

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1161 High School Work Experience
SPONSOR(S): Ambler
TIED BILLS: **IDEN./SIM. BILLS:** SB 2458

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on 21st Century Competitiveness</u>	<u>9 Y, 0 N</u>	<u>Hassell</u>	<u>Kooi</u>
2) <u>Schools & Learning Council</u>	<u></u>	<u></u>	<u></u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

The bill creates the High School to Business Career Enhancement Program and provides generally for whereas clauses. The program is established to offer high school students in each school district the opportunity to participate in an internship program with a local business that has partnered with the district to offer such opportunity. As an incentive to participate in this program, the businesses that partner with a school district to provide paid internships will receive a credit for fifty percent (50%) of the total wages paid to each student during the internship. Students are not authorized to work more than twenty (20) hours a week and businesses may claim up to four (4) internships each year.

The bill requires the Department of Revenue (DOR) to adopt, by rule, procedures and forms for granting claims by businesses for credits authorized under this program

There is a fiscal impact related to this bill; however, it is indeterminate at this time. The DOR identified that the bill does not provide for the following: 1) the order in which tax credit should be claimed against the corporate income tax; 2) the usual and customary addback of the amount of the credit, so that the taxpayer does not receive both a deduction and credit for the wages paid to a student during the internship; 3) the definition of the term semester; and 4) the required length of the internship. Also, the DOR stated that because the guidelines may vary significantly from one district to another, the DOR may have a difficult time determining whether a credit claimed by a taxpayer is valid. See Fiscal Comments section of this analysis.

The DOR also stated that generally, for credits of this nature, they are able to rely on a certification letter from the entity that administers the program that states the amount of credit a taxpayer may claim. The bill does not provide for a certification letter by the employer of the participating business. See Drafting Issues or Other Comments section of this analysis.

Generally, laws affecting corporate income tax are effective on a specific date and apply to specific tax years. The bill provides for an effective date of July 1, 2007; however, it does not provide for the specific tax years in which the law would apply.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government – The bill requires the Department of Revenue to adopt by rules.

Ensure lower taxes – The bill provides local businesses that partner with a local school district to provide paid internships to high school students a credit for fifty percent (50%) of the total wages paid to each student during the internship.

Safeguard individual liberty – The bill increases the opportunities of high school students to participate in an internship program that is aligned with each student's career goals.

B. EFFECT OF PROPOSED CHANGES:

Currently, school districts offer various internships, on-the-job-training (OJT), and cooperative education opportunities to students, mainly through the Workforce (Career and Technical) Education programs. Employers do not receive a tax credit for employing high school students through an internship program.

The bill creates the High School to Business Career Enhancement Program (program) and provides generally for whereas clauses. The program is established to offer high school students in each school district the opportunity to participate in an internship program with a local business that has partnered with the school district to offer such an opportunity. As an incentive to participate in this program, the businesses that partner with a school district to provide paid internships will receive certain tax credits.

The bill provides that the student internships are required to be aligned with each participating student's career goals. District school boards are required to adopt policies and procedures for the implementation of this program. Also, district school boards must develop criteria for use by the employer to evaluate the academic value of the student's internship.

The bill provides that employers who partner with a school district to provide paid internships will receive a credit for fifty percent (50%) of the total wages paid to each student during the internship. In order for a business to be eligible for a credit against any taxes imposed on the employer under chapter 220 for the tax year in which the internship is provided, the employer must provide for at least one internship, for at least one semester, and pay the student the Florida minimum wage. The business may claim tax credits for up to four (4) internships a year. The internship must be at the business, and the student participant is not allowed to work more than twenty (20) hours per week at the business.

The bill requires the Department of Revenue to adopt, by rule, procedures and forms for granting claims by businesses for credits authorized under this program.

C. SECTION DIRECTORY:

Section 1. Creates the High School to Business Career Enhancement Program.

Section 2. Provides for an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The fiscal impact on state revenues is indeterminate at this time. See the Fiscal Comments and Drafting Issues section of this analysis.

2. Expenditures:

This bill does not appear to have a fiscal impact on state government expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The fiscal impact on local government revenues is indeterminate at this time. See the Fiscal Comments and Drafting Issues section of this analysis.

2. Expenditures:

This bill does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses that partner with a school district to provide paid internships under the program will receive a credit against any taxes imposed on the employer under chapter 220 for the tax year in which the internship is provided equal to fifty percent (50%) of the total wages paid to each student during the internship. A business may claim credits under this paragraph for up to four internships a year.

