SB90

172531-5

By Senator Orr

RFD: Finance and Taxation Education

First Read: 02-FEB-16
SB90

ENROLLED, 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 prior taxable year. The credit shall equal up to one thousand dollars ($1,000) for each apprentice employed, not to exceed five apprentices employed. The Department of Revenue, in consultation with the Workforce Development Division of the Department of Commerce, shall establish a scale reflecting ranges of amounts of money an employer has invested in an eligible apprentice and a corresponding tax credit amount and shall award the tax credit in accordance with this scale following confirmation from the Workforce Development Division that the apprentice for whom the credit is claimed is in compliance with all federal and state requirements for the apprenticeship program. 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 16 or 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. 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
(f) The participation of an employee with an apprenticeship program under this act and registration with the Office of Apprenticeship of the Employment and Training Administration of the United States Department of Labor shall not constitute union affiliation, unless the employee expressly elects to affiliate with a union.

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 tax credit allowed under this act shall be effective January 1, 2017, for the 2017 taxable year and shall continue through the 2021 tax year, unless extended by act of the Legislature.
Section 6. This act shall become effective immediately following its passage and approval by the Governor, or its otherwise becoming law.
President and Presiding Officer of the Senate

Speaker of the House of Representatives

Patrick Harris
Secretary

House of Representatives
Passed: 28-APR-16

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