

AN ACT relating to apprenticeships.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) *The General Assembly finds and declares that a small business apprenticeship tax credit shall be available to encourage the development of skilled workers through registered apprenticeship training programs in order to counter the current and projected shortage of skilled workers which exists in Kentucky.*

(2) *As used in this section:*

(a) *"Apprentice" has the same meaning as in KRS 343.010;*

(b) *"Apprenticeship agreement" has the same meaning as in KRS 343.010;*

(c) *"Apprenticeship program" has the same meaning as in KRS 343.010;*

(d) *"Full-time employee" means a person employed by a small business for a minimum of thirty-five (35) hours per week; and*

(e) *"Small business" means any business entity organized for profit, including a sole proprietorship, partnership, limited partnership, corporation, limited liability company, joint venture, association, or cooperative, that has two hundred fifty (250) or fewer full-time employees.*

(3) *A small business that employs an apprentice, who works in Kentucky and has an approved apprenticeship agreement pursuant to KRS 343.060, shall be allowed a nonrefundable small business apprenticeship tax credit against the tax imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in Section 2 of this Act.*

(4) (a) *The small business apprenticeship tax credit shall be an amount up to one thousand dollars (\$1,000) for each apprentice employed, provided that:*

1. *The small business may claim the credit for no more than four (4) years for each individual apprentice employed;*

2. The apprenticeship program sponsored by the small business has completed an apprenticeship program provisional period of one (1) year with the Department of Workplace Standards and has been designated as a permanent program;
 3. The apprenticeship program has a period of duration which is not less than four thousand (4,000) hours, which is two (2) years, and not more than ten thousand (10,000) hours, which is five (5) years;
 4. The apprentice has completed the probationary period established in the apprenticeship agreement and is employed for at least one hundred twenty (120) hour per month; and
 5. The apprentice is not a pre-apprentice.
- (b) 1. The small business apprenticeship tax credit shall be computed annually on a calendar-year basis.
2. If the small business employs an apprentice for less than the full calendar year, the small business may claim the credit on a pro rata monthly basis beginning on the first day of the first full month that the apprentice is employed.
 3. A small business filing on a fiscal year basis shall claim the credit within the fiscal year encompassing the calendar year end.
- (c) If the small business is a pass-through entity not subject to the tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of the income of the pass-through entity.
- (d) Any amount of credit that a small business is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed four (4) years. Any amount of credit not used within

four (4) years shall be lost. No amount of credit may be carried back to a preceding taxable year.

(5) The department shall:

(a) Prescribe a form upon which a small business may claim the tax credit provided in subsection (3) of this section and instructions for filing the form with the small business' tax return; and

(b) Provide the Department of Workplace Standards:

1. Copies of the tax credit form and instructions to inform a small business that desires information about the tax credit; and
2. An annual report detailing the amount of tax credit taken for each calendar year.

➔Section 2. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

- (1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:
 - (a) 1. For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(a);
 2. For taxable years beginning after December 31, 2006, the limited liability entity tax credit permitted by KRS 141.0401;
- (b) The economic development credits computed under KRS 141.347, 141.381, 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
- (c) The qualified farming operation credit permitted by KRS 141.412;
- (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);

- (e) The health insurance credit permitted by KRS 141.062;
 - (f) The tax paid to other states credit permitted by KRS 141.070;
 - (g) The credit for hiring the unemployed permitted by KRS 141.065;
 - (h) The recycling or composting equipment credit permitted by KRS 141.390;
 - (i) The tax credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
 - (j) The coal incentive credit permitted under KRS 141.0405;
 - (k) The research facilities credit permitted under KRS 141.395;
 - (l) The employer GED incentive credit permitted under KRS 164.0062;
 - (m) The voluntary environmental remediation credit permitted by KRS 141.418;
 - (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - (p) The clean coal incentive credit permitted by KRS 141.428;
 - (q) The ethanol credit permitted by KRS 141.4242;
 - (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (s) The energy efficiency credits permitted by KRS 141.436;
 - (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (u) The Endow Kentucky credit permitted by KRS 141.438;
 - (v) The New Markets Development Program credit permitted by KRS 141.434;
 - (w) The food donation credit permitted by KRS 141.392;
 - (x) The distilled spirits credit permitted by KRS 141.389;~~and~~
 - (y) The angel investor credit permitted by KRS 141.396; **and**
 - (z) **The small business apprenticeship credit permitted by Section 1 of this Act.**
- (2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:

