

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB505**

**Bill Subtitle: TO EXPAND THE INCOME TAX CREDIT ALLOWED FOR EMPLOYING AN APPRENTICE IN AN APPRENTICESHIP PROGRAM OR WORK-BASED LEARNING PROGRAM.**

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### **Basic Change :**

**Sponsor: Senator J. English**

SB 505 amends § 26-51-509 to combine the tax credits for the Youth Apprenticeship Program and the Youth Apprenticeship/Work Based Learning Program. Also, §§ 26-51-1601 through -1606 are repealed to eliminate duplicate language. The bill amends the existing credit program to allow a credit of \$2,000 per apprentice instead of the current lesser of \$2,000 or 10% of the annual salary of an apprentice and a taxpayer may claim no more than \$10,000 of the credit per year. The bill amends the definition of "apprentice" by removing the requirement that the employee be enrolled in secondary or post-secondary school and removes the 21 years of age limit. The bill is effective for tax years beginning on or after January 1, 2017.

### **Revenue Impact :**

FY2018 Reduction to General Revenue of an undetermined amount. Removing the lesser of 10% of salaries or \$2,000, removing the upper age requirement and requirement to be enrolled in school could all increase the revenue impact, but they must still be under the state or federal apprentice programs. Based on historical payments, the expected impact of combining the programs with the bill changes is expected to be under \$100,000 in a fiscal year.

### **Taxpayer Impact :**

More taxpayers are expected to use this income tax credit. The two youth apprenticeship credits that were previously available will be combined into one credit. Taxpayers may claim up to \$10,000 per year in apprenticeship credits and unused credits may be carried forward up to 2 years.

### **Resources Required :**

Forms and instructions along with system programming will need to be updated.

### **Time Required :**

Adequate time is provided to implement this bill.

### **Procedural Changes :**

None.

### **Other Comments :**

The bill eliminated the use of the term "youth" in the apprentice program and tax credit, but "youth" still appears on page 2, line 10 in the statutory text.

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The credit is limited to \$10,000 per taxpayer and can be carried forward for two years. Allowing a flat credit of \$2,000 per employee without minimum hours worked or annual salary paid creates the possibility of credits earned exceeding salaries paid to apprentices who work limited hours or are not employed for a substantial portion of the year.

### **Legal Analysis :**

SB505 expands the income tax credit for employers who employ apprentices and repeals the age limit for apprentices. The current law limits apprentices who qualify for the credit to those between 16 and 21 years old. The bill retains the 16 year-old minimum age requirement but does away with the 21 year-old ceiling.

The bill also gives employers an income tax credit of \$2,000 for each apprentice hired (up to 5). Current law allows for either \$2,000 or 10% of the apprentices wages, whichever is less.

The bill repeals all of §§ 26-51-1601 through 1606 which address legislative intent, definitions, credits permitted, how to claim a credit, limits, and DFA's mandate to promulgate rules regarding the credit. Except for legislative intent and definitions, the bill incorporates these provisions into § 26-51-509.

The bill would make the new version of the credit effective for tax years beginning on or after January 1, 2017.