

1 State of Arkansas *As Engrossed: S3/20/17 S3/23/17*

2 91st General Assembly

# A Bill

3 Regular Session, 2017

SENATE BILL 505

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5 By: Senator J. English

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## For An Act To Be Entitled

9 AN ACT TO AMEND THE INCOME TAX CREDIT ALLOWED FOR  
10 EMPLOYING AN APPRENTICE IN AN APPRENTICESHIP PROGRAM  
11 OR WORK-BASED LEARNING PROGRAM; TO EXPAND THE INCOME  
12 TAX CREDIT FOR EMPLOYING AN APPRENTICE TO APPLY TO  
13 ALL APPRENTICES ABOVE A CERTAIN AGE; TO CONSOLIDATE  
14 AND EXPAND THE YOUTH APPRENTICESHIP PROGRAM INCOME  
15 TAX CREDIT WITH THE YOUTH APPRENTICESHIP/WORK-BASED  
16 LEARNING PROGRAM TAX CREDIT; AND FOR OTHER PURPOSES.

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## Subtitle

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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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SECTION 1. Arkansas Code § 26-51-509 is amended to read as follows:

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26-51-509. ~~Youth apprenticeship~~ Apprenticeship program.

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(a) As used in this section,

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~~(1) "Department" means the Department of Finance and~~

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~~Administration;~~

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~~(2) "Office" means the Office of Apprenticeship of the United~~

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~~States Department of Labor; and~~

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~~(3) "Youth apprentice" means an individual between the ages of~~

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~~sixteen (16) and twenty one (21) years who is enrolled in a public or private~~



1 ~~secondary or postsecondary school.~~ "apprentice" means a worker who is at  
 2 least sixteen (16) years of age and is employed:

3 (1) To learn an apprenticeable occupation under 29 C.F.R. § 29.1  
 4 et seq., as it existed on January 1, 1995; or

5 (2) In an apprenticeship or work-based learning program that  
 6 meets:

7 (i) Either the standards of program design for a  
 8 nationally recognized curriculum or business, industry, or trade association  
 9 standards; and

10 (ii) The criteria for vocationally approved youth  
 11 apprentice or work-based learning programs.

12 (b)(1)(A) A taxpayer who employs a youth an apprentice ~~in a registered~~  
 13 ~~apprenticeship program as provided in 29 C.F.R. § 29.1 et seq., Part 29, as~~  
 14 ~~in effect on January 1, 1995, shall be~~ is allowed a an income tax credit in  
 15 *the amount of two thousand dollars (\$2,000) or ten percent (10%) of the wages*  
 16 *earned by the youth apprentice, whichever is less, against the tax imposed by*  
 17 the Income Tax Act of 1929, § 26-51-101 et seq., for each ~~such~~ apprentice.

18 (B) However, the total amount of the income tax credit  
 19 that a taxpayer may claim under this section for a tax year shall not exceed  
 20 ten thousand dollars (\$10,000).

21 (2)(A) A partner's or member's distributive share of the income  
 22 tax credit shall be determined by the partnership or limited liability  
 23 company agreement, unless the agreement does not have substantial economic  
 24 effect or does not provide for the allocation of the income tax credits.

25 (B) If the agreement does not have substantial economic  
 26 effect or does not provide for the allocation of the income tax credit, the  
 27 income tax credit shall be allocated according to the partner's or member's  
 28 interest in the partnership or limited liability company, pursuant to ~~federal~~  
 29 26 U.S.C. § 704(b), as in effect on January 1, 1995.

30 (c)(1) To claim the benefits of this section, a taxpayer ~~must~~ shall  
 31 obtain a certification from ~~the office~~ the following, certifying to the  
 32 ~~Revenue Division of the~~ Department of Finance and Administration that the  
 33 taxpayer has met all the requirements and qualifications ~~set forth~~ stated in  
 34 this section:

35 (A) If the apprentice is employed as described in  
 36 subdivision (a)(1) of this section, the Office of Apprenticeship of the

1 United States Department of Labor; or

2 (B) If the apprentice is employed as described in  
3 subdivision (a)(2) of this section, the Department of Career Education.

