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4 ENGROSSED

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7 A BILL
8 TO BE ENTITLED
9 AN ACT
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11 Relating to taxation; to provide definitions; to
12 provide a tax credit for employers that employ an apprentice;
13 to provide a cumulative cap on tax credits allowed; to provide
14 rulemaking authority; and to require the Workforce Development
15 Division of the Department of Commerce to provide an annual
16 report to certain legislative committees.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. This act shall be known and may be cited
19 as the Apprenticeship Tax Credit Act of 2016.

20 Section 2. For the purposes of this act, the
21 following terms shall have the following meanings:

22 (1) APPRENTICE. A worker at least 16 years of age,
23 except where a higher minimum age standard is otherwise fixed
24 by law, who is employed to learn an apprenticeable occupation
25 as provided in 29 C.F.R. Part 29.4. The term includes a person
26 who is compensated by a third party but whose apprenticeable
27 work occurs under the supervision of an eligible employer.

1 (2) APPRENTICESHIP AGREEMENT. A written agreement,
2 complying with 29 C.F.R. Part 29.2 between an apprentice and
3 either the apprentice's program sponsor, or an apprenticeship
4 committee acting as agent for the program sponsors, which
5 contains the terms and conditions of the employment and
6 training of the apprentice.

7 (3) DIVISION. The Workforce Development Division of
8 the Department of Commerce.

9 (4) ELIGIBLE EMPLOYER. A taxpayer who employs an
10 apprentice pursuant to an apprentice agreement registered with
11 the Office of Apprenticeship of the Employment and Training
12 Administration of the United States Department of Labor.

13 Section 3. (a) An Alabama income tax credit is
14 hereby established for eligible employers that employ an
15 apprentice for at least seven full months of the prior taxable
16 year. The credit shall equal up to one thousand dollars
17 (\$1,000) for each apprentice employed, not to exceed five
18 apprentices employed. The Department of Revenue, in
19 consultation with the Workforce Development Division of the
20 Department of Commerce, shall establish a scale reflecting
21 ranges of amounts of money an employer has invested in an
22 eligible apprentice and a corresponding tax credit amount and
23 shall award the tax credit in accordance with this scale
24 following confirmation from the Workforce Development Division
25 that the apprentice for whom the credit is claimed is in
26 compliance with all federal and state requirements for the

1 apprenticeship program. The credit shall not be available for
2 an individual apprentice for more than four taxable years.

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

14 (c) The cumulative amount of tax credits issued
15 pursuant to this act shall not exceed three million dollars
16 (\$3,000,000) annually. The Department of Revenue shall ensure
17 that this cap is not exceeded, shall prescribe the various
18 methods by which these credits are to be issued, and shall
19 develop procedures to notify taxpayers at such points in time
20 when the tax credit caps in this subsection have been reached
21 for the applicable tax credit year.

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

26 (e) The Department of Revenue shall prescribe a form
27 to claim this credit that provides information to the

1 department sufficient for the proper administration of the
2 credit.

3 (f) The participation of an employee with an
4 apprenticeship program under this act and registration with
5 the Office of Apprenticeship of the Employment and Training
6 Administration of the United States Department of Labor shall
7 not constitute union affiliation, unless the employee
8 expressly elects to affiliate with a union.

9 Section 4. (a) The Workforce Development Division of
10 the Department of Commerce, in coordination with the Board of
11 Trustees of the Alabama Community College System or its
12 designee, may adopt any rules necessary to establish standards
13 for participation and eligibility and to implement and
14 administer this act. The division shall consult with the
15 Department of Revenue to coordinate implementation and
16 administration of this act.

17 (b) The division shall provide an annual report to
18 the Chair of the House Ways and Means Education Committee and
19 the Chair of the Senate Finance and Taxation Education
20 Committee to account for the effectiveness of the
21 apprenticeship program under this act.

22 Section 5. The tax credit allowed under this act
23 shall be effective January 1, 2017, for the 2017 taxable year
24 and shall continue through the 2021 tax year, unless extended
25 by act of the Legislature.

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