

The bill defines a “registered apprentice” as an individual who meets all of the following requirements:

- Is 16 years of age or older, at the time of application into the program
- Has not obtained a high school diploma, and is enrolled in either high school or a General Education Development test preparation program, or is currently enrolled for the duration of the program and remains enrolled and completes the program while participating in the apprenticeship.
- The registered apprentice must be trained by a taxpayer through an apprenticeship program that meets all of the following requirements:
 - The program must be approved by the “Chief of the Division of Apprenticeship Standards,”¹ and is also registered with the office of Apprenticeship at the United States Department of Labor.
 - The program must be provided pursuant to an apprenticeship agreement described in the Labor Code.²
 - The minimum term for the program must be at least 4,000 hours.

A credit for the taxable year shall only be allowed if the taxpayer has received the certificate from the Division of Apprenticeship Standards in the Department of Industrial Relations. A certificate is required for each taxable year. The taxpayer would be required to provide a copy of the apprenticeship agreement to the FTB upon request.

If the training of the qualified apprentice is terminated prior to the completion of the apprenticeship program, any unused carryover of the credit shall be canceled and any previously claimed credit that reduced net tax shall be recaptured by increasing the tax imposed by this part for the taxable year in which the training is terminated. If the termination occurred due to any of the following, the recapture provision shall not apply:

- The registered apprentice voluntarily leaves the apprenticeship program
- The registered apprentice, before the end of the completion of the apprenticeship program, becomes disabled and unable to perform the services of that program, unless that disability is removed before the close of the period of that program and the taxpayer fails to offer reinstatement to the program for the apprentice.
- The training of a registered apprentice was terminated due to the misconduct³ of that apprentice.

The FTB shall provide the Division of Apprenticeship Standards in the Department of Industrial Relations with any information necessary to prepare the report required.⁴

¹ As Defined in Section 3070 of Chapter 4 of Division 3 of the Labor Code

² Labor Code section 3077

³ As described in Sections 1256-30 to 1256-43 inclusive of Title 22 of the California Code or regulations.

⁴ Pursuant to Section 3073.7 of the Labor Code

A credit shall only be allowed under this section for the taxable year if the taxpayer has received the certificate from the Division of Apprenticeship Standards in the Department of Industrial Relations. A certificate is required for each taxable year. The taxpayer shall provide a copy of the certificate to the FTB upon request.

The Division of Apprenticeship Standards shall do all of the following:

- Establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the FTB, to apply and receive a certificate.
- Verify that the taxpayer is training during the taxable year an individual that meets the requirements to be a registered apprentice
- Provide the taxpayer with a certificate for the registered apprentice. The certificate shall contain the name of the taxpayer and the name of the apprentice, a brief description of the apprenticeship, the primary location of the apprenticeship, and any other information the Division of Apprenticeship Standards or the FTB deems relevant.
- Annually provide the FTB with a list of the names of the taxpayers that received certificates and the names of the registered apprentices of the taxpayer. The list may also contain any other information from the certificates.
- Inform the FTB if the Division of Apprenticeship Standards has knowledge that the training of a registered apprentice is terminated prior to the completion of the apprenticeship program after the taxpayer has received a certificate.

The Division of Apprenticeship Standards may adopt rules and regulations as reasonably necessary to effectuate this subdivision, but shall consult with the FTB.

Unused credits could be carried over for five years or until exhausted.

This credit would be repealed on December 1, 2020.

The FTB may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purpose of this section.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

It is unclear whether the phrase "currently enrolled for the duration of the program and remains enrolled and completed the program" refers to enrollment in high school or a General Education Development test preparation program or the apprenticeship program. Lack of clarity could lead to disputes with taxpayers and would complicate the administration of this credit. It is recommended the bill be amended to clarify.

FISCAL IMPACT

The costs to implement this bill have yet to be determined. As the bill continues to move through the legislative process and the implementation concerns are resolved, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1569 As Amended April 29, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2015-16	2016-17	2017-18
- \$12	- \$28	- \$33

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

LEGISLATIVE STAFF CONTACT

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