



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 28** SLS 11RS 71
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 21, 2011 10:45 AM	Author: NEVERS
Dept./Agy.: Workforce Commission/Revenue	
Subject: Extension of Apprenticeship Tax Credit	Analyst: Deborah Vivien

TAX/TAXATION EN -\$500,000 GF RV See Note Page 1 of 1

Extends employer's non-refundable apprenticeship tax credit against income tax and corporation franchise tax to taxable periods ending prior to January 1, 2015. (gov sig)

Current law allows a nonrefundable apprenticeship tax credit against income tax equal to \$1 per hour of employment for each apprentice up to 1,000 hours per apprentice per year. These hours must have been served between December 31, 2007, and January 1, 2011. The law has expired so no credits are being issued currently. However the credits may be carried forward against tax liabilities for ten years so earned credits may still be claimed. An eligible apprentice is a person who has entered into a written apprentice agreement with an employer or association of employers pursuant to a registered apprenticeship program or a person enrolled in a training program accredited by the National Center for Construction Education and Research.

Proposed law re-institutes the availability of credits for an additional four years until to January 1, 2015. Effective upon governor's signature.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	(\$500,000)	(\$1,000,000)	(\$1,500,000)	(\$1,500,000)	(\$1,000,000)	(\$5,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	(\$500,000)	(\$1,000,000)	(\$1,500,000)	(\$1,500,000)	(\$1,000,000)	(\$5,500,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

During the first two tax years of the program, the Workforce Commission (LWC) qualified tax credits equal to \$1.0 million in 2008 and \$1.4 million in 2009. To date for tax year 2010, qualifying credits are less than \$500,000. According to the Department of Revenue, tax credits actually claimed were \$280,000 (for tax year 2008), \$969,000 (for tax year 2009), and \$714,000 (for tax year 2010 to date). With a ten year carryforward, it is not clear how many of the credits claimed in 2009 were earned in 2008 or 2009. For fiscal note purposes, it is estimated that \$1.5 million in credits will be earned during each of the four years of the extension, FY 11/12 - FY 14/15. It is assumed that the credits will be claimed in equal installments over three years or \$500,000 per year, based loosely on historical pattern.

	FY12	FY13	FY14	FY15	FY16	FY17	TOTAL
<i>Credits Issued</i>	<i>1,500,000</i>	<i>1,500,000</i>	<i>1,500,000</i>	<i>1,500,000</i>			<i>6,000,000</i>
Credits Claimed	500,000	500,000	500,000	500,000			2,000,000
Year 1 Carryforward		500,000	500,000				1,000,000
Year 2 Carryforward			500,000	500,000			1,000,000
Year 3 Carryforward				500,000	500,000		1,000,000
Year 4 Carryforward					500,000	500,000	1,000,000
Total Claimed	500,000	1,000,000	1,500,000	1,500,000	1,000,000	500,000	6,000,000

According to the LWC, about 3,500 apprentices will be registered annually during the timeframe of the fiscal note. If every apprentice receives the maximum allowable credit (\$1,000) for the entire four years of the proposed extension, state general fund revenue loss exposure would be \$3.5 million per year (3,500 apprentices * \$1,000 hours = \$3.5 million). Additionally, there is a pool of a few thousand eligible candidates from the training program of the National Center for Construction Education and Research, which could increase the cost of the credit by about \$2 million per year. These figures represent maximum exposures to the state assuming that all credits are claimed immediately. However, it is not likely that the full impact will be realized in this exact manner due to some degree of non-participation and the fact that employers apply the nonrefundable credit over ten years of tax liability, as evidenced by the activity of the program over its first two years. The Workforce Commission reports that most apprentices are full-time employees and will work 1,000 hours for the FY12 impact.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	 Gregory V. Albrecht Chief Economist
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	