

February 13, 2023

The Honorable Sean Tarwater, Chairperson  
House Committee on Commerce, Labor and Economic Development  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Tarwater:

**SUBJECT:** Fiscal Note for HB 2292 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2292 is respectfully submitted to your committee.

HB 2292 would enact the Kansas Apprenticeship Tax Credit Act. An eligible employer that employs an apprentice under a registered apprenticeship agreement would be eligible for a tax credit of up to \$2,500 per apprentice in tax year 2023, tax year 2024, and tax year 2025. The apprentice would be required to be employed for at least seven consecutive months during the calendar year preceding the taxable year that the employer claims the tax credit. An employer could claim up to 20 apprentices that are employed in each taxable year and the tax credit would not be awarded for the employment of the same apprentice more than four times. The Secretary of Revenue, in consultation with the Secretary of Commerce, would establish a scale reflecting ranges of wages and other expenditures an eligible employer has invested in an apprentice and a corresponding tax credit amount, and the tax credit would be awarded according to that scale. Beginning in tax year 2026, the tax credit amount would increase to \$2,750 per apprentice that is employed for a continuous period that is at least 25.0 percent of the time required by the registered apprenticeship program. The Secretary of Commerce could authorize a tax credit for employment of less than a full calendar year.

An eligible employer may be allowed an additional \$500 tax credit if the apprentice meets certain educational, age, and employment requirements and is participating in a certain registered apprenticeship program, certain adult basic education and literacy program, or a certain workforce program. The eligible employer would be able to claim the \$500 tax credit for no more than ten eligible apprentices. All tax credits available in the Act would be non-refundable and non-transferrable. The maximum amount of all tax credits claimed in a tax year would be limited to

\$7.5 million. The Act includes certain requirements for eligible employers to qualify for the tax credit program. The Secretary of Commerce would be required to certify the eligible employer to the Secretary of Revenue prior to a credit being allowed. The participation of an employee in an apprenticeship program and registration with the Secretary of Commerce would not constitute union affiliation unless the employee expressly elects to affiliate with a union.

The Department of Revenue and the Department of Commerce would both have the authority to write rules and regulations to implement the bill. The Department of Commerce would be required to submit an annual report to the House Committee on Commerce, Labor and Economic Development and Senate Committee on Commerce. The annual report would include information regarding the number and type of eligible employers, the number and type of apprenticeships incentivized, the cumulative amount of tax credits issued, the amount of tax credits issued per industry and per eligible employer, and certain other measures that show the results of this new program.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$5,945,000)	(\$5,945,000)
Expenditure	--	--	\$141,882	\$141,882
FTE Pos.	--	--	--	--

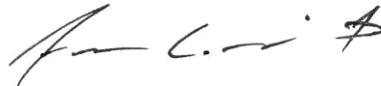
The Department of Revenue estimates that HB 2292 would decrease State General Fund revenues by \$5,945,000 in FY 2024 and by \$7.5 million in both FY 2025 and FY 2026. To formulate these estimates, the Department of Revenue reviewed data on registered apprentices from the Department of Commerce’s Kansas Office of Registered Apprenticeship. With the growth targets from the Office and assuming all apprentices qualify for the full \$2,500 tax credit, this new tax credit would have the following fiscal effect:

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Apprentices</u>	<u>Credit Amount</u>	<u>Total Claimed</u>	<u>Amount Allowed</u>
2023	2024	2,378	\$2,500	\$5,945,000	\$5,945,000
2024	2025	3,567	\$2,500	\$8,917,500	\$7,500,000
2025	2026	4,756	\$2,500	\$11,890,000	\$7,500,000

The Department indicates that the bill would require \$141,882 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required.

The Department of Commerce indicates that it is currently responsible for administering the Kansas Office of Registered Apprenticeship. The Department indicates that the administrative costs associated with managing the tax credits under the Kansas Apprenticeship Tax Credit Act would be accomplished within existing staff levels and resources. Any fiscal effect associated with HB 2292 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Sherry Rentfro, Department of Commerce