4 (2) The certification to the ~~department~~ Department of Finance  
5 and Administration shall include the total amount of wages paid to each ~~youth~~  
6 apprentice employed by the taxpayer or ~~501(e)(3) corporation~~ organization  
7 exempt from taxation under 26 U.S.C. § 501(c)(3) in the taxable year for  
8 which the taxpayer claims the income tax credit provided in this section.

9 (d)(1) The amount of the income tax credit that may be used by a  
10 taxpayer for a taxable year may not exceed the amount of individual or  
11 corporate income tax otherwise due.

12 (2) Any unused income tax credit may be carried over for a  
13 maximum of two (2) consecutive taxable years.

14 (e) If the business is an S corporation, the pass-through provisions  
15 of § 26-51-409, as in effect for the taxable year the income tax credit is  
16 earned, shall be applicable.

17 (f) A taxpayer who trains a ~~youth~~ an apprentice ~~in a registered youth~~  
18 ~~apprenticeship program~~ as provided in subsection (b) of this section ~~shall be~~  
19 is entitled to the income tax credit provided in this section for ~~such youth~~  
20 the apprentice, even though the apprentice receives his or her wages for such  
21 training from a ~~501(e)(3) corporation~~ an organization exempt from taxation  
22 under 26 U.S.C. § 501(c)(3).

23 (g)(1) The ~~division~~ Department of Finance and Administration shall  
24 promulgate such rules ~~and regulations~~ as may be deemed necessary to carry out  
25 the purposes of this section.

26 (2) The ~~division~~ Department of Finance and Administration shall  
27 consult with the office and the Department of Career Education during the  
28 promulgation of the rules ~~and regulations~~.

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30 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 16, is  
31 repealed as the income tax credit provided for is consolidated with the youth  
32 apprenticeship program credit under § 26-51-509.

33 ~~Subchapter 16 — Youth Apprenticeship/Work-Based Learning Program Tax Credit~~

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35 ~~26-51-1601. Legislative findings and intent.~~

36 ~~The General Assembly finds that some of the youth apprenticeship/work-~~

1 ~~based learning programs in the state, while of high quality and standards,~~  
2 ~~are not in occupations that are covered by 29 C.F.R. § 29.1 et seq., Part 29,~~  
3 ~~which would allow the programs to be registered by the Office of~~  
4 ~~Apprenticeship of the United States Department of Labor. Employers of youth~~  
5 ~~apprentices who are in programs/occupations registered by the office are~~  
6 ~~allowed to participate in a two thousand dollar (\$2,000) tax credit as~~  
7 ~~provided in § 26-51-509. It is the intent of this subchapter to provide~~  
8 ~~guidelines and a process for certifying high quality youth apprentice/work-~~  
9 ~~based learning programs/occupations that meet the criteria set forth by the~~  
10 ~~Department of Career Education in order that they may also participate in a~~  
11 ~~two thousand dollar (\$2,000) tax credit. The qualifying programs/occupations~~  
12 ~~must meet the standards and program designs that are nationally recognized by~~  
13 ~~business and industry and/or trade associations and have support by such~~  
14 ~~groups in this state. No apprentice program may be certified as meeting the~~  
15 ~~intent of the subchapter if its curriculum and standards are not nationally~~  
16 ~~recognized and/or do not meet the criteria established for such programs.~~

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18 ~~26-51-1602. Definitions.~~

19 ~~As used in this subchapter:~~

20 ~~(1) "Department" means the Department of Finance and~~  
21 ~~Administration;~~

22 ~~(2) "Division" means the Department of Career Education; and~~

23 ~~(3) "Youth apprentice" means an individual between the ages of~~  
24 ~~sixteen (16) and twenty one (21) who is enrolled in a public or private~~  
25 ~~secondary or postsecondary school.~~

