

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 10, 2020

BILL NUMBER: HB 3378 STATUS AND DATE OF BILL: Engrossed Bill 3/9/2020

AUTHORS: House Dollens, Wallace, Blancett and Fetgatter Senate Leewright

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

Engrossed 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. The total credit amount for the employer is limited to \$10,000 for the duration of the five years the credit is available. Total annual credits are capped at \$3 million, and credits may not be carried over to another tax year.

EFFECTIVE DATE: November 1, 2020

### REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 21: None.

FY 22: Estimated decrease of \$1,000,000 in income tax collections.

Mar. 10, 2020  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

3/11/2020  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

3/12/2020  
DATE

JD  
FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

Engrossed 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.

To qualify for the credit, an eligible employer who enters into an apprenticeship agreement must ensure compliance with any applicable Oklahoma law regarding that industry or trade including demonstrating compliance for each qualified apprentice.

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.

**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

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 filed<sup>1</sup>. No changes in withholding or estimated tax payments are anticipated.

<sup>1</sup> 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.