

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 1447 Apprenticeship Tax Credit

**SPONSOR(S):** Secondary Education & Career Development Subcommittee, Giallombardo and others

**TIED BILLS:** None **IDEN./SIM. BILLS:** None

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Secondary Education & Career Development Subcommittee	16 Y, 0 N, As CS	Sleap	Sanchez
2) Ways & Means Committee			
3) Education & Employment Committee			

### SUMMARY ANALYSIS

In 2020-2021, Florida had 300 registered apprenticeship programs in the state training 15,787 apprentices. To date, the Florida Legislature has appropriated \$30 million dollars to the Florida Pathways to Career Opportunities Grant Program to expand and establish 149 apprenticeship and preapprenticeship programs in this state. While Florida provides a competitive grant to fund the establishment or expansion of apprenticeship programs in the state, which eligible businesses may receive, the state does not offer businesses an apprenticeship tax credit.

To encourage the expansion of apprenticeship programs and make them more attractive to business owners in Florida, the bill creates a tax incentive for Florida businesses who employ an apprentice.

The bill provides that for taxable years beginning on or after January 1, 2023, a taxpayer who employs an apprentice in an apprenticeship program is eligible to receive a tax credit against their Florida corporate income tax liability in an amount up to \$2,000 for each apprentice employed in the previous tax year. The tax credit is equal dollar for dollar the total number of hours that the apprentice worked in the previous tax year, up to 2,000 hours.

The bill requires a taxpayer to provide to the Florida Department of Revenue (DOR), the taxpayer's Registered Apprenticeship Partners Information Data Systems (RAPIDS) program identification number, which DOR may verify with the Department of Education. The taxpayer must also provide DOR with the following information:

- the RAPIDS apprentice identification number for each apprentice employed in the previous taxable year;
- the total number of hours that each apprentice worked in the previous taxable year;
- a calculation of the total amount of tax credit sought for each apprentice employed in the previous taxable year; and
- the total amount of tax credit sought for all apprentices employed in the applicable taxable year.

The bill prohibits a taxpayer from claiming the apprentice tax credit for an individual apprentice for more than four taxable years, and provides that any unused tax credit by a taxpayer may be carried forward and claimed for up to five taxable years.

The bill authorizes the Florida Department of Revenue to adopt rules governing the manner and form of applications for the apprentice tax credit and establish requirements for the administration of the credit.

The bill has an indeterminate but negative recurring fiscal impact. See Fiscal Comments.

The bill has an effective date of July 1, 2022.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### Apprenticeship Programs in Florida

The United States Department of Labor (USDOL) recognizes Florida's Department of Education (DOE) as the authorized registration agency of apprenticeship programs and apprentices in Florida.<sup>1</sup>

An apprenticeship program is an organized course of instruction that is registered and approved by the DOE that addresses all terms and conditions for the qualification, recruitment, selection, employment, and training of apprentices.<sup>2</sup> The length of an apprenticeship program varies depending on the occupation's training requirements and whether the program adopts a time-based or competency-based approach.<sup>3</sup>

An apprenticeship may be offered only in occupations that:

- Are customarily learned in a practical way through a structured, systematic program of on-the-job, supervised training.
- Are clearly defined and commonly recognized throughout an industry.
- Involve manual, mechanical, or technical skills and knowledge, in accordance with the industry standards for the occupation, would require a minimum of 2,000 hours of on-the-job training, excluding the time spent in related instruction.
- Require related instruction to supplement on-the-job training. Such instruction may be given in a classroom, through occupational or industrial courses or through correspondence courses of equivalent value, through electronic media, or through other forms of self-study approved by the department.<sup>4</sup>

Florida's registered apprenticeship programs require five core components: business involvement; structured on-the-job training; related technical instruction; rewards for skill gains; and a national recognized credential upon completion.<sup>5</sup>

To be eligible for an apprenticeship, the person must be at least 16 years of age;<sup>6</sup> however, individuals must usually be 18 to be an apprentice in hazardous occupations.<sup>7</sup> Admission requirements relating to education, physical ability, work experience, and other criteria vary based on the program's training needs.<sup>8</sup>

In 2020-2021, the DOE registered 27 new apprenticeship programs, for a total of 300 programs training 15,787 apprentices.<sup>9</sup>

Federally-administered state apprenticeship programs and federally-recognized State Apprenticeship Agencies, including Florida, use the USDOL's Registered Apprenticeship Partners Information

---

<sup>1</sup> Florida Department of Education, *Florida's Annual Apprenticeship and Preapprenticeship Report (2020-2021)*, at 10, available at <https://www.fldoe.org/core/fileparse.php/9904/urlt/AnnualReport2021.pdf>. [hereinafter Florida's Annual Apprenticeship and Preapprenticeship Report]

<sup>2</sup> Section 446.021(6), F.S.

<sup>3</sup> Rule 6A-23.004, F.A.C.

