OLR Bill Analysis
HB 7377

AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO AFFECTED BUSINESS ENTITIES.

SUMMARY

This bill extends the manufacturing apprenticeship tax credit to the pass-through entity tax and personal income tax, thus allowing pass-through entities (e.g., limited liability companies (LLCs), partnerships, and S corporations) and their owners to claim it against those taxes. Although current law allows pass-through entities to earn the credit, they can only sell, assign, or transfer it to a corporation, utility company, or petroleum products distribution company for application against their respective taxes. The bill ends this practice.

By law, the manufacturing apprenticeship credit is available to businesses for each apprentice they employ and equals the lesser of $6 per hour the apprentice works, $7,500, or 50% of the actual apprenticeship wages. Taxpayers may claim it in the first year of a two-year program or the first three years of a four-year program.

EFFECTIVE DATE: July 1, 2019, and applicable to income and tax years beginning on or after January 1, 2019.

PASS-THROUGH ENTITIES

The bill allows (1) pass-through entities to use the manufacturing apprenticeship tax credit to reduce their pass-through entity tax liability and (2) the entities’ owners and partners to use the credit to reduce their personal income tax liability. If the entity is an S corporation or is treated as a partnership for federal tax purposes, its shareholders or partners may claim the credit. If the entity is a single-member LLC and does not file a separate federal tax return (i.e., a “disregarded entity”), the owner may claim the credit.

CREDIT SALE, ASSIGNMENT, OR TRANSFER ELIMINATED
Although current law allows pass-through entities to earn the manufacturing apprenticeship tax credit, it bars the entities and their owners from claiming the credit against the pass-through entity tax or personal income tax. Instead, it allows them to sell, assign, or transfer them to other businesses that may apply them against the corporation business tax, utility companies tax, and petroleum products gross earnings tax. The bill eliminates this authorization for tax years beginning on or after January 1, 2019.

By law, unchanged by the bill, businesses organized as C corporations that employ apprentices may claim the credit against the corporation business tax liability.

COMMITTEE ACTION
Finance, Revenue and Bonding Committee

Joint Favorable
Yea 50 Nay 0 (04/30/2019)