



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 872 (as reported by the Committee of the Whole)
Sponsor: Senator Mike Rogers
Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow a taxpayer to claim a refundable credit against the tax for the expenses related to the training of an "apprentice", that is, a State resident under 20 years old who had not obtained a high school diploma, was enrolled in high school or a GED test preparation program, and was trained by the taxpayer in a program that met the following criteria:

- Was registered with the Bureau of Apprenticeship and Training of the U.S. Department of Labor.
- Included a "recommended minimum term in hours" of at least 4,000 hours (as defined by the Bureau's list of occupations recognized as apprenticeable).
- Was provided pursuant to an agreement signed by the taxpayer and the apprentice.
- Was filed with the local workforce development board (a board established by a local unit's chief elected official pursuant to the Federal Job Training Partnership Act).

The credit would be equal to the sum of 50% of the salary and wages paid to an apprentice; plus 50% of the fringe benefits and other payroll expenses paid for the benefit of the apprentice; plus 100% of the costs of classroom instruction, and related costs for which the taxpayer was responsible pursuant to the apprenticeship agreement, including tuition, fees, and books for college level courses taken while the apprentice was enrolled in high school. The credit could not exceed \$2,000 for each apprentice trained in a tax year. If the credit exceeded a taxpayer's SBT liability for a tax year, the portion of the credit exceeding the liability would be refundable. The credit would apply to expenses paid by a taxpayer after June 30, 1996, and before July 1, 1999.

By March 1 of each year, the Michigan Jobs Commission would have to submit to the Senate Finance Committee and the House Tax Policy Committee a report stating the number of companies using the apprenticeship program, the number of apprentices enrolled, and the fiscal impact of the credit.

Proposed MCL 208.38d

Legislative Analyst: G. Towne

FISCAL IMPACT

According to the U.S. Department of Labor, there are approximately 10,800 people enrolled in 1,595 apprenticeship programs in Michigan. Of the total number of people currently enrolled in these programs in Michigan, the Jobs Commission claims that only about 250 are 19 years old or younger and have not yet received their high school diploma. It is estimated that this proposed credit would increase the participation in the apprenticeship training programs because the credit would reduce the costs incurred by businesses to provide these programs; however, it is difficult to estimate the extent to which participation in these programs would increase. The Engler Administration estimates that the number of participants would increase to 2,500 people with the enactment of this new tax credit, which would put the cost of the credit at \$5 million. This seems like a reasonable estimate, although it could take a year or two for the program to grow to this level.

Date Completed: 5-7-96

Fiscal Analyst: J. Wortley

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