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27 ~~26-51-1603. Credit permitted.~~

28 ~~A taxpayer who employs a youth apprentice in an apprenticeship/work-~~  
29 ~~based learning program which meets the standards of program design for~~  
30 ~~nationally recognized curriculum and/or business and industry or trade~~  
31 ~~association standards and which meets the criteria for vocationally approved~~  
32 ~~youth apprentice/work-based learning programs and which is not in an~~  
33 ~~occupation eligible for registration as provided in 29 C.F.R. § 29.1 et seq.,~~  
34 ~~Part 29, as in effect on January 1, 1995, shall be allowed a credit in the~~  
35 ~~amount of two thousand dollars (\$2,000) or ten percent (10%) of the wages~~  
36 ~~earned by the youth apprentice, whichever is less, against the tax imposed by~~

1 ~~the Income Tax Act of 1929, § 26-51-101 et seq., for each such apprentice.~~

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3 ~~26-51-1604. Claiming the credit.~~

4 ~~To claim the benefits of this subchapter, a taxpayer must obtain~~  
5 ~~certification from the Department of Career Education certifying to the~~  
6 ~~Revenue Division of the Department of Finance and Administration that the~~  
7 ~~taxpayer has met all the requirements and qualifications set forth in this~~  
8 ~~subchapter. The certification to the Department of Finance and Administration~~  
9 ~~shall include the total amount of wages paid to each youth apprentice~~  
10 ~~employed by the taxpayer or 501(c)(3) corporation in the taxable year for~~  
11 ~~which the taxpayer claims the credit provided in this subchapter.~~

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13 ~~26-51-1605. Limits on amount of credit—Applicability of credit.~~

14 ~~(a) The amount of the credit that may be used by a taxpayer for a~~  
15 ~~taxable year may not exceed the amount of individual or corporate income tax~~  
16 ~~otherwise due. Any unused credit may be carried over for a maximum of two (2)~~  
17 ~~consecutive taxable years.~~

18 ~~(b) If the business is an S corporation, the pass-through provisions~~  
19 ~~of § 26-51-409, as in effect for the taxable year the credit is earned, shall~~  
20 ~~be applicable.~~

21 ~~(c) A partner's or member's distributive share of the credit shall be~~  
22 ~~determined by the partnership or limited liability company agreement, unless~~  
23 ~~the agreement does not have substantial economic effect or does not provide~~  
24 ~~for the allocation of credits. If the agreement does not have substantial~~  
25 ~~economic effect or does not provide for the allocation of the credit, the~~  
26 ~~credit shall be allocated according to the partner's or member's interest in~~  
27 ~~the partnership, pursuant to 26 U.S.C. § 704(b), as in effect on January 1,~~  
28 ~~1995.~~

29 ~~(d) A taxpayer who trains a youth apprentice in a certified youth~~  
30 ~~apprenticeship program as provided in § 26-51-1603 shall be entitled to the~~  
31 ~~tax credit provided in this subchapter for such youth apprentice, even though~~  
32 ~~the apprentice receives his or her wages for such training from a 501(c)(3)~~  
33 ~~corporation.~~

34 ~~(e) The tax credit provided by this subchapter shall apply to taxable~~  
35 ~~years beginning January 1, 1998, and all taxable years thereafter.~~

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1 ~~26-51-1606. Rules and regulations.~~

2 ~~The Revenue Division of the Department of Finance and Administration~~  
3 ~~shall promulgate such rules and regulations as may be deemed necessary to~~  
4 ~~carry out the purposes of this subchapter. The Revenue Division of the~~  
5 ~~Department of Finance and Administration shall consult with the Department of~~  
6 ~~Career Education during the promulgation of the rules and regulations.~~

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8 SECTION 3. EFFECTIVE DATE. This act is effective for tax years  
9 beginning on or after January 1, 2018.

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11 */s/J. English*

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14 **APPROVED: 04/06/2017**  
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