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NOTICE 23-04

KANSAS APPRENTICESHIP ACT TAX CREDIT

(JULY 17, 2023)

During the 2023 Legislative Session House Bill 2292 was passed and signed into law. Section 1 provides that sections 1 through 6 of the Bill may be cited as the Kansas apprenticeship act. Section 2 provides definitions, and Section 3 creates income tax credits for certain eligible employers who employ an apprentice.

Section 2 provides definitions for the terms (a) "Act", (b) "Apprentice"; (c) "Apprenticeship agreement", (d) "Apprenticeship program"; (e) "Eligible employer"' (f) "Eligible nonprofit employer, (g) "Eligible healthcare employer", (h) "Intermediary"; (i) "Registered apprenticeship agreement"; (j) "Registered apprenticeship program"; (k) "Secretary"; and (l) "Sponsor".

Section 3(a)(1) creates an income tax credit for tax years commencing after December 31, 2022, and ending before January 1, 2026, for eligible employers that employ an apprentice pursuant to a registered apprenticeship agreement and in accordance with a registered apprenticeship plan for at least all or a portion of the probationary period and employs the apprentice at the time such probationary period is completed. Specifically, the Section provides:

> Section 3(a)(1). For tax years commencing after December 31, 2022, and ending before January 1, 2026, a credit shall be allowed against the income tax liability imposed upon an eligible employer pursuant to the Kansas income tax act that employs an apprentice pursuant to a registered apprenticeship agreement and in accordance with a registered apprenticeship plan for at least all or a portion of the probationary period, as defined for that apprenticeship in the registered apprenticeship program standards, work process schedule otherwise known as appendix A or as designated by the secretary, and so employs the apprentice at the time such probationary period is completed. The tax credit shall be claimed by such eligible employer for the taxable year in which the apprentice completed the probationary period while employed by such eligible employer or the taxable year next succeeding the calendar year in which the apprentice completed the probationary period while employed by such eligible employer, as determined by the secretary and set forth in the agreement with the secretary pursuant to subsection (d). Subsequent credits may be claimed for up to three successive calendar years, or portions thereof, next succeeding the date on which the probationary period of the apprentice was met, by any eligible employer who subsequently employs such apprentice in all or a portion of such year. Such credit shall be claimed by the eligible employer for the taxable year in which the apprentice was employed or the taxable year next succeeding the calendar year in which the apprentice was employed as determined by the secretary and set forth in the agreement with the secretary as provided by subsection (d). The amount of the credit shall be up to $2,500, as determined pursuant to paragraph (2), for each apprentice so employed and may be

awarded for up to 20 apprentices employed in each taxable year per eligible employer. The credit shall not be awarded for employment of the same apprentice more than four times.

Section 3(a)(2) provides the Secretary of Revenue, in consultation with the Secretary of Commerce, shall establish a scale reflecting ranges of wages and other expenditures an eligible employer has invested in an apprentice and a corresponding tax credit amount. The credit shall be awarded in accordance with the scale, after approval and issuance pursuant to Section 3(d).

Section 3(b) creates an income tax credit for tax years commencing after December 31, 2025, for eligible employers that employ an apprentice pursuant to a registered apprenticeship agreement in accordance with a registered apprenticeship plan for a continuous period of time constituting at least 25% of the apprenticeship time-period required by the registered apprenticeship program. Specifically, the Section provides:

> Section 3(b). For tax years commencing after December 31, 2025, a credit shall be allowed against the income tax liability imposed upon an eligible employer pursuant to the Kansas income tax act that employs an apprentice pursuant to a registered apprenticeship agreement and in accordance with a registered apprenticeship plan for a continuous period of time constituting at least 25% of the apprenticeship time period required by the registered apprenticeship program. The credit shall be taken in the tax year next succeeding the calendar year in which the employment requirement to claim the credit is met. The credit may subsequently be taken in successive tax years based on up to a cumulative total of four successive calendar years of employment for an individual apprentice. The amount of the credit shall be up to $2,750 for each apprentice employed, not to exceed 20 such credits for apprenticeships in any taxable year per eligible employer. The secretary may authorize a credit for employment of less than a full calendar year pursuant to rules and regulations adopted by the secretary of commerce. The credit shall be approved and issued pursuant to subsection (d).

Section 3(c)(1) provides a credit to an eligible employer, in addition to the credit provided by Section 3(b), if the apprentice:

- (A) Is enrolled in a secondary or postsecondary career and technical education program;
- (B) is under 18 years of age at the time the credit is claimed;
- (C) has been employed by the eligible employer for at least 90 days; and
- (D) is participating in:
  - (i) An apprenticeship program registered with the secretary and funded through the Carl D. Perkins career and technical education act of 2006, public law 109-270, as revised by the strengthening career and technical education for the 21st century act, public law 115-224;
  - (ii) an adult basic education and literacy program funded under title II of the workforce innovation and opportunity act, public law 113-128; or
  - (iii) a public workforce program funded under title I and title III of the workforce innovation and opportunity act, public law 113-128.

Section 3(c)(2) provides the additional credit shall not exceed $500 for each apprentice and may be claimed for no more than 10 apprentices in a tax year, after approval and issuance pursuant to Section 3(d).

Section 3(d)(1) provides the credits in subsections (a), (b), and (c) shall not be refundable or transferable. They may be claimed on a pro-rata basis by owners of eligible pass-through entities.

The aggregate amount of all credits for all eligible employers shall not exceed $7,500,000 each year. The aggregate amount of all tax credits for all eligible employers issued under Section 3 in addition to all grants awarded pursuant to Section 4 shall not exceed $10,000,000 each taxable year.

Section 3(d)(2) require the eligible employer to enter into an agreement with the Secretary of Commerce regarding conditions and attainment of specified employment or training goals for allowance of credits.

Section 3(d)(3) requires submission of required information in the manner and form required by the Secretaries of Revenue and Commerce, and provides the Secretary of Commerce must certify the eligible employer as having met the requirements for the credit to the Secretary of Revenue prior to a credit being allowed.

Section 3(e) provides participation in an apprenticeship program is not union affiliation.

Section 3(f) permits adoption of rules and regulations by either the Secretary of Commerce or the Secretary of Revenue

Section 3(g) requires the Secretary of Commerce to make an annual report to the Legislature.

As stated in the statutory language above, the apprenticeship credits will be available to, and may be claimed by eligible employers, starting with tax years commencing after December 31, 2022.

TAXPAYER ASSISTANCE

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