

~~1996-1. TAX CREDIT REGULATION—YOUTH APPRENTICESHIP PROGRAM
(ACT 1103 of 1995)~~

~~SECTION 1—DEFINITIONS~~

~~(1) "Bureau" means the Bureau of Apprenticeship and Training of the United States Department of Labor.~~

~~(2) "Department" means the Arkansas Department of Finance and Administration.~~

~~(3) "Registered apprenticeship program" is a plan approved by the Bureau as provided in Title 29, Subtitle (a), Part 29 of the Code of Federal Regulations, as in effect on January 1, 1995, that contains terms and conditions for the employment and training of youth apprentices.~~

~~(4) "Taxpayer" means any business entity qualified under a registered apprenticeship program to earn income tax credits pursuant to this Act.~~

~~(5) "Wages" are the gross taxable wages paid to a youth apprentice while employed in a registered apprenticeship program.~~

~~(6) "Youth apprentice" means an individual between the ages of sixteen (16) and twenty one (21) years who is enrolled in a public or private secondary or post secondary school.~~

~~(7) "501(c)(3) corporation" means the Federal Internal Revenue Code section referencing specific non-profit organizations that are tax exempt for federal income tax purposes.~~

~~SECTION 2—APPROVAL INTO PROGRAM~~

~~A taxpayer seeking benefits under this Act must apply to the Bureau for approval into this program. Application must be made on prescribed forms approved by the Bureau and the Department.~~

~~The Bureau shall determine if an employer's training program meets the qualifications pursuant to Federal regulations governing labor standards for the registration of apprenticeship programs.~~

~~When an apprenticeship agreement has been reached in which an employer is to train one or more youth apprentices, the Bureau shall forward to the Department copies of such agreement, the application, and other pertinent documentation regarding the taxpayer's qualification into the program.~~

SECTION 3—INCOME TAX CREDITS

a) Certification of Wages:

After the department has been notified that an employer has been qualified into a registered apprenticeship program, necessary forms and instructions will be sent to the taxpayer to be used in reporting annual wages paid to the qualified youth apprentices.

(1) At the end of each tax year, the taxpayer must submit to the Bureau on prescribed forms, the amount of wages paid to each youth apprentice while qualified under the apprenticeship program. Wages paid prior to approval into the program or after the end of the program shall not qualify for credit. Also, wages paid to employees after they are disqualified pursuant to the terms of the registered apprenticeship program shall not qualify for the credit. A taxpayer who trains a youth apprentice shall be entitled to the tax credit even though the apprentice receives his or her wages for training from a 501(c)(3) corporation.

(2) The Bureau shall certify to the Department that the taxpayer has met all requirements and qualifications for the program. The certification shall include the total amount of wages paid to each youth apprentice employed by the taxpayer during the taxable year in which the taxpayer is claiming the credit.

(b) Amount of Credit:

(1) The taxpayer shall be allowed a credit equal to ten percent (10%) of the certified wages earned by a youth apprentice or two thousand dollars (\$2,000), whichever is less. The Department shall issue the taxpayer an Income Tax Credit Memorandum based on the certified wages.

(2) Separate credit memos will be issued for each tax year in which the taxpayer has paid certified wages, but in no event will more than a cumulative total of \$2,000 be allowed per youth apprentice.

(c) Use of Credit:

(1) In order for the taxpayer to use the credit, the Income Tax Credit Memorandum must be attached to the income tax return in which the credit is first claimed. The amount of credit that may be used by a taxpayer for any taxable year shall not exceed the amount of individual or corporate income tax otherwise due. Regardless of whether or not the credit is used for the tax year in which it was earned, any unused credit may be carried over only for a maximum of two (2) consecutive taxable years.

(2) If the Business is an S corporation, the pass-through provisions of Ark. Code Ann. §26-51-409, as in effect for the taxable year the credit is earned, shall be applicable.

~~(3) A partner's or member's distributive share of the credit shall be determined by the partnership or limited liability company agreement unless the agreement does not have substantial economic effect or does not provide for the allocation of credits. If the agreement does not have substantial economic effect or does not provide for the allocation of the credit, the credit shall be allocated according to the partner's or member's interest in the partnership, pursuant to Federal Internal Revenue Code section 704(B), as in effect on January 1, 1995.~~

~~(4) The tax credit provided under this act shall apply to taxable years beginning January 1, 1996 and all taxable years thereafter.~~

ARKANSAS DEPARTMENT of FINANCE & ADMINISTRATION RULE 2018-
APPRENTICESHIP PROGRAM INCOME TAX CREDIT under ACT 1042 of 2017

SECTION I - DEFINITIONS

(1) "Department" means the Arkansas Department of Finance and Administration.

