



Senate

General Assembly

File No. 496

January Session, 2015

Substitute Senate Bill No. 1017

Senate, April 7, 2015

The Committee on Commerce reported through SEN. HARTLEY, J. of the 15th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING THE USE AND TRANSFER OF
MANUFACTURING APPRENTICESHIP TAX CREDITS.***

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

1 Section 1. Subsection (a) of section 12-217g of the general statutes, as
2 amended by section 1 of public act 13-265 and section 251 of public act
3 14-217, is repealed and the following is substituted in lieu thereof
4 (*Effective July 1, 2015, and applicable to taxable and income years*
5 *commencing on or after January 1, 2015*):

6 (a) (1) There shall be allowed a credit for any taxpayer against the
7 tax imposed under this chapter for any income year with respect to
8 each apprenticeship in the manufacturing trades commenced by such
9 taxpayer in such year under a qualified apprenticeship training
10 program as described in this section, certified in accordance with
11 regulations adopted by the Labor Commissioner and registered with
12 the Connecticut State Apprenticeship Council established under
13 section 31-22n, in an amount equal to six dollars per hour multiplied
14 by the total number of hours worked during the income year by

15 apprentices in the first half of a two-year term of apprenticeship and
 16 the first three-quarters of a four-year term of apprenticeship, provided
 17 the amount of credit allowed for any income year with respect to each
 18 such apprenticeship may not exceed seven thousand five hundred
 19 dollars or fifty per cent of actual wages paid in such income year to an
 20 apprentice in the first half of a two-year term of apprenticeship or in
 21 the first three-quarters of a four-year term of apprenticeship,
 22 whichever is less.

23 (2) Effective for income years commencing on and after January 1,
 24 2015, for purposes of this subsection, "taxpayer" includes an affected
 25 business entity, as defined in section 12-284b. Any affected business
 26 entity allowed a credit under this subsection may use such credit to
 27 offset any state tax due or otherwise payable by the taxpayer under
 28 chapter 208 or 219, or sell, assign or otherwise transfer such credit, in
 29 whole or in part, to one or more taxpayers to offset any state tax due or
 30 otherwise payable by such taxpayers under chapter 208, 212 or 227,
 31 provided such credit may be sold, assigned or otherwise transferred, in
 32 whole or in part, not more than three times.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to taxable and income years commencing on or after January 1, 2015</i>	12-217g(a)

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Cost	Up to 50,000	None
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill allows pass-through entities to take Manufacturing Apprenticeship tax credits against the Sales and Use and Corporation Business taxes, or transfer them to other taxpayers filing under the Public Service Companies and Petroleum Products Gross Earnings taxes. This results in a one-time cost of up to \$50,000 to the Department of Revenue Services in FY 16, as well as a potential shifting of tax credit utilization between tax types beginning in FY 16.

The one-time cost of up to \$50,000 to the Department of Revenue Services in FY 16 is associated with changes to the online Taxpayer Service Center (up to \$40,000) and to the Integrated Tax Administration System (\$10,000) for data capture. There are currently no general credits allowed against the Sales and Use and Petroleum Products Gross Earnings taxes.

The bill could also result in the re-directing of Manufacturing Apprenticeship tax credits away from the Corporation Business Tax to the other aforementioned taxes. While this could result in revenue losses within these individual tax types, there is no net revenue impact

because pass-through entities are currently allowed to transfer credits to Corporation Business taxpayers, and thus the credits are assumed to be fully utilized under current law.

BACKGROUND

Pursuant to section 251 of PA 14-217, the FY 15 Revised Budget included a revenue loss of \$620,000 annually beginning in FY 16 associated with the utilization of Manufacturing Apprenticeship tax credits.

The Out Years

The annualized ongoing revenue impact identified above would continue into the future.

OLR Bill Analysis**sSB 1017****AN ACT CONCERNING THE USE AND TRANSFER OF
MANUFACTURING APPRENTICESHIP TAX CREDITS.****SUMMARY:**

PA 14-217, which takes effect on July 1, 2015, allows pass-through entities (i.e., S corporations, limited liability companies, limited liability partnerships, and limited partnerships) to earn manufacturing apprenticeship tax credits. However, it does not allow the credit to be applied to the personal income tax or any other tax liability a pass-through entity incurs. To use any credits earned under the act, pass-through entities must sell, assign, or transfer them to other taxpayers with corporate business tax liability.

This bill allows pass-through entities to (1) use the credits to reduce their corporate business or sales tax liability and (2) sell, assign, or transfer the credits to other taxpayers with utility companies or petroleum gross earnings tax liability.

By law, pass-through entities do not pay corporate business taxes; rather, (1) their owners, shareholders, and partners pay personal income taxes on their share of the income the business generates and (2) the entities pay the business entity tax.

EFFECTIVE DATE: July 1, 2015, and applicable to taxable and income years beginning on or after January 1, 2015

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/19/2015)