

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **HB 676** HLS 21RS 1410  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 30, 2021 3:06 PM	<b>Author:</b> CARPENTER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Kimberly Fruge
<b>Subject:</b> Apprenticeship Tax Credit	

TAX CREDITS OR -\$1,200,000 GF RV See Note Page 1 of 1  
 Establishes an Apprenticeship Tax Credit Program

Proposed law creates a nonrefundable apprenticeship tax credit against income and corporation franchise tax equal to \$1.25 per hour of employment for each apprentice up to \$1,250 (1,000 hours) per apprentice per year. Credits may be carried forward against tax liabilities for five years. An eligible apprentice is one that has entered an apprentice agreement with an employer under a registered apprenticeship program defined in present law or is enrolled in a training program accredited by the National Center for Construction Education and Research, pathway program approved by BESE, or postsecondary program administered through LCTCS.

The total amount of the tax credit shall not exceed \$12.5 M per year, the Louisiana Department of Revenue is responsible for determining rules for allocating the available tax credit. Applicable for tax years beginning or after January 1, 2022. No credit shall be granted after June 30, 2028.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	(\$360,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	<b>(\$5,160,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>(\$360,000)</b>	<b>(\$1,200,000)</b>	<b>(\$1,200,000)</b>	<b>(\$1,200,000)</b>	<b>(\$1,200,000)</b>	<b>(\$5,160,000)</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue anticipates the need for some staff time for tax system modification and testing to incorporate the new credit for FY 22 (typically about \$26,000). In addition, the department anticipates the need for new permanent tax specialist positions (one in FY 22, and two in FY 23-26) to determine eligibility and administer the cap. Total costs would be \$121,000 in FY 22, increase to \$193,000 in FY 23, drop to \$144,000 in FY 24, and then grow over time to account for annual increases in salary and related benefits. The necessity of additional positions attributable to this credit is not clear.

**REVENUE EXPLANATION**

This bill appears to largely reinstate the apprenticeship tax credit established by legislation in 2007, extended in 2011, and repealed in 2015. However, the current measure increases the credit to \$1.25 per hour of employment (instead of \$1), sets a cap at \$12.5 M per year, and changes the carry forward to five years (instead of ten). The Louisiana Department of Revenue (LDR) provided the following historical data on the previous similar tax credit (credits continued to be claimed after FY15 in diminishing amounts under the carry-forward provisions of previous law):

FY	Total
FYE 6/09	\$ 293,380
FYE 6/10	\$ 905,860
FYE 6/11	\$ 1,088,705
FYE 6/12	\$ 845,226
FYE 6/13	\$ 957,874
FYE 6/14	\$ 1,121,411
FYE 6/15	\$ 834,331

Using the historical credit claims data from the previous program, and assuming comparable participation in the reinstated program provided by this bill, an estimate of the potential state tax credit amounts can be obtained. The average credit realized between FY 10 and FY 15 was \$959,000. With the increase to \$1.25 per hour in this bill, this would increase the average annual claims to \$1.2 million for FY 22-26. However, this measure does increase the universe of eligible apprentices, thus there may be an indeterminable increase in the amount granted each year depending on the increase in the number of apprentices above this historical example. First year credits would likely be smaller as the program ramps back up (historically, 30% of average annual), and this bill caps the annual maximum amount of credits allowed at \$12.5 M. Since credits can be claimed against the franchise tax, and that tax is paid in advance, the first fiscal year of possible credit exposure is FY 22.

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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