1 SB90
2 172531-3
3 By Senator Orr
4 RFD: Finance and Taxation Education
5 First Read: 02-FEB-16
SYNOPSIS: This bill would provide an income tax credit of $1,000 to an employer for each qualified apprentice of an employer and would also cap the cumulative tax credits allowed at $3,000,000 for the first two tax years following the passage of the bill and $5,000,000 for each tax year thereafter.

This bill would also require the Workforce Development Division of the Department of Commerce to provide an annual report to certain legislative committees regarding the effectiveness of the program.

A BILL TO BE ENTITLED
AN ACT

Relating to taxation; to provide definitions; to provide a tax credit for employers that employ an apprentice; to provide a cumulative cap on tax credits allowed; to provide
rulemaking authority; and to require the Workforce Development
Division of the Department of Commerce to provide an annual
report to certain legislative committees.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known and may be cited
as the Apprenticeship Tax Credit Act of 2016.

Section 2. For the purposes of this act, the
following terms shall have the following meanings:

(1) APPRENTICE. A worker at least 16 years of age,
except where a higher minimum age standard is otherwise fixed
by law, who is employed to learn an apprenticeable occupation
as provided in 29 C.F.R. Part 29.4. The term includes a person
who is compensated by a third party but whose apprenticeable
work occurs under the supervision of an eligible employer.

(2) APPRENTICESHIP AGREEMENT. A written agreement,
complying with 29 C.F.R. Part 29.2 between an apprentice and
either the apprentice's program sponsor, or an apprenticeship
committee acting as agent for the program sponsors, which
contains the terms and conditions of the employment and
training of the apprentice.

(3) DIVISION. The Workforce Development Division of
the Department of Commerce.

(4) ELIGIBLE EMPLOYER. A taxpayer who employs an
apprentice pursuant to an apprentice agreement registered with
the Office of Apprenticeship of the Employment and Training
Administration of the United States Department of Labor.
Section 3. (a) An Alabama income tax credit is hereby established for eligible employers that employ an apprentice for at least seven full months of the taxable year. The credit shall equal one thousand dollars ($1,000) for each apprentice employed, not to exceed five apprentices employed. The credit shall not be available for an individual apprentice for more than four taxable years.

(b) The credit shall be allowed against the tax imposed by Chapter 18 of Title 40. This tax credit shall not be allowed to decrease a taxpayer's tax liability to less than zero. The credit is not refundable or transferable. The credit shall be available, on a pro rata basis, to the owners of qualified employers that are entities taxed under subchapters S or K of the Internal Revenue Code or limited liability companies or professional corporations authorized to do business in this state. An employer applying for a tax credit must apply each year to receive the credit for the preceding calendar year.

(c) The cumulative amount of tax credits issued pursuant to this act shall not exceed three million dollars ($3,000,000) annually for the first two taxable years following the effective date of this act. Thereafter, for succeeding tax years, the cumulative amount of tax credits issued pursuant to this act shall not exceed five million dollars ($5,000,000) annually. The Department of Revenue shall ensure that this cap is not exceeded, shall prescribe the various methods by which these credits are to be issued, and
shall develop procedures to notify taxpayers at such points in
time when the tax credit caps in this subsection have been
reached for the applicable tax credit year.

(d) If an employer employs an apprentice for less
than the full preceding calendar year, the employer may apply
for the credit on a pro rata monthly basis beginning on the
first day of the first full month of apprenticeship.

(e) The Department of Revenue shall prescribe a form
to claim this credit that provides information to the
department sufficient for the proper administration of the
credit.

Section 4. (a) The Workforce Development Division of
the Department of Commerce, in coordination with the Board of
Trustees of the Alabama Community College System or its
designee, may adopt any rules necessary to establish standards
for participation and eligibility and to implement and
administer this act. The division shall consult with the
Department of Revenue to coordinate implementation and
administration of this act.

(b) The division shall provide an annual report to
the Chair of the House Ways and Means Education Committee and
the Chair of the Senate Finance and Taxation Education
Committee to account for the effectiveness of the
apprenticeship program under this act.

Section 5. The income tax credit allowed under this
act shall be effective January 1, 2017, for the 2017 taxable
year and subsequent taxable years thereafter.
Section 6. This act shall become effective immediately following its passage and approval by the Governor, or its otherwise becoming law.