- (a) The individual credits permitted by KRS 141.020(3);
 - (b) The credit permitted by KRS 141.066;
 - (c) The tuition credit permitted by KRS 141.069;
 - (d) The household and dependent care credit permitted by KRS 141.067; and
 - (e) The new home credit permitted by KRS 141.388.
- (3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The individual withholding tax credit permitted by KRS 141.350;
 - (b) The individual estimated tax payment credit permitted by KRS 141.305;
 - (c) For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
 - (d) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
 - (e) The film industry tax credit allowed by KRS 141.383.
- (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040.
- (5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:
- (a) The economic development credits computed under KRS 141.347, 141.381, 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
 - (b) The qualified farming operation credit permitted by KRS 141.412;
 - (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
 - (d) The health insurance credit permitted by KRS 141.062;
 - (e) The unemployment credit permitted by KRS 141.065;

- (f) The recycling or composting equipment credit permitted by KRS 141.390;
 - (g) The coal conversion credit permitted by KRS 141.041;
 - (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;
 - (i) The tax credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
 - (j) The coal incentive credit permitted under KRS 141.0405;
 - (k) The research facilities credit permitted under KRS 141.395;
 - (l) The employer GED incentive credit permitted under KRS 164.0062;
 - (m) The voluntary environmental remediation credit permitted by KRS 141.418;
 - (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - (p) The clean coal incentive credit permitted by KRS 141.428;
 - (q) The ethanol credit permitted by KRS 141.4242;
 - (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (s) The energy efficiency credits permitted by KRS 141.436;
 - (t) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by KRS 141.437;
 - (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (v) The railroad expansion credit permitted by KRS 141.386;
 - (w) The Endow Kentucky credit permitted by KRS 141.438;
 - (x) The New Markets Development Program credit permitted by KRS 141.434;
 - (y) The food donation credit permitted by KRS 141.392;~~and~~
 - (z) The distilled spirits credit permitted by KRS 141.389; **and**
 - (aa) The small business apprenticeship credit permitted by Section 1 of this Act.**
- (6) After the application of the nonrefundable credits in subsection (5) of this section,

the refundable credits shall be taken in the following order:

- (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- (b) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
- (c) The film industry tax credit allowed in KRS 141.383.

➔SECTION 3. A NEW SECTION OF KRS CHAPTER 343 IS CREATED TO READ AS FOLLOWS:

The General Assembly finds and declares that a tax credit shall be given pursuant to the requirements set forth in Section 4 of this Act to encourage the development of skilled workers through registered apprenticeship training programs in order to counter the current and projected shortage of skilled workers which exists in Kentucky.

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 343 IS CREATED TO READ AS FOLLOWS:

(1) On or before March 1, 2016, and annually thereafter, the Department of Workplace Standards shall certify to the Department of Revenue:

(a) The name, address, and unique identifying number of every small business qualifying for the tax credit permitted by Section 1 of this Act;

(b) That each apprentice employed by that small business:

1. Works in Kentucky;

2. Works at least one hundred twenty (120) hours during each month of employment ; and

3. That the apprentice is not a pre-apprentice;

(c) The date the apprentice is first employed by that small business;

(d) The date the apprentice successfully completes the probationary period with that small business; and

(e) That the apprenticeship program meets the requirements of subsection (4)(a)2. and 3. of Section 1 of this Act.

(2) *The Department of Workplace Standards shall promulgate an administrative regulation to administer the apprenticeship program.*