

BILL SUMMARY
2nd Session of the 57th Legislature

Bill No.:	HB 3378
Version:	CS
Request Number:	11230
Author:	Rep. Dollens
Date:	2/28/2020
Impact:	Tax Commission:
	Revenue Decrease
	FY-21: \$0
	FY-22: (\$1,000,000)

Research Analysis

The committee substitute for HB3378 provides a tax credit to employers that hire qualified apprentices who receive classroom or industry-specific instruction and on-the-job training pursuant to an apprenticeship agreement registered with the apprenticeship office of the U.S. Department of Labor. Qualified employers must also ensure compliance with any applicable state laws in regards to the industry or trade, including demonstrating compliance for each qualified apprentice, to qualify for the credit.

Beginning in tax year 2021 through 2025, a qualified employer would be eligible for a \$1000 tax credit per hire for up to ten apprentice hires throughout the five year term of the tax credit program. The measure also establishes a \$3 million annual cap on total credits allowed each year and directs the Governors' Council for Workforce and Economic Development to work with the Oklahoma Department of Commerce and Oklahoma Tax Commission to coordinate implementation and adopt any rules necessary for program administration.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

HB 3378 proposes to enact a new income tax credit for a taxpayer who employs an apprentice under an apprenticeship agreement registered with the Office of Apprenticeship of the Employment and Training Administration of the United States Department of Labor. Effective for tax years 2021 through 2025, an eligible employer may claim an income tax credit of \$1,000 for each qualified apprentice employed for at least seven months during the preceding tax year. The employer is limited to a total credit amount of \$10,000 for the duration of the five years the credit is available. The credit is nonrefundable and may not be carried over to another tax year.

The total amount of credits used to offset tax shall be adjusted annually to limit the annual amount of credits to \$3 million per year. The Oklahoma Tax Commission will annually calculate and publish a percentage by which the credits shall be reduced so the total amount of credits used to offset tax does not exceed \$3 million per year.

To determine the potential revenue effect of this proposal, apprenticeship data and statistics were obtained from the United States Department of Labor Employment and Training Administration. Fiscal year totals for Oklahoma are reflected in Table 1.

Table 1 - Oklahoma Fiscal Year Totals

Fiscal Year	Total Apprentices	Total Active Programs	New Programs*
2014	1,736	100	5
2015	1,993	102	3
2016	1,944	99	-
2017	1,609	99	2
2018	2,010	99	7

* New programs are included in total active programs.

Source: United States Department of Labor Employment and Training Administration Apprenticeship Data and Statistics

For this analysis, it is assumed that every employer who currently employs an apprentice under an apprenticeship agreement registered with the Office of Apprenticeship of the Employment and Training Administration of the United States Department of Labor would claim the maximum credit amount during the first taxable year that the employer is eligible to receive the credit. It is further assumed the number of active programs may increase by 15% annually due to the income tax credit. The resulting revenue impact is reflected in Table 2.

As shown, a decrease in income tax collections is expected during each year the credit is available, with the greatest decrease experienced during FY 2022 when the 2021 returns are filed¹. No changes in withholding or estimated tax payments are anticipated.

Table 2 - Apprenticeship Credit - Estimated Impact

Tax Year	Active Programs	Eligible Employers	Estimated Credit
2021	100	100	\$ 1,000,000
2022	115	15	\$ 150,000
2023	132	17	\$ 170,000
2024	152	20	\$ 200,000
2025	175	23	\$ 230,000

¹ Because an employer is limited to a total credit amount of \$10,000 for the duration of the five years the credit is available, an employer who claims the maximum credit amount for the 2021 tax year is not eligible to claim the credit for subsequent tax years. The number of eligible employers for each tax year after 2021 reflects a 15% annual increase in new apprenticeship programs and excludes employers who already claimed the maximum amount of credit in preceding tax years.

Prepared By: Mark Tygret

Other Considerations

None.