

1 HB217  
2 173641-2  
3 By Representatives Baker, Collins, Johnson (K), Whorton (R),  
4 Chesteen and Clouse  
5 RFD: Ways and Means Education  
6 First Read: 11-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. As  
27 the State of Alabama is a "right to work" state, the

1 affiliation of a company and employee with an apprenticeship  
2 program registered through the Office of Apprenticeship of the  
3 Employment and Training Administration of the United States  
4 Department of Labor shall not constitute union affiliation,  
5 unless it is their choice.

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

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

24 (c) The cumulative amount of tax credits issued  
25 pursuant to this act shall not exceed three million dollars  
26 (\$3,000,000) annually for the first two taxable years  
27 following the effective date of this act. Thereafter, for

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

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

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

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

25 (b) The division shall provide an annual report to  
26 the Chair of the House Ways and Means Education Committee and  
27 the Chair of the Senate Finance and Taxation Education

1 Committee to account for the effectiveness of the  
2 apprenticeship program under this act.

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

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