

By: Ordaz

H.B. No. 3605

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for taxable entities that employ certain apprentices in broadband utility engineering or construction jobs.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 171, Tax Code, is amended by adding Subchapter N-1 to read as follows:

SUBCHAPTER N-1. TAX CREDIT FOR EMPLOYMENT OF APPRENTICES FOR
BROADBAND UTILITY CONSTRUCTION

Sec. 171.721. GENERAL DEFINITIONS. In this subchapter:

(1) "Broadband utility engineering or construction job" means a job described in category 237130 of the 2022 North American Industry Classification System.

(2) "Commission" means the Texas Workforce Commission.

Sec. 171.722. DEFINITION: QUALIFYING APPRENTICE. (a) For purposes of this subchapter, "qualifying apprentice" means an apprentice employed by a taxable entity:

(1) in a broadband utility engineering or construction job; and

(2) as part of an apprenticeship program that is:

(A) certified as an industry-recognized apprenticeship program by an entity determined to meet United States Department of Labor criteria; or

1 (B) registered with the United States Department
2 of Labor and qualified to receive funding provided through the
3 commission under Chapter 133, Education Code.

4 (b) An individual who otherwise meets the definition of
5 qualifying apprentice under Subsection (a) may not be considered a
6 qualifying apprentice of a taxable entity for purposes of this
7 subchapter:

8 (1) beyond the earlier of:

9 (A) the fourth anniversary of the date the
10 individual was employed by the entity as a qualifying apprentice;
11 or

12 (B) the conclusion of the initial term of the
13 apprenticeship program in which the individual is participating; or

14 (2) if the individual was employed by the entity in
15 another capacity immediately before being employed by the entity as
16 a qualifying apprentice.

17 Sec. 171.723. ENTITLEMENT TO CREDIT. A taxable entity is
18 entitled to a credit in the amount and under the conditions provided
19 by this subchapter against the tax imposed under this chapter.

20 Sec. 171.724. QUALIFICATION. A taxable entity qualifies
21 for a credit under this subchapter if, during the period for which
22 the credit is claimed, the entity employs at least one qualifying
23 apprentice for at least three months and, in accordance with
24 criteria adopted by the commission by rule, provides the apprentice
25 with training and skills development in pole climbing, rigging,
26 fiber and coax splicing, or other tasks required of an aerial
27 lineman.

1 Sec. 171.725. CERTIFICATE OF ELIGIBILITY. (a) Before
2 claiming a credit under this subchapter, a taxable entity must
3 request a certificate of eligibility from the commission stating
4 that the entity qualifies for a credit under this subchapter by
5 satisfying the requirements of Section 171.724. The entity must
6 request the certificate of eligibility in the manner prescribed by
7 the commission.

8 (b) On receipt of a request under Subsection (a), the
9 commission shall:

10 (1) determine whether the taxable entity is eligible
11 for a credit under this subchapter; and

12 (2) if the commission determines that the taxable
13 entity is eligible for a credit, issue the requested certificate of
14 eligibility.

15 Sec. 171.726. AMOUNT OF CREDIT; LIMITATION. (a) Subject to
16 Subsections (b) and (c), the amount of the credit a taxable entity
17 may claim on a report is an amount equal to \$5,000 multiplied by the
18 number of qualifying apprentices employed by the entity during the
19 period covered by the report.

20 (b) The total credit claimed on a report may not exceed the
21 amount of franchise tax due for the report after the application of
22 any other applicable credits.

23 (c) The total amount of credits that may be awarded under
24 Subsection (a) in a state fiscal biennium may not exceed \$10
25 million.

26 Sec. 171.727. CARRYFORWARD. (a) If a taxable entity is
27 eligible for a credit that exceeds the limitation under Section

1 171.726(b), the entity may carry the unused credit forward for not
2 more than five consecutive reports.

3 (b) A carryforward is considered the remaining portion of a
4 credit that cannot be claimed on a report because of the limitation
5 under Section 171.726(b).

6 (c) Credits, including a carryforward, are considered to be
7 used in the following order:

8 (1) a carryforward under this section; and
9 (2) a credit for the period on which the report is
10 based.

11 Sec. 171.728. APPLICATION FOR CREDIT. (a) A taxable entity
12 must apply for a credit under this subchapter on or with the report
13 for the period for which the credit is claimed.

14 (b) A taxable entity must apply for the credit in the manner
15 prescribed by the comptroller and include with the application:

16 (1) the certificate of eligibility issued under
17 Section 171.725; and

18 (2) any information requested by the comptroller to
19 determine the amount of the credit.

20 (c) The comptroller shall award a credit to a taxable entity
21 that submits an application that complies with the provisions of
22 this section if the entity is eligible for the credit and the credit
23 is available under Section 171.726(c).

24 Sec. 171.729. SALE OR ASSIGNMENT OF CREDIT. (a) A taxable
25 entity that employs a qualifying apprentice may sell or assign all
26 or part of the credit that may be claimed in relation to that
27 qualifying apprentice to one or more taxable entities, and any

1 taxable entity to which all or part of the credit is sold or
2 assigned may sell or assign all or part of the credit to another
3 taxable entity. There is no limit on the total number of
4 transactions for the sale or assignment of all or part of the total
5 credit authorized under this subchapter.

6 (b) A taxable entity that sells or assigns a credit under
7 this section and the taxable entity to which the credit is sold or
8 assigned shall jointly submit written notice of the sale or
9 assignment to the comptroller not later than the 30th day after the
10 date of the sale or assignment. The notice must include:

11 (1) the date on which the credit was originally
12 established;

13 (2) the date of the sale or assignment;

14 (3) the amount of the credit sold or assigned and the
15 remaining period during which it may be used;

16 (4) the names, addresses, and federal tax
17 identification numbers of the taxable entity that sold or assigned
18 the credit or part of the credit and the taxable entity to which the
19 credit or part of the credit was sold or assigned; and

20 (5) the amount of the credit owned by the selling or
21 assigning taxable entity before the sale or assignment, and the
22 amount the selling or assigning taxable entity retained, if any,
23 after the sale or assignment.

24 (c) The sale or assignment of a credit in accordance with
25 this section does not extend the period for which a credit may be
26 carried forward.

27 Sec. 171.730. RULES. The comptroller may adopt rules

1 necessary to implement and administer this subchapter.

2 Sec. 171.731. REPORT. (a) Not later than November 1 of
3 each even-numbered year, the commission shall prepare and deliver
4 to the governor, the lieutenant governor, the speaker of the house
5 of representatives, and the presiding officer of each legislative
6 standing committee with primary jurisdiction over taxation a report
7 that evaluates the effect of the tax credits issued under this
8 subchapter on the employment outcomes and earnings of qualifying
9 apprentices with respect to whom credits are issued under this
10 subchapter. The report must include a recommendation regarding
11 whether the tax credit should be expanded or terminated.

12 (b) A taxable entity that requests a certificate of
13 eligibility under Section 171.725 shall provide, on request of the
14 commission, information the commission determines is necessary to
15 prepare the report under this section.

16 SECTION 2. Subchapter N-1, Chapter 171, Tax Code, as added
17 by this Act, applies only to a report originally due on or after
18 January 1, 2026.

19 SECTION 3. An entity may apply for a franchise tax credit
20 under Subchapter N-1, Chapter 171, Tax Code, as added by this Act,
21 only in connection with an apprentice first employed on or after the
22 effective date of this Act.

23 SECTION 4. This Act takes effect January 1, 2026.