D. FISCAL COMMENTS:

There is a fiscal impact related to this bill; however, it is indeterminate at this time. The Department of Revenue (DOR) identified that the bill does not provide for the following: 1) the order in which tax credit should be claimed against the corporate income tax; 2) the usual and customary addback of the amount of the credit, so that the taxpayer does not receive both a deduction and credit for the wages paid to a student during the internship; 3) the definition of the term semester; and 4) the required length of the internship.¹ Also, DOR stated that because the guidelines may vary significantly from one district to another, the DOR may have a difficult time determining whether a credit claimed by a taxpayer is valid. The DOR stated that these fiscal issues can be resolved by amending the bill.

According to the Department of Education, most school districts coordinate internships through the career and technical education programs.²

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require a city or county to expend funds or to take any action requiring the expenditure of funds.

The bill does not appear to reduce the authority that municipalities or counties have to raise revenues in the aggregate.

¹ Department of Revenue, 2007 Bill Analysis for HB 1161.

² Department of Education, 2007 Bill Analysis for HB 1161.

This bill does not appear to reduce the percentage of state tax shared with counties or municipalities

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill provides the Department of Revenue with the authority to adopt, by rule, procedures and forms for granting claims by businesses for credits authorized under this program.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The DOR also stated that generally, for credits of this nature, they are able to rely on a certification letter from the entity that administers the program that states the amount of credit a taxpayer may claim. Such certification letters would generally provide assurance that: 1) the taxpayer met the district school board policies for the program; 2) that the taxpayer provided internships to specific students for a particular semester; 3) that the taxpayer did not require the student to work more than 20 hours per week; 4) that the taxpayer is not claiming credit for more than four internships per year; and 5) that the amount of credit claimed by the taxpayer is the amount of credit the taxpayer is eligible to receive. The bill does not provide for a certification letter by the employer of the participating business.³

D. STATEMENT OF THE SPONSOR

Thank you for the opportunity to respond to the staff analysis on HB 1161. "The High School to Business Career Enhancement Act" is the result of the "Ought to be a Law" student bill drafting competition. Senator Crist and I have sponsored the "OTBAL" program for the third year and this year invited all 25 high schools in Hillsborough County to participate in drafting a bill idea that was presented at a competition in front of House and Senate members. With the help of the committee, we then selected one to sponsor in the legislative session which is now HB 1161.

HB 1161 is the culmination of one student's vision and his fellow teammate's goal of improving opportunities for high school students to gain access to internship opportunities.

The student team and I would like to note that we are in discussions with The Department of Revenue and The Agency for Workforce Innovation to discuss the tax credit concerns raised in the staff analysis and create an amendment which accurately portrays HB 1161 as a meaningful, viable and financially responsible option for our high school students. The students and I will present an amendment at Tuesday's meeting dealing with the tax credit issue and address all of the concerns raised.

For further information on the "Ought to be a Law" program you can visit:

<http://www.sdhc.k12.fl.us/otbal/>

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 20, 2007, the Committee on 21st Century Competitiveness adopted a strike-all amendment and two amendments to the strike-all amendment. The Committee reported the bill favorably as amended. The strike-all amendment as amended did the following:

- The amendment creates the High School to Business Career Enhancement Program Corporate Income Tax Credit and the High School to Business Career Enhancement Program Sales and Use Tax Credit.
- Revises certain requirements for participating students. Students must have a minimum weighted grade point average of 2.0.

³ Id.

- Clarifies that the internship is required to be at least eight weeks long, and cannot last more than 20 consecutive weeks during any school year.
- Provides that no more than 100 internships may be offered by each school year by a district school board.
- Provides that the number of internships that a business may provide is limited to the number of employees that the business employs in the school district in which the internship is offered.
- Provides businesses that provide paid internships under this program a \$2.50 tax credit per every hour worked. The tax credits may only be issued after the internship is completed.
- Clarifies that the employment of students participating in this program is not subject to unemployment tax under ch. 443.
- Requires the district school board to verify the wages paid to the student by the corporation as part of the internship. It also requires each district school board to provide a detailed, signed letter of certification to each participating business which can be used to claim taxes under the corporate income tax credit or the sales and use tax credit.
- Requires each district school board to electronically notify the Department of Revenue of such certification. The business receiving such certification is also required to make an irrevocable election that the tax credit certification is applicable to the corporate income tax credit or the sales and use tax credit, or a combination of both.
- Provides that a business may not convey, assign, or transfer the credit certification to another entity.
- Authorizes the Department of Revenue to adopt rules to administer High School to Business Career Enhancement Program Corporate Income Tax Credit and Sales and Use Tax Credit.
- Amends s. 220.02, F.S. to include corporate income tax credits.
- Revises s. 220.13, F.S., to include in the additions to the term adjusted federal income the amount taken as a corporate income tax credit.
- Amends the effective date to except as otherwise provided, the act shall take effect January 1, 2008.