(2) "Wages" are the gross taxable wages paid to an apprentice.

(3) "Apprentice" means a worker who is at least sixteen (16) years of age and is employed (A) to learn an apprenticeable occupation under 29 CFR § 29.1 et seq. as it existed on January 1, 1995 or (B) in an apprenticeship or work-based learning program that meets (i) either the standards of program design for a nationally recognized curriculum or business, industry, or trade association standards and (ii) the criteria for vocationally approved youth apprentice or work-based learning programs.

(4) "Apprenticeship or work-based learning program" includes non-registered apprenticeship, pre-apprenticeship, and youth apprenticeship programs.

a) "Non-registered apprenticeship" programs are not registered and are not approved by the U.S. Department of Labor and may include a variety of possible outcomes: academic and work-related competencies are integrated into the youth or adult program; and may or may not lead to a certification or credential.

b) "Pre-apprenticeship" programs are designed to prepare individuals to enter and succeed in registered apprenticeship programs. These programs are not registered but have a documented partnership with at least one registered apprenticeship program sponsor and are aligned with the registered apprenticeship programs, and together, they expand the participant's career pathway opportunities with industry-based training coupled with classroom instruction.

c) "Youth apprenticeship" programs consist of academic and technical classroom instruction combined with on-the-job learning experiences for individuals between the ages of sixteen (16) and twenty-one (21) years who are enrolled in a public or private secondary school.

(5) "Taxpayer" means an employer who employs an apprentice and seeks to qualify for the

state income tax credit authorized under this Act.

(6) "Act" means Act 1042 of 2017 as enacted by the Arkansas General Assembly.

SECTION II - APPROVAL INTO PROGRAM

a) A taxpayer seeking benefits under this Act must apply to the Department for approval into this program. Application must be made on forms prescribed and approved by the Department.

b) The Arkansas Office of Apprenticeship of the United States Department of Labor shall determine if an employer's training program meets the qualifications pursuant to federal regulations governing labor standards for the registration of apprenticeable occupations under 29 CFR § 29.1 et seq. as it existed on January 1, 1995.

c) The Arkansas Apprenticeship Coordinating Committee and the Arkansas Department of Career Education shall determine if an employer's training program meets the qualifications as outlined above in Section I(3)(B) pursuant to an apprenticeship or work-based learning program.

d) When an apprenticeship agreement has been reached in which an employer is to employ one or more apprentices, the Arkansas Office of Apprenticeship of the United States Department of Labor shall forward to the Department copies of the apprenticeship agreement and other pertinent documentation regarding the qualification of the registered apprenticeship. When an apprenticeship or work-based learning agreement has been reached in which an employer is to employ one or more apprentices, the Arkansas Department of Career Education shall forward to the Department copies of the apprenticeship agreement and other pertinent documentation regarding the qualification of an apprenticeship or work-based learning program.

e) After the Department has been notified that the employer's training program meets the qualifications for a registered apprenticeship or an apprenticeship or work-based learning program, the necessary forms and instructions to be used in reporting annual wages paid to a qualified apprentice will be provided to the taxpayer.

SECTION III - INCOME TAX CREDITS

a) Certification.

To claim the credit authorized under this act, a taxpayer must certify to the Department that the taxpayer has satisfied all of the requirements for the credit. The certification shall be obtained from the Office of Apprenticeship of the United States Department of Labor if the apprentice is employed to learn an apprenticeable occupation under 29 CFR § 29.1 et seq. as it existed on January 1, 1995. The certification shall be obtained from the Arkansas Department of Career Education if the apprentice is employed in an apprenticeship or work-

based learning program that meets (1) either the standards of program design for a nationally recognized curriculum or business, industry, or trade association standards and (2) the criteria for vocationally approved youth apprentice or work-based learning programs.

b) Amount of Credit.

(1) The taxpayer shall be allowed a credit equal to ten percent (10%) of the certified wages earned by an apprentice or two thousand dollars (\$2,000), whichever is less. The Department shall issue the taxpayer an Income Tax Credit Memorandum based on the certified wages.

