

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7017

BILL NUMBER: HB 1236

NOTE PREPARED: Jan 7, 2024

BILL AMENDED:

SUBJECT: Apprenticeship Tax Credit.

FIRST AUTHOR: Rep. Goodrich

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides for an apprenticeship tax credit (credit) for an eligible employer. It provides that the amount of the credit is equal to 50% of qualified expenses attributable to the establishment of an apprenticeship program. The bill provides maximum amounts of the credit: (1) in a taxable year; and (2) in aggregate. It provides that the total amount of credits that may be awarded for a state fiscal year may not exceed \$10 M.

Effective Date: January 1, 2025.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The DOR would also be required to provide required information about the credit on their website. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: The bill creates a new nonrefundable tax credit for employers who employ an apprentice. The bill would reduce state General Fund revenues by an estimated \$10 M per year beginning in FY 2026. The number of registered apprentices and youth apprentices in the state is large enough that the credit cap of \$10 M could be reached annually. The tax credit will be available beginning in tax year 2025, which will impact tax income tax revenues in FY 2026.

Additional Information - An employer could claim a credit of 50% of the qualified expenses incurred by the taxpayer up to \$5,000 per apprentice in a taxable year, up to a maximum of \$250,000 in aggregate per employer. Employers will receive the credit based on the chronological order of when they filed for the credit until the maximum amount allowable in a state fiscal year is reached. The credit may be applied to tax

liabilities for Adjusted Gross Income (AGI) Tax and the Financial Institutions Tax. An employer may claim the credit for two taxable years and may carry forward the credit for up to three taxable years.

The bill defines an apprentice as a worker who is at least 16 years of age and is employed to learn an apprenticeable occupation that is in a high demand field and for which the average rate of pay is above the state median wage. There were 18,552 registered apprentices in the state in federal fiscal year 2021; 8,207 were new apprentices.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of Workforce Development; Office of Work-Based Learning and Apprenticeship. Department of Workforce Development. “What is Apprenticeship.” <https://www.in.gov/dwd/owbla/apprenticeship/>; U.S. Department of Labor Employment and Training Administration. “Registered Apprenticeship National Results Fiscal Year 2021, 10/01/2020 to 9/30/2021.” <https://www.dol.gov/agencies/eta/apprenticeship/about/statistics/2021>

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