

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1524
By: Hughes
Finance
4/12/2021
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1524 allows a tax incentive for employers who hire apprentices, which would create more apprenticeship programs in emerging and diversified fields. This is a best practice, as currently 13 other states offer employers some type of tax incentive. The tax incentive would be applied to registered apprenticeship programs under the United States Department of Labor and in an industry-recognized apprenticeship program.

The measure will allow for a \$2,500 sales tax refund for each apprentice hired. Also, the bill will ensure that at least half of all approved apprenticeship tax refunds will go to employers who create programs in emerging fields, rural regions, with aged-out foster youth, women, veterans, and others, that would maximize the program's benefits. The proposed program would require participants to up-skill and advance the minimum skills to a credential mid-level status in the field related to the apprenticeship program.

The pilot project will provide a sales and use tax credit for businesses that employ apprentices as follows:

The pilot program will create an employer tax incentive that shall be allocated in a program where at least 50 percent of apprentice tax credits must be given to employers in one of the following categories:

- aged-out foster youth;
- at-risk populations;
- in emerging fields;
- in rural regions;
- veterans;
- women; and
- military spouses.

S.B. 1524 allows for a \$2,500 sales tax refund for each apprentice hired;

The refund is limited to five (5) consecutive taxable years;

The refund is limited to six (6) apprentices per entity;

The program must provide work-based learning and/or on-the-job training;

The program can be a registered apprenticeship program (RA) under the United States Department of Labor or in an industry-recognized apprenticeship program (IRAP), and/or in an industry program (IP).

Employers are eligible to have as many apprentices as they would like, however, during this pilot program employers will be allowed to apply for a sales tax refund toward only six (6) apprentices for each allowed taxable year until the legislature approves the programs across the spectrum.

S.B. 1524 includes language charging the Texas Workforce Commission to monitor the program for outcome measures and to report back to the legislature with its findings upon completion of

the pilot program. The Comptroller of Public Accounts of the State of Texas will promulgate the forms necessary for employers to file.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1524 amends current law relating to a sales and use tax refund pilot program for certain persons who employ apprentices.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the executive director of the Texas Workforce Commission in SECTION 1 (Section 151.4292, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter I, Chapter 151, Tax Code, by adding Section 151.4292, as follows:

Sec. 151.4292. TAX REFUND PILOT PROGRAM FOR CERTAIN PERSONS WHO EMPLOY APPRENTICES. (a) Defines "executive director" and "qualified apprenticeship."

(b) Provides that a person is eligible for a refund in the amount and under the conditions provided by this section of the taxes paid under Chapter 151 (Limited Sales, Excise, and Use Tax) during a calendar year if the person is certified by the executive director of the Texas Workforce Commission (executive director; TWC) under Subsection (f) and employs at least one apprentice in a qualified apprenticeship position for at least seven months during the calendar year. Provides that a person is not considered to be employed in a qualified apprenticeship position for purposes of this section:

(1) after the earlier of:

(A) the fourth anniversary of employment in the position; or

(B) the conclusion of the term of the apprenticeship position; or

(2) if the person was employed in another position by the employer immediately before beginning employment in the apprenticeship position.

(c) Provides that, subject to Subsections (d) and (e), the amount of the refund for a calendar year in connection with each apprentice described by Subsection (b) is \$2,500.

(d) Provides that the total amount of the refund for a calendar year is equal to the lesser of:

(1) the amount allowed under Subsection (c) for the calendar year for each apprentice described by Subsection (b), not to exceed the maximum number of apprentices provided by Subsection (e); or

(2) the amount of sales and use taxes paid by the person during the calendar year.

(e) Provides that the maximum number of apprentices in connection with whom a person is authorized to receive a refund in a calendar year is:

(1) one; or

(2) not more than six if at least half of the apprentices employed are:

(A) foster children who have transitioned or are transitioning to independent living, as described in Section 264.121 (Transitional Living Services Program), Family Code;

(B) military veterans, as defined by Section 55.001 (Definitions), Occupations Code;

(C) military spouses, as defined by Section 55.001, Occupations Code; or

(D) women.

(f) Prohibits a person from applying for a refund under this section unless the executive director certifies that the person is able to employ apprentices in qualified apprenticeships. Requires a person to apply to the executive director to obtain certification and requires the executive director to create an application form for the certification.

(g) Authorizes the executive director to certify a maximum of 100 persons under Subsection (f) at any time. Requires the executive director, if the number of eligible applicants exceeds the limit provided by this subsection, to select applicants for certification according to rules adopted under Subsection (h).

(h) Requires the executive director to adopt rules that establish merit-based criteria for selecting persons to certify from among those who apply. Requires that the rules require that the executive director give preference to applicants who:

(1) offer qualified apprenticeships in areas of this state that are not designated as metropolitan statistical areas by the United States Office of Management and Budget; and

(2) provide training and skills development in emerging or developing occupational fields.

(i) Requires the executive director to issue a certificate to each person certified under Subsection (f). Requires that the certificate confirm that the person is eligible to apply for a refund under this section.

(j) Requires a person to apply to the Comptroller of Public Accounts of the State of Texas (comptroller) for a refund under this section. Requires the person to include with the application the certificate issued to the person under Subsection (i) and any other information the comptroller requires.

(k) Requires the executive director, not later than September 1, 2024, to prepare and deliver to the governor, the lieutenant governor, the speaker of the Texas House of Representatives, and the presiding officer of each legislative standing committee with primary jurisdiction over taxation a report that evaluates the effect of the pilot program on the employment outcomes and earnings of apprentices with respect to whom refunds are granted under the pilot program under this section. Requires that the report include a recommendation regarding whether the pilot program should be continued, expanded, or terminated.

(l) Requires a person who applies for a refund under this section to provide to the executive director information the executive director requests to prepare the report described by Subsection (k).

(m) Provides that this section expires December 31, 2026.

SECTION 2. Authorizes a person to apply for a refund under Section 151.4292, Tax Code, as added by this Act, only in connection with apprentices first employed on or after the effective date of this Act.

SECTION 3. Requires TWC and the comptroller to implement this Act only if the legislature appropriates money specifically for that purpose. Provides that if the legislature does not appropriate money specifically for that purpose, TWC and the comptroller are authorized, but not required to, implement this Act using other appropriations available for the purpose.

SECTION 4. Effective date: January 1, 2022.