

## **BILL ANALYSIS**

Senate Research Center  
86R7369 GRM-D

S.B. 685  
By: Alvarado  
Finance  
3/6/2019  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 685 incentivizes employers to engage in more apprenticeship programs by offering a \$2,500 sales tax refund or franchise tax credit for hiring apprentices.

S.B. 685 amends the Tax Code to authorize incentivizing employers to engage in more apprenticeship programs by offering a \$2,500 sales tax refund or franchise tax credit for hiring qualified apprentices.

Currently, 13 other states offer some type of tax credit incentivizing employers who hire apprentices.

Apprenticeship programs link education and workforce strategies through public-private partnerships between academic institutions and private sector companies.

Not only do apprenticeships serve as a fast-track solution for creating a skilled labor force, but they will assist in alleviating the staggering \$1.5 trillion in student loan debt. With tuition far outpacing inflation, approximately 44 percent of students are in default and 29 percent are in deferment on their student loans. This is alarming. Couple this with national statistics showing that at least 60 percent of students graduating do not have jobs lined up in their field of study. This has created a trickledown effect of economic challenges.

Apprenticeships have a high return on investment (ROI) and the retention rate is incredibly competitive in a limited labor market. On average, once an apprentice has completed the program, the average starting wage is \$60,000 per year.

A 2012 study conducted by Mathematica Policy Research on the return on investment for apprenticeship programs found that for every one dollar invested in apprenticeship, the ROI was \$27. Apprenticeship programs have multi-dimensional benefits and offer solutions to the crisis facing not only the student loan debt ratio but the shortage of a skilled labor force.

As proposed, S.B. 685 amends current law relating to providing a sales and use tax refund or franchise tax credit for businesses that employ certain apprentices.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter I, Chapter 151, Tax Code, by adding Section 151.4292, as follows:

Sec. 151.4292. TAX REFUND FOR WAGES PAID TO CERTAIN APPRENTICES. (a)  
Defines "qualified apprenticeship" for purposes of this section.

(b) Provides that, except as provided by Subsection (e), a person is eligible for a refund in the amount and under the conditions provided by this section of the

taxes paid under this chapter (Limited Sales, Use, and Excise Tax) during a calendar year if the person employs at least one apprentice in a qualified apprenticeship position for at least seven months during the calendar year.

(c) Provides that, subject to Subsection (d), the amount of the refund for a calendar year in connection with each apprentice described by Subsection (b) is equal to the lesser of 50 percent of the wages paid by the person to the apprentice during the calendar year or \$2,500.

(d) Provides that the total amount of the refund for a calendar year is equal to the lesser of the amount allowed under Subsection (c) for the calendar year for not more than five apprentices or the amount of sales and use taxes paid by the person during the calendar year.

(e) Provides that a person is ineligible for a refund under this section for a calendar year if the person will, as a taxable entity as defined by Section 171.0002 (Definition of Taxable Entity) or as a member of a combined group that is a taxable entity, claim a credit under Subchapter T, Chapter 171, on a franchise tax report covering all or part of that calendar year.

(f) Provides that a person is ineligible for a refund under this section in connection with wages paid to an individual apprentice for more than 48 months.

(g) Requires a person to apply to the comptroller of public accounts of the State of Texas (comptroller) to receive a refund under this section

SECTION 2. Amends Chapter 171, Tax Code, by adding Subchapter T, as follows:

#### SUBCHAPTER T. TAX CREDIT FOR WAGES PAID TO CERTAIN APPRENTICES

Sec. 171.9201. DEFINITION. (a) Defines "qualified apprenticeship" for purposes of this subchapter.

Sec. 171.9202. ENTITLEMENT TO CREDIT. Entitles a taxable entity to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter (Franchise Tax).

Sec. 171.9203. QUALIFICATION. Provides that, except as provided by Section 171.9205, a taxable entity qualifies for a credit under this subchapter for a report if the taxable entity employs at least one apprentice in a qualified apprenticeship position for at least seven months during the period on which the report is based.

Sec. 171.9204. AMOUNT; LIMITATIONS. (a) Provides that, subject to Subsection (b), the amount of the credit for a report in connection with each apprentice described by Section 171.9203 is equal to the lesser of 50 percent of the wages paid by the taxable entity to the apprentice or \$2,500.

(b) Provides that the total amount of the credit for each report is equal to the lesser of the total of the credits allowed under Subsection (a) for the reporting period for not more than five apprentices or the amount of franchise tax due after applying all other applicable credits.

(c) Prohibits a taxable entity from claiming a credit in connection with an individual apprentice for wages paid to the apprentice for more than 48 months.

Sec. 171.9205. INELIGIBILITY FOR CREDIT FOR CERTAIN PERIODS. Provides that a taxable entity is ineligible for a credit on a report if the taxable entity, or a member of the combined group if the taxable entity is a combined group, received a refund under Section 151.4292 for taxes paid under Chapter 151 (Limited Sales, Excise and Use Tax) during the period on which the report is based.

Sec. 171.9206. APPLICATION FOR CREDIT. (a) Requires a taxable entity to apply for a credit under this subchapter on or with the tax report for the period for which the credit is claimed.

(b) Requires the comptroller to promulgate a form for the application for the credit. Requires a taxable entity to use the form in applying for the credit.

Sec. 171.9207. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a taxable entity to claim a credit under this subchapter for a report only in connection with wages paid during the accounting period on which the report is based.

SECTION 3. (a) Authorizes a person to apply for a refund under Section 151.4292, Tax Code, as added by this Act, only in connection with wages paid on or after the effective date of this Act.

(b) Authorizes a taxable entity to claim the credit under Subchapter T, Chapter 171, Tax Code, as added by this Act, only for wages paid on or after the effective date of this Act and only on a franchise tax report originally due under Chapter 171 (Franchise Tax), Tax Code, on or after that date.

SECTION 4. Effective date: January 1, 2020.