

Job Creation Tax Credit (JCTC)

Quick Facts

- To qualify for this program, the median wage for all of a company's employees must be above 200% of minimum wage. A tax credit will only be granted for new jobs that have met and established the Minimum Qualifying Wage.
- A company must create a minimum of 25 new permanent jobs or, in some cases, at least 10 high paying jobs.

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The City of Cincinnati may offer a job creation tax credit to a company that is considering expanding in, or moving to, Cincinnati. The credit is offered in consideration for net, new, jobs created in the City.

How Do They Work?

A **job creation tax credit (JCTC)** is a tax credit provided to a company that commits to expand or relocate into the City of Cincinnati. The City will provide a credit against a company's net profits tax obligation for a commitment to create new full-time permanent employees and new payroll within the City for a future number of years.

Program Requirements

To qualify, the company must commit to create or relocate a minimum of 25 new full-time, permanent, jobs to the City within 3 years, with an average salary of 200% of minimum wage; or a minimum of 10 jobs within 3 years and at least \$1MM in new payroll. Some projects creating as few as 10 new, full-time, high-salary jobs may also be eligible (i.e., average of \$100,000 salary per job).

Effective July 1, 2019, the **Minimum Qualifying Wage (MQW)** was established by Council at \$15.00/hour. The program provides the tax credit against the net profits tax obligation of the business, but is calculated on a percentage of new payroll taxes that are paid to the City from the new employees. A tax credit will only be granted for new jobs that have met and established the MQW.

The company will be asked to maintain the jobs within the City of Cincinnati (not necessarily at the same location) for the term of the JCTC plus twice the length of the term of the credit years based on the underwriting for the project.

All applicants must submit a roster of employees and corresponding wages to

ensure all existing employees and wages do not include any position paid lower than the MQW of \$15.00/hour. Once determined that all positions are paid at least the established MQW of \$15.00/hour, the roster will be reviewed to ensure that existing employees and wages are not negatively impacted by potential JCTC to be offered.

The maximum amount of a tax credit within a single year can only be as large as the company's net profits tax liability to the City.

Credits can be forwarded to future years but are not refundable from the City.

JCTC Example

A company creates 100 new jobs averaging \$20 per hour and the City offers a 40% JCTC for five years:

- 100 jobs @ \$20/hour = \$4.16M payroll
- \$4.16M x 1.8% earnings tax = \$74,880
- 40% annual credit = \$29,952
- Total city incentive = \$149,760

What Are the Benefits?

The JCTC provides an increase to a company's yearly profits by reducing their tax obligation to the City.

How Is It Used?

To be considered for a JCTC, a business must complete a Financial Assistance Application prior to the start of the project. The Department of Community & Economic Development will then review the application and provide a recommendation to City Council for a tax credit at a level supported by internal underwriting. Key factors to the underwriting that will influence an offer from the City include: the number of years the company is willing to commit to stay within the City and the number of jobs and payroll a company is creating.