



Senate

General Assembly

File No. 560

February Session, 2022

Substitute Senate Bill No. 98

Senate, April 21, 2022

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute 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 2022 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2022, and applicable to income or taxable years commencing*
4 *on or after January 1, 2022*):

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

14 hour multiplied by the total number of hours worked during the income
15 or taxable year by apprentices in the first half of a two-year term of
16 apprenticeship and the first three-quarters of a four-year term of
17 apprenticeship, provided the amount of credit allowed for any income
18 or taxable year with respect to each such apprenticeship may not exceed
19 seven thousand five hundred dollars or fifty per cent of actual wages
20 paid in such [income] year to an apprentice in the first half of a two-year
21 term of apprenticeship or in the first three-quarters of a four-year term
22 of apprenticeship, whichever is less. [(2) Effective for] For income or
23 taxable years commencing on [and] or after January 1, 2015, for
24 purposes of this subsection, "taxpayer" includes an affected business
25 entity, as defined in section 12-284b. [Any]

26 (2) (A) For taxable years commencing on or after January 1, 2015, but
27 prior to January 1 2022, any affected business entity allowed a credit
28 under this subsection may sell, assign or otherwise transfer such credit,
29 in whole or in part, to one or more taxpayers to offset any state tax due
30 or otherwise payable by such taxpayers under this chapter, or, with
31 respect to [income] taxable years commencing on or after January 1,
32 2016, but prior to January 1, 2022, chapter 212 or 227, provided such
33 credit may be sold, assigned or otherwise transferred, in whole or in
34 part, not more than three times.

35 (B) For taxable years commencing on or after January 1, 2022, (i) if a
36 taxpayer is an S corporation or an entity that is treated as a partnership
37 for federal income tax purposes, the shareholders or partners of such
38 taxpayer may claim the credit under this subsection, and (ii) if a
39 taxpayer is a single member limited liability company that is
40 disregarded as an entity separate from its owner, the limited liability
41 company's owner may claim the credit under this subsection.

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

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

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

80 (d) For purposes of this section, a qualified apprenticeship training

81 program shall require at least four thousand but not more than eight
 82 thousand hours of apprenticeship training for certification of such
 83 apprenticeship by the Labor Department. The amount of credit allowed
 84 any taxpayer under this section for any income or taxable year may not
 85 exceed the amount of tax due from such taxpayer under this chapter,
 86 chapter 228z or chapter 229, with respect to such income or taxable year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022, and applicable to income or taxable years commencing on or after January 1, 2022</i>	12-217g

Statement of Legislative Commissioners:

In the introductory language of Section 1, "of the general statutes" was changed to "of the 2022 supplement to the general statutes" for accuracy, in Subsecs. (a)(1), (b), (c)(3) and (d), "Connecticut State Apprenticeship Council established" was changed to "Labor Department" and "31-22n" was changed to "31-22r" for statutory accuracy.

CE *Joint Favorable Subst.-LCO C/R*

FIN

FIN *Joint Favorable Subst.-LCO*

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 23 \$	FY 24 \$
Department of Revenue Services	GF - Revenue Loss	Up to 1.4 million	Up to 1.4 million
Department of Revenue Services	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 23. This also results in a one-time cost of less than \$100,000 in FY 23 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

OLR Bill Analysis**sSB 98*****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), 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 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 conforming and technical changes.

EFFECTIVE DATE: July 1, 2022, and applicable to income or tax years beginning on or after January 1, 2022.

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 it 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 it. Instead, the law 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 tax years beginning on or after January 1, 2022.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference - FIN
Yea 23 Nay 0 (03/08/2022)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 51 Nay 0 (04/06/2022)