

1 SB90  
2 172531-3  
3 By Senator Orr  
4 RFD: Finance and Taxation Education  
5 First Read: 02-FEB-16

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8 SYNOPSIS: This bill would provide an income tax credit  
9 of \$1,000 to an employer for each qualified  
10 apprentice of an employer and would also cap the  
11 cumulative tax credits allowed at \$3,000,000 for  
12 the first two tax years following the passage of  
13 the bill and \$5,000,000 for each tax year  
14 thereafter.

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

20  
21 A BILL  
22 TO BE ENTITLED  
23 AN ACT

24  
25 Relating to taxation; to provide definitions; to  
26 provide a tax credit for employers that employ an apprentice;  
27 to provide a cumulative cap on tax credits allowed; to provide

1 rulemaking authority; and to require the Workforce Development  
2 Division of the Department of Commerce to provide an annual  
3 report to certain legislative committees.

4 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

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

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

23 (4) ELIGIBLE EMPLOYER. A taxpayer who employs an  
24 apprentice pursuant to an apprentice agreement registered with  
25 the Office of Apprenticeship of the Employment and Training  
26 Administration of the United States Department of Labor.

1           Section 3. (a) An Alabama income tax credit is  
2 hereby established for eligible employers that employ an  
3 apprentice for at least seven full months of the taxable year.  
4 The credit shall equal one thousand dollars (\$1,000) for each  
5 apprentice employed, not to exceed five apprentices employed.  
6 The credit shall not be available for an individual apprentice  
7 for more than four taxable years.

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

19           (c) The cumulative amount of tax credits issued  
20 pursuant to this act shall not exceed three million dollars  
21 (\$3,000,000) annually for the first two taxable years  
22 following the effective date of this act. Thereafter, for  
23 succeeding tax years, the cumulative amount of tax credits  
24 issued pursuant to this act shall not exceed five million  
25 dollars (\$5,000,000) annually. The Department of Revenue shall  
26 ensure that this cap is not exceeded, shall prescribe the  
27 various methods by which these credits are to be issued, and

1 shall develop procedures to notify taxpayers at such points in  
2 time when the tax credit caps in this subsection have been  
3 reached for the applicable tax credit year.

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

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

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

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

25 Section 5. The income tax credit allowed under this  
26 act shall be effective January 1, 2017, for the 2017 taxable  
27 year and subsequent taxable years thereafter.

1                   Section 6. This act shall become effective  
2 immediately following its passage and approval by the  
3 Governor, or its otherwise becoming law.