## Fiscal Estimate - 2005 Session

Original Updated	Corrected Sup	oplemental						
LRB Number <b>05-0744/1</b>	Introduction Number AB-1	18						
Subject								
Tax credit for training apprentices								
Fiscal Effect		:						
Appropriations Reve	ease Existing enues rease Existing enues  The properties of the pr							
Local:  No Local Government Costs  Indeterminate  1. Increase Costs Permissive Mandatory  2. Decrease Costs Permissive Mandatory Permissive Mandatory Permissive Mandatory Permissive Mandatory Decrease Revenue Permissive Mandatory Permissive Mandatory Districts  5. Types of Local Government Units Affected Towns Village Cities Counties Districts  Districts								
Fund Sources Affected  Affected Ch. 20 Appropriations  GPR FED PRO PRS SEG SEGS								
Agency/Prepared By	Authorized Signature	Date						
DOR/ Pamela Walgren (608) 266-7817	Pamela Walgren (608) 266-7817 Dennis Collier (608) 266-5773							

## Fiscal Estimate Narratives DOR 2/21/2005

LRB Number	05-0744/1	Introduction Number	AB-118	Estimate Type	Original
Subject					
Tax credit for t	raining apprentices				

## **Assumptions Used in Arriving at Fiscal Estimate**

The bill would create a nonrefundable income and franchise tax credit for a business that pays wages to an apprentice participating in a 2-year to 5-year program in construction, industrial manufacturing or service occupations if the apprentice is in one of the five industrial, five construction or five service occupations with the most job openings for new entrants, as determined by the Department of Workforce Development (DWD). The credit would equal 5% of wages paid to an apprentice, not to exceed \$1,400 per year, but would increase to 8%, not exceeding \$3,000, during the year the apprentice completes the program. The program would have to be approved by DWD.

The credit would first apply to taxable years beginning on January 1, 2006. The bill would discontinue the credit for the wages of new apprentices for taxable years beginning in 2009 if the number of employers training apprentices in approved programs does not increase by more than 40% between January 1, 2006 and December 31, 2008. Employers could continue to claim the credit for wages of apprentices for whom the employer had already claimed the credit in a prior year until the apprentice completes the apprenticeship program.

According to information from DWD, approximately 3,100 employers have approximately 10,400 persons currently participating in apprenticeship programs in industrial manufacturing, construction or service sector occupations. Programs that would be in the top five service, industrial and construction categories for job openings for new entrants as determined by DWD are not known. The estimate assumes the five most popular programs in each category would have the most job openings. To the extent that the actual categories and number of apprentices in them would differ from the assumptions, the fiscal effect would differ.

The estimate assumes that employers would receive the maximum credit for apprentice wages. Based on information from DWD, it is estimated that 2,400 apprentices would be in the final year of their programs and that 5,500 apprentices would be in prior program years. Thus, the estimated annual amount of credit claims is \$14.9 million. The Department estimates that approximately 75% of credits claimed in a year are used to offset tax liability. As such, the annual fiscal effect is estimated at \$11.2 million annually.

The Department estimates that it would incur \$40,000 of one-time costs for computer programming and \$6,500 ongoing costs for processing and audit. The draft does not provide funding for these costs.

**Long-Range Fiscal Implications** 

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

$\boxtimes$	Original		]	Updated			Correcte	ed		Supp	lemental
.RB	Number	05-074	14/1			Intro	duction	Numb	er ,	AB-1	 18
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