



House of Representatives

General Assembly

File No. 760

January Session, 2005

Substitute House Bill No. 5370

House of Representatives, May 16, 2005

The Committee on Labor and Public Employees reported through REP. RYAN, K. of the 139th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ELIGIBILITY FOR THE APPRENTICESHIP TRAINING TAX CREDIT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 12-217g of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2005*):

4 (c) There shall be allowed a credit for any taxpayer against the tax
5 imposed under this chapter for any income year with respect to wages
6 paid to apprentices in the construction trades by such taxpayer in such
7 year that the apprentice and taxpayer participate in a qualified four-
8 year apprenticeship training program, as described in this section, to
9 be awarded upon completion of such program in accordance with this
10 subsection, which [(1) is jointly administered by labor and
11 management trustees, (2)] (1) is administered pursuant to 29 USC
12 Section 186(c), [(3)] (2) is certified in accordance with regulations

13 adopted by the Labor Commissioner, and [(4)] (3) is registered with the
 14 Connecticut State Apprenticeship Council established under section
 15 31-22n. The tax credit shall be in an amount equal to two dollars per
 16 hour multiplied by the total number of hours worked by apprentices
 17 toward completion of such program, to be awarded during the income
 18 year [by apprentices] in which such apprentices complete such
 19 program, provided the amount of credit [allowed] awarded for [any]
 20 such income year with respect to each such apprentice may not exceed
 21 [one] four thousand dollars or fifty per cent of actual wages paid [in
 22 such] over the four income [year] years for such apprenticeship,
 23 whichever is less.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2005	12-217g(c)

LAB Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

Extending the Eligibility to Non-Union Programs

The bill is anticipated to result in a minimal (less than \$100,000/yr) revenue loss to the corporation business tax. The estimate is based on the assumption that only a few construction companies would be eligible for the credit program because most construction companies are not incorporated in such a way that subjects them to the corporation business tax (most are likely organized as S-corporations, LLCs, or LPs)

Of the 50% (in terms of liability) of all corporations that were subject to the corporation business tax in 2000, less than 5 corporations listed their primary business as either: (1) building construction - general contractors and operative builders, (2) heavy construction other than building construction - contractors, or (3) construction - special trade contractors.

The table below shows the number of companies and amount claimed under the Apprenticeship Credit program.

Income Year	Number of Companies	Total Claimed
1999	65	\$435,903

Income Year	Number of Companies	Total Claimed
2000	78	557,725
2001	37	274,150

Changes to Credit Program

Current law allows companies to claim Apprenticeship Training Credits in each year a participant is enrolled in a qualified program. The bill alters this process and requires that participants must complete or graduate from a four-year program prior to companies claiming credits. This change is anticipated to: (1) reduce the amount of credits claimed because not all participants complete apprenticeship training programs, and (2) alter the timing as to when companies claim credits.

OLR Bill Analysis

sHB 5370

AN ACT CONCERNING ELIGIBILITY FOR THE APPRENTICESHIP TRAINING TAX CREDIT**SUMMARY:**

This bill revises the way corporation tax credits are awarded to businesses that sponsor a four-year construction trade apprenticeship program and extends eligibility for credits to open (nonunion) shops. Under current law, a business receives a \$2 per hour credit for each hour an apprentice in an approved program works during an income year, up to \$1,000 a year or 50% of the apprentice's annual wage, whichever is less. Under the bill, the credit is allowed for each income year the apprentice earns wages, but it is calculated and awarded only for the year in which he completes the program. The bill increases the credit limit to the lesser of \$4,000 or 50% of wages paid over the four-year apprenticeship, and it specifies that the credit applies only to hours an apprentice works toward completing the program.

Under current law, only businesses that jointly sponsor an apprenticeship program with a union are eligible for tax credits. The bill eliminates this restriction. To qualify for credits under the law, an apprenticeship program must provide between 4,000 and 8,000 hours of training and be (1) administered according to federal law, (2) certified by the labor commissioner, and (3) registered with the State Apprenticeship Council.

EFFECTIVE DATE: July 1, 2005

BACKGROUND***Legislative History***

The House referred this bill to the Labor Committee on April 28. The original bill (File 507) extended tax credits to open shops. The Labor Committee substitute, reported on May 5, adds the revised method and timing for calculating and awarding credits.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Change of Reference

Yea 16 Nay 3

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 41 Nay 6

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 13 Nay 0