<sup>4</sup> Section 446.092, F.S.

<sup>5</sup> Florida's Annual Apprenticeship and Preapprenticeship Report, *supra* note 1, at 5-6.

<sup>6</sup> Section 446.021(2), F.S.

<sup>7</sup> United States Department of Labor, Wage and Hour Child Labor Fact Sheets and FAQs, *Child Labor Provisions of the Fair Labor Standards Act (FLSA) for Nonagricultural Occupations* (Dec. 2016), available at <https://www.dol.gov/sites/dolgov/files/WHD/legacy/files/whdfs43.pdf>.

<sup>8</sup> Florida Department of Education, *What is Registered Apprenticeship*, <https://www.fldoe.org/academics/career-adult-edu/apprenticeship-programs/what-is-apprenticeship.stml> (last visited Feb. 3, 2022).

<sup>9</sup> Florida's Annual Apprenticeship and Preapprenticeship Report, *supra* note 1, at 3.

Database System (RAPIDS) to provide individual apprentice and sponsor data.<sup>10</sup> RAPIDS captures information on apprentices such as demographic information and education level, as well as registered apprenticeship program data such as the employer identification number of the entity employing the apprentice and apprentice wage rates.<sup>11</sup>

### Florida Pathways to Career Opportunities Grant Program

Subject to appropriation, the Florida Pathways to Career Opportunities Grant Program (FPCOG), established in 2019,<sup>12</sup> provides grants to high schools, career centers, charter technical career centers, FCS institutions, and other entities authorized to sponsor apprenticeship or preapprenticeship programs for the purpose of expanding existing programs and establishing new apprenticeship or preapprenticeship programs.<sup>13</sup> The Legislature has appropriated \$30 million dollars to FPCOG over the past three fiscal years, providing funding to expand and establish 149 apprenticeship and preapprenticeship programs in Florida.

<b>Fiscal Year</b>	<b>FPCOG Appropriation</b>	<b>Apprenticeship Programs Funded</b>
2019-2020	\$10 million <sup>14</sup>	55 <sup>15</sup>
2020-2021	\$10 million <sup>16</sup>	51 <sup>17</sup>
2021-2022	\$10 million <sup>18</sup>	43 <sup>19</sup>

### Apprenticeship Tax Credits

Apprenticeship programs provide individuals with access to the labor market through on-the-job training and technical training while also meeting employer’s needs for a skilled workforce. Apprenticeships can be considered cost-prohibitive to businesses, as they often cover the cost of both apprentice training and paying the apprentice for their work.<sup>20</sup>

To encourage the expansion of apprenticeship programs and make them more attractive to business owners, states offer a variety of incentives. Sixteen states have enacted apprenticeship tax incentives for the employment of apprentices or the implementation of apprenticeship programs.<sup>21</sup> Some states offer income tax credits for hiring new apprentices or tax credits for any property or equipment used in apprenticeship programs.<sup>22</sup>

Some examples of apprentice tax incentives provided by other states include:<sup>23</sup>

- Tennessee provides employers who employ an apprentice with a tax credit equal to \$2,000 or 10 percent of the wages earned by the apprentice, whichever is less.

<sup>10</sup> United States Department of Labor, Employment and Training Administration, *Apprenticeship Data and Statistics*, <https://www.dol.gov/agencies/eta/apprenticeship/about/statistics/2020> (last visited Feb. 7, 2022).

<sup>11</sup> Advance CTE, *Registered Apprenticeship Data FAQs* (April 2016), available at [https://cte.careertech.org/sites/default/files/files/resources/3%2031%20Apprentice\\_FAQ\\_2pg\\_web.pdf](https://cte.careertech.org/sites/default/files/files/resources/3%2031%20Apprentice_FAQ_2pg_web.pdf).

<sup>12</sup> Section 33, ch. 2019-119, L.O.F.

<sup>13</sup> Section 1011.802(1), F.S.

<sup>14</sup> Specific Appropriation 125A, s. 2, ch. 2019-115, L.O.F.

<sup>15</sup> Florida Department of Education, Pathways to Career Opportunities Grant Program, *Pathways 2019-Phase One and Phase Two Funded Projects*, <https://www.fldoe.org/pathwaysgrant/archive-2019.shtml> (last visited Feb. 3, 2022).

<sup>16</sup> Specific Appropriation 127A, s. 2, ch. 2020-115, L.O.F.

<sup>17</sup> Florida Department of Education, Pathways to Career Opportunities Grant Program, *Pathways 2020 Funding List*, <https://www.fldoe.org/pathwaysgrant/archive-2020.shtml> (last visited Feb. 3, 2022).

<sup>18</sup> Specific Appropriation 123, s. 2, ch. 2021-36, L.O.F.