(2) Separate credit memos will be issued for each tax year in which the taxpayer has paid certified wages, but in no event will more than a cumulative total of \$2,000 be allowed per apprentice per tax year.

(3) The total amount of the income tax credit that a taxpayer may claim under this act for a tax year cannot exceed ten thousand dollars (\$10,000).

c) Use of Credit.

(1) In order for the taxpayer to use the credit, the Income Tax Credit Memorandum must be attached to the income tax return in which the credit is first claimed. The amount of credit that may be used by a taxpayer for any tax year shall not exceed the amount of individual or corporation income tax otherwise due. Regardless of whether or not the credit is used for the tax year in which it was earned, any unused credit may be carried over only for a maximum of two (2) consecutive tax years.

(2) If the taxpayer is an S corporation, the pass-through provisions of Ark. Code Ann. § 26-51-409, as in effect for the tax year the credit is earned, shall be applicable.

(3) A partner's or member's distributive share of the credit shall be determined by the partnership or limited liability company agreement unless the agreement does not have substantial economic effect or does not provide for the allocation of credits. If the agreement does not have substantial economic effect or does not provide for the allocation of the credit, the credit shall be allocated according to the partner's or member's interest in the partnership, pursuant to federal Internal Revenue Code § 704(b), as in effect on January 1, 1995.

(4) The tax credit provided under this act shall apply to tax years beginning January 1, 2018 and all tax years thereafter.

SECTION IV

This rule shall amend and supercede Rule 1996-1 with respect to the apprenticeship program income tax credit for tax years beginning on or after January 1, 2018.

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

As Engrossed: S3/20/17 S3/23/17

A Bill

SENATE BILL 505

5 By: Senator J. English
6
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE INCOME TAX CREDIT ALLOWED FOR
10 EMPLOYING AN APPRENTICE IN AN APPRENTICESHIP PROGRAM
11 OR WORK-BASED LEARNING PROGRAM; TO EXPAND THE INCOME
12 TAX CREDIT FOR EMPLOYING AN APPRENTICE TO APPLY TO
13 ALL APPRENTICES ABOVE A CERTAIN AGE; TO CONSOLIDATE
14 AND EXPAND THE YOUTH APPRENTICESHIP PROGRAM INCOME
15 TAX CREDIT WITH THE YOUTH APPRENTICESHIP/WORK-BASED
16 LEARNING PROGRAM TAX CREDIT; AND FOR OTHER PURPOSES.
17

Subtitle

18
19
20 TO EXPAND THE INCOME TAX CREDIT ALLOWED
21 FOR EMPLOYING AN APPRENTICE IN AN
22 APPRENTICESHIP PROGRAM OR WORK-BASED
23 LEARNING PROGRAM.
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25
26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
27

28 SECTION 1. Arkansas Code § 26-51-509 is amended to read as follows:
29 26-51-509. ~~Youth apprenticeship~~ Apprenticeship program.

30 (a) As used in this section:₂

31 ~~(1) "Department" means the Department of Finance and~~
32 ~~Administration;~~

33 ~~(2) "Office" means the Office of Apprenticeship of the United~~
34 ~~States Department of Labor; and~~

35 ~~(3) "Youth apprentice" means an individual between the ages of~~
36 ~~sixteen (16) and twenty-one (21) years who is enrolled in a public or private~~



1 ~~secondary or postsecondary school.~~ "apprentice" means a worker who is at
 2 least sixteen (16) years of age and is employed:

3 (1) To learn an apprenticeable occupation under 29 C.F.R. § 29.1
 4 et seq., as it existed on January 1, 1995; or

5 (2) In an apprenticeship or work-based learning program that
 6 meets:

7 (i) Either the standards of program design for a
 8 nationally recognized curriculum or business, industry, or trade association
 9 standards; and

10 (ii) The criteria for vocationally approved youth
 11 apprentice or work-based learning programs.

12 (b)(1)(A) A taxpayer who employs a youth an apprentice in a registered
 13 apprenticeship program ~~as provided in 29 C.F.R. § 29.1 et seq., Part 29, as~~
 14 ~~in effect on January 1, 1995,~~ shall be is allowed a an income tax credit in
 15 *the amount of two thousand dollars (\$2,000) or ten percent (10%) of the wages*
 16 *earned by the youth apprentice, whichever is less, against the tax imposed by*
 17 the Income Tax Act of 1929, § 26-51-101 et seq., for each ~~such~~ apprentice.

