.61(P) defines a "qualified training program" as any noncredit training program or course of study that is offered by any of the following:

- State college or university
- University branch district
- Community college
- Technical college
- College or university certified under R.C. 1713.02
- School district
- Joint vocational school district
- School registered under R.C. 3332.05

- An entity administering any federal, state or local adult education and training program; OR
- Any enterprise.

In addition, a qualified training program must meet all the following requirements:

- The training program is approved by the director of the Ohio Department of Development; AND
- The purpose of the training program is to satisfy the need of a particular industry or enterprise for skilled or semi-skilled employees; AND
- An individual is required to complete the course or program before filling a position at the enterprise's facility.

The employer calculates the credit. If the employer is a pass-through entity, each equity investor may claim a proportionate share of the credit. Enter the credit amount in Schedule E-2, line 1 in the appropriate column. Credit amounts that are not used can be carried forward to the succeeding taxable year or years until fully utilized.

#### **Line 9 – Ohio Historic Preservation Credit Nonrefundable Portion**

Administered by the Ohio Department of Development (ODOD), the historic preservation credit applies to owners of certain historic Ohio buildings for the expenditures paid or incurred to rehabilitate such buildings, provided that ODOD approves the proposed rehabilitation project. If ODOD approves the project, the credit equals 25% of the owner's "qualified rehabilitation expenditures" (QREs) paid or incurred during the 24- or 60-month rehabilitation period shown on the taxpayer's tax credit certificate issued by ODOD. The historic building's owners can claim the credit against their income tax liability. See R.C. 149.311 and 5747.76.

**Amended Substitute House Bill 1, 128th General Assembly, effective July 19, 2009**, amended the credit to specifically provide that if a pass-through entity owns and restores a historic building with respect to which the ODOD issued a preservation tax credit certificate for the pass-through entity's QREs, the PTE can allocate the credit among the pass-through entity's equity owners in proportion to their ownership interests or in such proportions or amounts as the equity owners mutually agree. The new law applies to credits claimed with respect to certificates issued in taxable years ending on or after Oct. 16, 2009. See section 803.20 of the bill. (While prior law did not specifically address credit allocation, the department maintained that the pass-through entity must allocate the credit to each equity investor in accordance with

the investor's interest in the pass-through entity on the date that the pass-through entity filed the tax credit certificate request.)

For project applications that are approved after March 13, 2008, the credit is limited to \$5 million per project and the credit can contain a refundable portion and a nonrefundable portion. If the credit allowed for any taxable year exceeds the tax otherwise due under R.C. 5747.02, after allowing for any other credits preceding the credit in the order prescribed by R.C. 5747.98, the excess will be refunded to the taxpayer, but if any amount of the credit is refunded, the sum of the amount refunded and the amount applied to reduce the tax otherwise due for that year may not exceed \$3 million or, if the certificate owner is a pass-through entity, may not exceed the taxpayer's distributive or proportionate share of \$3 million. The taxpayer may carry forward any balance of the credit in excess of the amount claimed for that year for not more than five ensuing taxable years, and must deduct any amount claimed for any such year from the amount claimed in an ensuing year.

Additional information is available on ODOD's Web site at [www.development.ohio.gov/UD/OHPTC](http://www.development.ohio.gov/UD/OHPTC).

#### **Refundable Business Credits**

Do not use Schedule E to claim refundable credits. Instead, claim them on the appropriate "refundable credits" line on your Ohio income tax return.

A refundable credit is treated as a payment of the tax and is accounted for after the nonrefundable credits. Unlike nonrefundable credits, a refundable credit may result in the taxpayer's receiving a refund for a credit amount in excess of tax due after reduction for all nonrefundable credits.

#### **Grant for New Manufacturing Machinery and Equipment**

For taxable years ending on or after July 1, 2005, the R.C. 5747.31 second credit for purchases of new manufacturing and equipment (the 7.5%-13.5% manufacturer's credit) converts to a nonrefundable grant administered by the Ohio Department of Development.

#### **Federal Privacy Act Notice**

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us with your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.