

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1643**

HOUSE BILL NUMBER **379**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to apprenticeships.**

SPONSOR **Representative Clark**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$651,000)	(\$1,550,000)	(\$1,550,000)
EXPENDITURES				
NET EFFECT		(\$651,000)	(\$1,550,000)	(\$1,550,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the proposal is to establish the small business apprenticeship income tax credit.

PROVISIONS/MECHANICS: The proposal, if enacted, will create a new section of KRS Chapter 141 to allow a non-refundable \$1,000 tax credit to be claimed by a small business for each apprentice employed in Kentucky. A small business is defined as any entity that has 250 or fewer full-time employees.

The apprenticeship program must have a period of duration that is not less than 2 years but not more than 5 years, complete a provisionary period of 1 year with the Department of Workplace Standards, and be designated as a permanent program before the small business may claim any credit related to the apprenticeship program. The apprentice must complete the probationary period established in the apprenticeship agreement. The small business may claim the credit for no more than 4 years for each individual apprentice employed. If the small business is unable to utilize any amount of the credit during a taxable year, the credit may be carried forward for use in a succeeding taxable year for a period not to exceed 4 years.

FISCAL EXPLANATION: The Department of Labor indicates that there are approximately 130 apprenticeship programs with approximately 2,500 apprentices registered in the Commonwealth.

Approximately, 950 of those apprentices have been in their respective programs for less than one year and do not yet qualify as apprentices under the tax credit program. The number of new apprentices which would not qualify in future years is expected to remain similar to this number.

Today, approximately 1,550 apprentices would be eligible under the tax credit program. If HB 379 is enacted and becomes effective during July 2016, approximately 42% of the credit, on a pro rata basis, would apply in calendar year 2016 and be taken on returns filed in fiscal year 2016-2017. Fiscal year 2017-2018 would be the first year of full implementation.

Approximately 85% of the apprentices that would be eligible under the tax credit program are in the construction industry. Some of these construction employers will not be eligible as the apprentices work for multiple employers during the year and will not meet the eligibility requirements. The Department of Labor does not track the hours related to each apprenticeship program. Therefore, the negative fiscal impact at full implementation is the maximum amount that could be experienced.

DATA SOURCE(S): Department of Labor

PREPARER: Jennifer Hays **NOTE NUMBER:** 123 **REVIEW:** JRS **DATE:** 3/4/2016