



House of Representatives

General Assembly

File No. 161

January Session, 2021

House Bill No. 6435

House of Representatives, March 29, 2021

The Committee on Commerce reported through REP. SIMMONS, C. of the 144th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

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

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

1 Section 1. Section 12-217g of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2021, and*
3 *applicable to income or taxable years commencing on or after January 1, 2021*):

4 (a) (1) There shall be allowed a credit for any taxpayer against the tax
5 imposed under this chapter, chapter 228z or chapter 229, other than the
6 liability imposed by section 12-707, for any income or taxable year with
7 respect to each apprenticeship in the manufacturing trades commenced
8 by such taxpayer in such year under a qualified apprenticeship training
9 program as described in subsection (d) of this section, certified in
10 accordance with regulations adopted in accordance with the provisions
11 of chapter 54 by the Labor Commissioner and registered with the
12 Connecticut State Apprenticeship Council established under section 31-
13 22n, in an amount equal to six dollars per hour multiplied by the total
14 number of hours worked during the income or taxable year by

15 apprentices in the first half of a two-year term of apprenticeship and the
16 first three-quarters of a four-year term of apprenticeship, provided the
17 amount of credit allowed for any income or taxable year with respect to
18 each 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 the
21 first three-quarters of a four-year term of apprenticeship, whichever is
22 less. [(2) Effective for] For income or taxable years commencing on [and]
23 or after January 1, 2015, for purposes of this subsection, "taxpayer"
24 includes an affected business entity, as defined in section 12-284b. [Any]

25 (2) (A) For taxable years commencing on or after January 1, 2015, but
26 prior to January 1 2021, any affected business entity allowed a credit
27 under this subsection may sell, assign or otherwise transfer such credit,
28 in whole or in part, to one or more taxpayers to offset any state tax due
29 or otherwise payable by such taxpayers under this chapter, or, with
30 respect to [income] taxable years commencing on or after January 1,
31 2016, but prior to January 1, 2021, chapter 212 or 227, provided such
32 credit may be sold, assigned or otherwise transferred, in whole or in
33 part, not more than three times.

34 (B) For taxable years commencing on or after January 1, 2021, (i) if a
35 taxpayer is an S corporation or an entity that is treated as a partnership
36 for federal income tax purposes, the shareholders or partners of such
37 taxpayer may claim the credit under this subsection, and (ii) if a
38 taxpayer is a single member limited liability company that is
39 disregarded as an entity separate from its owner, the limited liability
40 company's owner may claim the credit under this subsection.

41 (b) There shall be allowed a credit for any taxpayer against the tax
42 imposed under this chapter for any income year with respect to each
43 apprenticeship in plastics and plastics-related trades commenced by
44 such taxpayer in such year under a qualified apprenticeship training
45 program as described in subsection (d) of this section, certified in
46 accordance with regulations adopted in accordance with the provisions
47 of chapter 54 by the Labor Commissioner and registered with the

48 Connecticut State Apprenticeship Council established under section 31-
49 22n, which apprenticeship exceeds the average number of such
50 apprenticeships begun by such taxpayer during the five income years
51 immediately preceding the income year with respect to which such
52 credit is allowed, in an amount equal to four dollars per hour multiplied
53 by the total number of hours worked during the income year by
54 apprentices in the first half of a two-year term of apprenticeship and the
55 first three-quarters of a four-year term of apprenticeship, provided the
56 amount of credit allowed for any income year with respect to each such
57 apprenticeship may not exceed four thousand eight hundred dollars or
58 fifty per cent of actual wages paid in such income year to an apprentice
59 in the first half of a two-year term of apprenticeship or in the first three-
60 quarters of a four-year term of apprenticeship, whichever is less.

61 (c) There shall be allowed a credit for any taxpayer against the tax
62 imposed under this chapter for any income year with respect to wages
63 paid to apprentices in the construction trades by such taxpayer in such
64 year that the apprentice and taxpayer participate in a qualified
65 apprenticeship training program, as described in subsection (d) of this
66 section, which (1) is at least four years in duration, (2) is certified in
67 accordance with regulations adopted in accordance with the provisions
68 of chapter 54 by the Labor Commissioner, and (3) is registered with the
69 Connecticut State Apprenticeship Council established under section 31-
70 22n. The tax credit shall be (A) in an amount equal to two dollars per
71 hour multiplied by the total number of hours completed by each
72 apprentice toward completion of such program, and (B) awarded upon
73 completion and notification of completion of such program in the
74 income year in which such completion and notification occur, provided
75 the amount of credit allowed for such income year with respect to each
76 such apprentice may not exceed four thousand dollars or fifty per cent
77 of actual wages paid over the first four income years for such
78 apprenticeship, whichever is less.

79 (d) For purposes of this section, a qualified apprenticeship training
80 program shall require at least four thousand but not more than eight
81 thousand hours of apprenticeship training for certification of such

82 apprenticeship by the Connecticut State Apprenticeship Council. The
83 amount of credit allowed any taxpayer under this section for any
84 income or taxable year may not exceed the amount of tax due from such
85 taxpayer under this chapter, chapter 228z or chapter 229, with respect to
86 such income or taxable year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2021, and applicable to income or taxable years commencing on or after January 1, 2021</i>	12-217g

CE *Joint Favorable*

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 22 \$	FY 23 \$
Revenue Serv., Dept.	GF - Revenue Loss	Up to 1.4 million	Up to 1.4 million
Revenue Serv., Dept.	GF - Cost	Less than 100,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which allows pass-through entities to claim manufacturing apprenticeship tax credits against the personal income tax or pass-through entity tax, results in a revenue loss of up to \$1.4 million annually beginning in FY 22. This also results in a one-time cost of less than \$100,000 in FY 22 to the Department of Revenue Services associated with updates to the online Taxpayer Service Center to allow pass-through entities to claim the credit on their tax forms.

This is based on data indicating there are currently 6,510 registered apprentices, of which approximately 200 are in manufacturing trades.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to fluctuation in the number of manufacturing apprentices.

Sources: Connecticut Department of Labor
Connecticut State Apprenticeship Council 2/19/21 meeting minutes

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)