

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 24** SLS 15RS 173
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2015 2:47 PM	Author: NEVERS
Dept./Agy.: Workforce Commission/Revenue	Analyst: Greg Albrecht
Subject: Extension of Apprenticeship Tax Credit	

TAX EXEMPTIONS OR -\$500,000 GF RV See Note Page 1 of 1
 Extends a non-refundable employer apprenticeship tax credit for three additional years. (gov sig)

Current law allows a nonrefundable apprenticeship tax credit against income tax equal to \$1 per hour of employment for each apprentice up to 1,000 hours per apprentice per year. These hours must have been served between December 31, 2007, and January 1, 2015. The law has expired so no new work hours are generating tax credits. However, the credits may be carried forward against tax liabilities for ten years so earned credits may still be claimed. An eligible apprentice is a person who has entered into a written apprentice agreement with an employer or association of employers pursuant to a registered apprenticeship program or a person enrolled in a training program accredited by the National Center for Construction Education and Research.

Proposed law extends the availability of credits for an additional three years until to January 1, 2018. Effective upon governor's signature.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	(\$500,000)	(\$1,000,000)	(\$1,500,000)	(\$1,000,000)	(\$500,000)	(\$4,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$500,000)	(\$1,000,000)	(\$1,500,000)	(\$1,000,000)	(\$500,000)	(\$4,500,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

According to the Department of Revenue, during the last three fiscal years tax credits actually claimed were \$865,000 in FY12, \$958,000 in FY13, and \$1.5 million in FY14. With a ten year carryforward, some portion of each fiscal year's credit claims were associated with prior tax periods. The extension provided by this bill will essentially keep annual the credit generation consistent with its recent past; in the \$1.5 million per year range. Since, as result of this bill, the program will not effectively phase out as outstanding credits are realized over their carry-forward periods, annual revenue costs to the state will phase back up to full annual program costs over the next few years. For fiscal note purposes the annual costs is assumed to be \$1.5 million and the phase out and back up periods are assumed to be three years, with even \$500,000 per year effects in each year. Thus, effectiveness of the program extension reduces FY16 net state revenue by \$500,000 that would have been received had the program termination under current law continued. Net revenue reductions in subsequent years ramp back up to the full program cost as the current law phase out does not occur. Once the three year extension ends, the program's credit costs begin to phase out again.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
Legislative Fiscal Officer