

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 717 (as enrolled)
Sponsor: Senator Mike Rogers
Senate Committee: Finance
House Committee: Economic Development

PUBLIC ACT 184 of 1999

Date Completed: 1-6-00

RATIONALE

In the Governor's 1996 State of the State address, he cited an article in the *Wall Street Journal* saying that a problem in this State was not a lack of jobs, but too few skilled workers. The Governor stated that the majority of Michigan's schools attempt to train students for college rather than for work, but that nearly 80% of all students will not graduate from a four-year college; and further, that most high-technology jobs of the future will not require a four-year college degree but will require training. Toward that end the Governor proposed an "apprenticeship tax credit...for young men and women to acquire skills to fill these high-paying jobs of the future".

The Legislature responded by crafting Public Act 593 of 1996, which amended the Single Business Tax (SBT) Act to allow a taxpayer to claim a credit of up to \$2,000 per year, per high school apprentice, for expenses related to training the apprentice (as described in **BACKGROUND**). The Michigan Department of Career Development, which administers the State School-to-Registered Apprenticeship program, reports that in the first two years of the program (through February 1999), over 450 high school students had enrolled in registered apprenticeship programs.

Under Public Act 593, the credit was scheduled to expire January 1, 2000. Some people believed that the sunset date on the credit should be removed so employers would continue to be encouraged to hire high school apprentices.

CONTENT

The bill amended the Single Business Tax Act to remove the January 1, 2000, sunset date on a provision that allows a taxpayer to claim a credit for certain expenditures made for the training of an apprentice.

MCL 208.38e

BACKGROUND

The SBT Act allows 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 at least 16 years old but under 20 years old who has not obtained a high school diploma, is enrolled in high school or a general education development (G.E.D.) test preparation program (or is expecting to enroll within three months), and is trained by the taxpayer in a program that meets the following criteria:

- Is registered with the Bureau of Apprenticeship and Training of the U.S. Department of Labor.
- Includes a minimum term in hours of at least 4,000 hours.
- Is provided pursuant to an agreement signed by the taxpayer and the apprentice.
- Is 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 is 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 is responsible pursuant to the apprenticeship agreement, including (but not limited

A9900s717ea

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

to) tuition, fees, and books for college level courses taken while the apprentice is enrolled in high school. The credit cannot exceed \$2,000 for each apprentice trained in a tax year. If the credit exceeds a taxpayer's SBT liability for a tax year, the portion of the credit exceeding the liability is refundable.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill allows for the continuation of a program that has shown great promise. According to the Department of Career Development, in 1996 there were over 11,000 registered apprentices, but fewer than 100 were high school students. After the passage of Public Act 593, the number of high school apprentices began to grow.

While the school system attempts to prepare students to go on to college from high school, many of today's jobs require specialized training rather than a four-year college degree. If the State is to have and retain high-paying, high-technology jobs, it must have workers who are prepared to perform in those jobs, or the jobs will go elsewhere. The SBT tax credit for apprentices encourages employers to hire and train high school students (or G.E.D. candidates) who, it is hoped, will one day step into the jobs for which they are training. This provides an opportunity for students, who might not be interested in a four-year college curriculum, to learn a skill and greatly enhance their future employability. The more that students are exposed to various work sites, the more they will connect their education to the real world of work and the more prepared they will be to make educated career choices.

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill will reduce single business tax revenue by the cost of the apprenticeship credit beginning in FY 2000-01. For the 1997 tax year, the latest year for which actual data are available, the apprenticeship credit totaled \$92,800 and was claimed by only 33 taxpayers. All single business tax revenue goes into the General Fund/General Purpose (GF/GP) budget, so the cost of this credit affects GF/GP revenue.

Fiscal Analyst: J. Wortley