

1996-1. TAX CREDIT REGULATION - YOUTH APPRENTICESHIP  
PROGRAM (ACT 1103 of 1995)

SECTION 1 – DEFINITIONS

- (1) “Bureau” means the Bureau of Apprenticeship and Training of the United States Department of Labor.
- (2) “Department” means the Arkansas Department of Finance and Administration.
- (3) “Registered apprenticeship program” is a plan approved by the Bureau as provided in Title 29, Subtitle (a), Part 29 of the Code of Federal Regulations, as in effect on January 1, 1995, that contains terms and conditions for the employment and training of youth apprentices.
- (4) “Taxpayer” means any business entity qualified under a registered apprenticeship program to earn income tax credits pursuant to this Act.
- (5) “Wages” are the gross taxable wages paid to a youth apprentice while employed in a registered apprenticeship program.
- (6) “Youth apprentice” means an individual between the ages of sixteen (16) and twenty-one (21) years who is enrolled in a public or private secondary or post secondary school.
- (7) “501(c)(3) corporation” means the Federal Internal Revenue Code section referencing specific non-profit organizations that are tax-exempt for federal income tax purposes.

SECTION 2 - APPROVAL INTO PROGRAM .

A taxpayer seeking benefits under this Act must apply to the Bureau for approval into this program. Application must be made on prescribed forms approved by the Bureau and the Department.

The Bureau shall determine if an employer’s training program meets the qualifications pursuant to Federal regulations governing labor standards for the registration of apprenticeship programs.

When an apprenticeship agreement has been reached in which an employer is to train one or more youth apprentices, the Bureau shall forward to the Department copies of such agreement, the application, and other pertinent documentation regarding the taxpayer's qualification into the program.

### SECTION 3 - INCOME TAX CREDITS

a) Certification of Wages:

After the department has been notified that an employer has been qualified into a registered apprenticeship program, necessary forms and instructions will be sent to the taxpayer to be used in reporting annual wages paid to the qualified youth apprentices.

(1) At the end of the each tax year, the taxpayer must submit to the Bureau on prescribed forms, the amount of wages paid to each youth apprentice while qualified under the apprenticeship program. Wages paid prior to approval into the program or after the end of the program shall not qualify for credit. Also, wages paid to employees after they are disqualified pursuant to the terms of the registered apprenticeship program shall not qualify for the credit. A taxpayer who trains a youth apprentice shall be entitled to the tax credit even though the apprentice receives his or her wages for training from a 501(c)(3) corporation.

(2) The Bureau shall certify to the Department that the taxpayer has met all requirements and qualifications for the program. The certification shall include the total amount of wages paid to each youth apprentice employed by the taxpayer during the taxable year in which the taxpayer is claiming the credit.

b) Amount of Credit:

(1) The taxpayer shall be allowed a credit equal to ten percent (10%) of the certified wages earned by a youth apprentice or two thousand dollars (\$2,000), whichever is less. The Department shall issue the taxpayer an Income Tax Credit Memorandum based on the certified wages

(2) Separate credit memos will be issued for each tax year in which the taxpayer has paid certified wages, but in no event will more than a cumulative total of \$2,000 be allowed per youth apprentice.

c) Use of Credit:

(1) In order for the taxpayer to use the credit, the Income Tax Credit Memorandum must be attached to the income tax return in which the credit is first claimed. The amount of credit that may be used by a taxpayer for any taxable year shall not exceed the amount of individual or corporate income tax otherwise due. Regardless of whether or not the credit is used for the tax year in which it was earned, any unused credit may be carried over only for a maximum of two (2) consecutive taxable years.

(2) If the Business is an S corporation, the pass-through provisions of Arkansas Code Annotated §26-51-409, as in effect for the taxable year the credit is earned, shall be applicable.

(3) A partner's or member's distributive share of the credit shall be determined by the partnership or limited liability company agreement unless the agreement does not have substantial economic effect or does not provide for the allocation of credits. If the agreement does not have substantial economic effect or does not provide for the allocation of the credit, the credit shall be allocated according to the partner's or member's interest in the partnership, pursuant to Federal Internal Revenue Code section 704(B), as in effect on January 1, 1995.

(4) The tax credit provided under this act shall apply to taxable years beginning January 1, 1996 and all taxable years thereafter.

Signed this 12<sup>th</sup> day of March, 1995.

Richard A. Weiss  
Director, Department of Finance  
and Administration

Timothy J. Leathers  
Commissioner of Revenue