18 (B) However, the total amount of the income tax credit
 19 that a taxpayer may claim under this section for a tax year shall not exceed
 20 ten thousand dollars (\$10,000).

21 (2)(A) A partner's or member's distributive share of the income
 22 tax credit shall be determined by the partnership or limited liability
 23 company agreement, unless the agreement does not have substantial economic
 24 effect or does not provide for the allocation of the income tax credits.

25 (B) If the agreement does not have substantial economic
 26 effect or does not provide for the allocation of the income tax credit, the
 27 income tax credit shall be allocated according to the partner's or member's
 28 interest in the partnership or limited liability company, pursuant to federal
 29 26 U.S.C. § 704(b), as in effect on January 1, 1995.

30 (c)(1) To claim the benefits of this section, a taxpayer ~~must~~ shall
 31 obtain a certification from ~~the office~~ the following, certifying to the
 32 ~~Revenue Division of the~~ Department of Finance and Administration that the
 33 taxpayer has met all the requirements and qualifications ~~set forth~~ stated in
 34 this section:

35 (A) If the apprentice is employed as described in
 36 subdivision (a)(1) of this section, the Office of Apprenticeship of the

1 United States Department of Labor; or

2 (B) If the apprentice is employed as described in
3 subdivision (a)(2) of this section, the Department of Career Education.

4 (2) The certification to the ~~department~~ Department of Finance
5 and Administration shall include the total amount of wages paid to each youth
6 apprentice employed by the taxpayer or ~~501(c)(3) corporation~~ organization
7 exempt from taxation under 26 U.S.C. § 501(c)(3) in the taxable year for
8 which the taxpayer claims the income tax credit provided in this section.

9 (d)(1) The amount of the income tax credit that may be used by a
10 taxpayer for a taxable year may not exceed the amount of individual or
11 corporate income tax otherwise due.

12 (2) Any unused income tax credit may be carried over for a
13 maximum of two (2) consecutive taxable years.

14 (e) If the business is an S corporation, the pass-through provisions
15 of § 26-51-409, as in effect for the taxable year the income tax credit is
16 earned, shall be applicable.

17 (f) A taxpayer who trains a youth an apprentice in a ~~registered youth~~
18 ~~apprenticeship program~~ as provided in subsection (b) of this section ~~shall be~~
19 is entitled to the income tax credit provided in this section for ~~such youth~~
20 the apprentice, even though the apprentice receives his or her wages for such
21 training from a ~~501(c)(3) corporation~~ an organization exempt from taxation
22 under 26 U.S.C. § 501(c)(3).

23 (g)(1) The ~~division~~ Department of Finance and Administration shall
24 promulgate such rules and ~~regulations~~ as may be deemed necessary to carry out
25 the purposes of this section.

26 (2) The ~~division~~ Department of Finance and Administration shall
27 consult with the office and the Department of Career Education during the
28 promulgation of the rules ~~and regulations~~.

29
30 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 16, is
31 repealed as the income tax credit provided for is consolidated with the youth
32 apprenticeship program credit under § 26-51-509.

33 ~~Subchapter 16 — Youth Apprenticeship/Work-Based Learning Program Tax Credit~~

34
35 ~~26-51-1601. — Legislative findings and intent.~~

36 ~~The General Assembly finds that some of the youth apprenticeship/work-~~

1 based learning programs in the state, while of high quality and standards,
2 are not in occupations that are covered by 29 C.F.R. § 29.1 et seq., Part 29,
3 which would allow the programs to be registered by the Office of
4 Apprenticeship of the United States Department of Labor. Employers of youth
5 apprentices who are in programs/occupations registered by the office are
6 allowed to participate in a two thousand dollar (\$2,000) tax credit as
7 provided in § 26-51-509. It is the intent of this subchapter to provide
8 guidelines and a process for certifying high quality youth apprentice/work-
9 based learning programs/occupations that meet the criteria set forth by the
10 Department of Career Education in order that they may also participate in a
11 two thousand dollar (\$2,000) tax credit. The qualifying programs/occupations
12 must meet the standards and program designs that are nationally recognized by
13 business and industry and/or trade associations and have support by such
14 groups in this state. No apprentice program may be certified as meeting the
15 intent of the subchapter if its curriculum and standards are not nationally
16 recognized and/or do not meet the criteria established for such programs.