<sup>19</sup> Florida Department of Education, Pathways to Career Opportunities Grant Program, *Pathways 2021 Funding List*, <https://www.fldoe.org/pathwaysgrant/> (last visited Feb. 3, 2022).

<sup>20</sup> National Conference of State Legislatures, *State Incentives for Apprenticeships* (Nov. 16, 2017), <https://www.ncsl.org/blog/2017/11/16/state-incentives-for-apprenticeships.aspx> (last visited Feb. 3, 2022).

<sup>21</sup> United States Department of Labor, Apprenticeship.Gov, *States that Offer Tax Credit for Hiring Apprentices and Tuition Support for Registered Apprentices*, <https://www.apprenticeship.gov/investments-tax-credits-and-tuition-support/state-tax-credits-and-tuition-support> (last visited Feb. 3, 2022).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

- South Carolina provides eligible businesses who sponsor a registered apprenticeship program with a \$1,000 direct tax credit for each registered apprentice employed for at least seven months during each year of the apprenticeship for up to four years.
- Alabama provides an income tax credit of \$1,250 to an employer for each qualified apprentice of an employer, with an additional \$500 for each qualified high school apprentice.

While Florida provides a competitive grant to fund the establishment or expansion of apprenticeship programs in the state, which eligible businesses may receive, the state does not offer businesses an apprenticeship tax credit.

### **Effect of Proposed Changes**

To encourage the expansion of apprenticeship programs and make them more attractive to business owners in Florida, the bill creates a tax incentive for Florida businesses who employ an apprentice.

The bill provides that for taxable years beginning on or after January 1, 2023, a taxpayer who employs an apprentice in an apprenticeship program is eligible to receive a tax credit against their Florida corporate income tax liability in an amount up to \$2,000 for each apprentice employed in the previous tax year. The tax credit is equal dollar for dollar the total number of hours that the apprentice worked in the previous tax year, up to 2,000 hours.

The bill requires a taxpayer to provide to the Florida Department of Revenue (DOR), the taxpayer's Registered Apprenticeship Partners Information Data Systems (RAPIDS) program identification number, which DOR may verify with the DOE. The taxpayer must also provide the DOR with the following information:

- the RAPIDS apprentice identification number for each apprentice employed in the previous taxable year;
- the total number of hours that each apprentice worked in the previous taxable year;
- a calculation of the total amount of tax credit sought for each apprentice employed in the previous taxable year; and
- the total amount of tax credit sought for all apprentices employed in the applicable taxable year.

The bill authorizes the DOR to validate a taxpayer's eligibility to claim the apprentice tax credit by verifying the taxpayer's RAPIDS program identification number and the apprentice's RAPIDS identification number.

The bill prohibits a taxpayer from claiming the apprentice tax credit for an individual apprentice for more than four taxable years, and provides that any unused tax credit by a taxpayer may be carried forward and claimed for up to five taxable years.

### **B. SECTION DIRECTORY:**

**Section 1.** Creates s. 220.199, F.S.; providing definitions; providing a tax credit to certain taxpayers who employ apprentices in an apprenticeship program; providing a cap on the amount of tax credit per apprentice; specifying information the taxpayer must provide to the Department of Revenue to claim a tax credit; specifying the method for calculating the tax credit; prohibiting taxpayers from claiming a tax credit for an individual apprentice for more than a specified number of years; authorizing tax credits to be carried forward for up to a specified number of years; authorizing the department to adopt rules.

**Section 2.** Provides an effective date of July 1, 2022.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

#### **1. Revenues:**

See Fiscal Comments.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

With the opportunity to receive a tax credit for employing a Florida apprentice, employers across the state may provide new or expanded apprenticeship opportunities for training Florida's workforce.

D. FISCAL COMMENTS:

The Revenue Estimating Conference has not evaluated the bill for potential revenue impacts. Staff estimates that the bill would have an indeterminate negative recurring impact on General Revenue.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill authorizes the Florida Department of Revenue to adopt rules governing the manner and form of applications for the apprentice tax credit and establish requirements for the administration of the credit.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On February 7, the Secondary Education & Career Development Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment requires a taxpayer who employs an apprentice in an apprenticeship program to provide the Department of Revenue (DOR) with their Registered Apprenticeship Partners Information Data System (RAPIDS) program identification number, which DOR may verify with the Department of Education. The taxpayer must also provide the DOR with the following:

- the RAPIDS apprentice identification number for each apprentice employed in the previous taxable year;
- the total number of hours that each apprentice worked in the previous taxable year;

- a calculation of the total amount of tax credit sought for each apprentice employed in the previous taxable year; and
- the total amount of tax credit sought for all apprentices employed in the applicable taxable year.

The DOR may validate the taxpayer's eligibility to claim a tax credit by verifying the taxpayer's RAPIDS program identification number and the apprentice's RAPIDS identification number.

The analysis is drafted to the committee substitute passed by the Secondary Education & Career Development Subcommittee.