

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Rodriguez Analyst: Jessica Deitchman Bill Number: AB 1569  
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: May 15, 2014  
 Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** Apprentice Training Credit

**SUMMARY**

This bill would provide a tax credit under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL) to a taxpayer that trains qualified apprentices.

**RECOMMENDATION**

No position.

**SUMMARY OF AMENDMENTS**

The May 15, 2014, amendments modified the definition of “qualified apprentice,” added language to require a taxpayer to reduce deductions for amounts paid in training by the credit allowed, and added a repeal date to the section that required the Franchise Tax Board (FTB) to provide a report to the Division of Apprenticeship Standards in the Department of Industrial Relations. As a result of these amendments, the department’s implementation consideration provided in the analysis of the bill as amended April 29, 2014, has been resolved. Except for the “This bill,” “Economic Impact,” and “Implementation Considerations” discussions, the remainder of the department’s analyses of the bill as amended March 20, 2014, and April 29, 2014, still apply.

This analysis only addresses the provisions of this bill that impact the department’s programs and operations.

**ANALYSIS**

THIS BILL

For taxable years beginning on or after January 1, 2016, and before January 1, 2020, this bill would, under both the PITL and CTL, provide a tax credit of \$2,000 for each “registered apprentice” that is trained by the taxpayer in the taxable year.

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.

Board Position: <input type="checkbox"/> S <input type="checkbox"/> NA <input checked="" type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA	<table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Asst. Legislative Director</td> <td style="width: 30%;">Date</td> </tr> <tr> <td>Gail Hall</td> <td>5/20/14</td> </tr> <tr> <td>For Jahna Carlson</td> <td></td> </tr> </table>	Asst. Legislative Director	Date	Gail Hall	5/20/14	For Jahna Carlson	
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- Meets one of the following requirements:
  - Has not obtained a high school diploma and is enrolled in high school or a General Education Development test preparation program.
  - Has obtained a high school diploma or General Education Development credential 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,”<sup>1</sup> 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.<sup>2</sup>
  - 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 misconduct<sup>3</sup> 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.<sup>4</sup> This section shall be repealed on January 1, 2023.

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<sup>1</sup> As Defined in Section 3070 of Chapter 4 of Division 3 of the Labor Code.

<sup>2</sup> Labor Code section 3077.

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

<sup>4</sup> 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.

A deduction otherwise allowed under this part for any amount paid or incurred by the qualified taxpayer in training a registered apprentice as a trade or business expense shall be reduced by the amount of the credit allowed by this section.

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

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

## ECONOMIC IMPACT

### Revenue Estimate

Estimated Revenue Impact of AB 1569 As Amended May 15, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2015-16	2016-17	2017-18
- \$11	- \$26	- \$31

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

### **SUPPORT/OPPOSITION<sup>5</sup>**

Support: None provided.

Opposition: California Tax Reform Association.

### **LEGISLATIVE STAFF CONTACT**

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<sup>5</sup> As listed in the Assembly Committee Analysis dated May 2, 2014