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18 ~~26-51-1602. Definitions.~~19 ~~As used in this subchapter:~~20 ~~(1) "Department" means the Department of Finance and~~
21 ~~Administration;~~22 ~~(2) "Division" means the Department of Career Education; and~~23 ~~(3) "Youth apprentice" means an individual between the ages of~~
24 ~~sixteen (16) and twenty one (21) who is enrolled in a public or private~~
25 ~~secondary or postsecondary school.~~

26

27 ~~26-51-1603. Credit permitted.~~28 ~~A taxpayer who employs a youth apprentice in an apprenticeship/work-~~
29 ~~based learning program which meets the standards of program design for~~
30 ~~nationally recognized curriculum and/or business and industry or trade~~
31 ~~association standards and which meets the criteria for vocationally approved~~
32 ~~youth apprentice/work based learning programs and which is not in an~~
33 ~~occupation eligible for registration as provided in 29 C.F.R. § 29.1 et seq.,~~
34 ~~Part 29, as in effect on January 1, 1995, shall be allowed a credit in the~~
35 ~~amount of two thousand dollars (\$2,000) or ten percent (10%) of the wages~~
36 ~~earned by the youth apprentice, whichever is less, against the tax imposed by~~

1 ~~the Income Tax Act of 1929, § 26-51-101 et seq., for each such apprentice.~~

2
3 ~~26-51-1604. Claiming the credit.~~

4 ~~To claim the benefits of this subchapter, a taxpayer must obtain~~
5 ~~certification from the Department of Career Education certifying to the~~
6 ~~Revenue Division of the Department of Finance and Administration that the~~
7 ~~taxpayer has met all the requirements and qualifications set forth in this~~
8 ~~subchapter. The certification to the Department of Finance and Administration~~
9 ~~shall include the total amount of wages paid to each youth apprentice~~
10 ~~employed by the taxpayer or 501(c)(3) corporation in the taxable year for~~
11 ~~which the taxpayer claims the credit provided in this subchapter.~~

12
13 ~~26-51-1605. Limits on amount of credit — Applicability of credit.~~

14 ~~(a) The amount of the credit that may be used by a taxpayer for a~~
15 ~~taxable year may not exceed the amount of individual or corporate income tax~~
16 ~~otherwise due. Any unused credit may be carried over for a maximum of two (2)~~
17 ~~consecutive taxable years.~~

18 ~~(b) If the business is an S corporation, the pass-through provisions~~
19 ~~of § 26-51-409, as in effect for the taxable year the credit is earned, shall~~
20 ~~be applicable.~~

21 ~~(c) A partner's or member's distributive share of the credit shall be~~
22 ~~determined by the partnership or limited liability company agreement, unless~~
23 ~~the agreement does not have substantial economic effect or does not provide~~
24 ~~for the allocation of credits. If the agreement does not have substantial~~
25 ~~economic effect or does not provide for the allocation of the credit, the~~
26 ~~credit shall be allocated according to the partner's or member's interest in~~
27 ~~the partnership, pursuant to 26 U.S.C. § 704(b), as in effect on January 1,~~
28 ~~1995.~~

29 ~~(d) A taxpayer who trains a youth apprentice in a certified youth~~
30 ~~apprenticeship program as provided in § 26-51-1603 shall be entitled to the~~
31 ~~tax credit provided in this subchapter for such youth apprentice, even though~~
32 ~~the apprentice receives his or her wages for such training from a 501(c)(3)~~
33 ~~corporation.~~

34 ~~(e) The tax credit provided by this subchapter shall apply to taxable~~
35 ~~years beginning January 1, 1998, and all taxable years thereafter.~~

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1 ~~26-51-1606. Rules and regulations.~~

2 ~~The Revenue Division of the Department of Finance and Administration~~
3 ~~shall promulgate such rules and regulations as may be deemed necessary to~~
4 ~~carry out the purposes of this subchapter. The Revenue Division of the~~
5 ~~Department of Finance and Administration shall consult with the Department of~~
6 ~~Career Education during the promulgation of the rules and regulations.~~

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8 SECTION 3. EFFECTIVE DATE. This act is effective for tax years
9 beginning on or after January 1, 2018.

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/s/J. English

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APPROVED: 04/06/2017

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