
OLR Bill Analysis

HB 6435

AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO PASS-THROUGH ENTITIES.

SUMMARY

This bill extends the manufacturing apprenticeship tax credit to the personal income tax and affected business entity tax (i.e., pass-through entity or PE tax), thus allowing owners or partners of pass-through entities, limited liability companies (LLCs), partnerships, and S corporations, to claim it against these 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 for each apprentice under a qualified training program 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.

The bill also makes a conforming change and numerous technical changes.

EFFECTIVE DATE: July 1, 2021, and applicable to income or tax years beginning on or after January 1, 2021.

PASS-THROUGH ENTITIES

The bill allows the owners and partners of pass-through entities to use the manufacturing apprenticeship tax credit to reduce their personal income or PE 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 their owners from claiming the credit. Instead, it only allows them to cash in their credits by selling, assigning, or transferring them to 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 income years beginning on or after January 1, 2021.

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

Commerce Committee

Joint Favorable

Yea 22 Nay 0 (03/11/2021)