
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1071 Session of
2021

INTRODUCED BY MALAGARI, MADDEN, D. WILLIAMS, BROOKS, HILL-EVANS,
SANCHEZ, MERSKI, SCHLOSSBERG, T. DAVIS, SCHWEYER, CIRESI,
FREEMAN, KINSEY, GUENST AND PISCIOTTANO, APRIL 1, 2021

REFERRED TO COMMITTEE ON FINANCE, APRIL 1, 2021

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing for Apprentice Education Expense Tax
11 Credit Program and for powers of the department.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971, is amended by adding an article to
16 read:

17 ARTICLE XVII-M

18 APPRENTICE EDUCATION EXPENSE TAX CREDIT PROGRAM

19 Section 1701-M. Scope of article.

20 This article establishes tax credits for educational expenses
21 of apprentices.

22 Section 1702-M. Definitions.

1 The following words and phrases when used in this article
2 shall have the meanings given to them in this section unless the
3 context clearly indicates otherwise:

4 "Department." The Department of Revenue of the Commonwealth.

5 "Employer." A Pennsylvania taxpayer who is the employer of
6 the qualifying apprentice.

7 "Qualifying apprentice." An individual who:

8 (1) is a resident of this Commonwealth;

9 (2) is at least 16 years of age at the close of the
10 school year for which a credit is sought;

11 (3) during the school year for which a credit is sought,
12 was a full-time apprentice enrolled in an apprenticeship
13 program which is registered with the United States Department
14 of Labor, Office of Apprenticeship; and

15 (4) is employed in Pennsylvania by the taxpayer who is
16 the employer.

17 "Qualified education expense." The amount incurred on behalf
18 of a qualifying apprentice, not to exceed \$3,500 for tuition,
19 book fees and lab fees at the school in which the apprentice is
20 enrolled during the regular school year.

21 "School." A public or nonpublic postsecondary school in
22 Pennsylvania that is:

23 (1) an institution of higher education that provides a
24 program that leads to an industry-recognized postsecondary
25 credential or degree;

26 (2) an entity that carries out programs registered under
27 the National Apprenticeship Act (50 Stat. 664, 29 U.S.C. § 50
28 et seq.); or

29 (3) a public or private provider of a program of
30 training services, which may include a joint labor-management

1 organization.

2 "Underserved area." A geographic area that meets one or more
3 of the following conditions:

4 (1) The area has a poverty rate of at least 20%
5 according to the latest Federal decennial census.

6 (2) Seventy-five percent or more of the children in the
7 area participate in the Federal free lunch program according
8 to reported statistics from the State Board of Education.

9 (3) At least 20% of the households in the area receive
10 assistance under the Supplemental Nutrition Assistance
11 Program (SNAP).

12 (4) The area has an average unemployment rate as
13 determined by the Department of Labor and Industry that is
14 more than 120% of the national unemployment average, as
15 determined by the United States Department of Labor, for a
16 period of at least two consecutive calendar years preceding
17 the date of the application.

18 Section 1703-M. Apprenticeship Education Expense Tax Credit
19 Program.

20 (a) Establishment.--The Apprenticeship Education Expense Tax
21 Credit Program is established to certify applicants for an
22 apprenticeship tax credit.

23 (b) Issuance of tax credit certificate.--Upon the
24 department's approval, the department shall issue a tax credit
25 certificate to an employer incurring costs on behalf of a
26 qualifying apprentice stating the amount of the tax credit to
27 which the employer is entitled. If the employer is seeking a tax
28 credit for multiple qualifying apprentices, the department may
29 issue a single tax credit certificate that encompasses the
30 aggregate total of tax credits for qualifying apprentices for a

1 single employer.

2 (c) Power and duties.--The department shall have the power
3 to:

4 (1) Promulgate regulations necessary for the
5 administration of this article, including establishing forms
6 for applications, notifications, contracts or any other
7 agreements. The department shall accept applications at any
8 time during the year and require that all applications be
9 submitted in an electronic form through the department's
10 publicly accessible Internet website.

11 (2) Provide guidance and assistance to applicants
12 pursuant to the provisions of this section and cooperate with
13 applicants to promote, foster and support job creation within
14 this Commonwealth.

15 (3) Enter into agreements and memoranda of understanding
16 for participation of and engage in cooperation with agencies
17 of the Federal Government, units of local government,
18 universities, research foundations or institutions, regional
19 economic development corporations or other organizations for
20 the purposes of this article.

21 (4) Gather information and conduct inquiries, including,
22 without limitation, gathering information with respect to
23 applicants for the purpose of making any necessary
24 designations or certifications or to gather information in
25 furtherance of the purposes of this article.

26 (5) Establish, negotiate and effectuate any term,
27 agreement or other document with any individual necessary to
28 accomplish the purposes of this article and consent, subject
29 to the provisions of an agreement with another party, to the
30 modification or restructuring of any agreement to which the

1 department is a party.

2 (6) Provide for sufficient personnel to permit
3 administration, staffing, operation and related support
4 required to adequately discharge the department's duties
5 under this section from funds made available through charges
6 to applicants or from funds as may be appropriated by the
7 General Assembly for the administration of this article.

8 (7) Require applicants, upon written request, to issue
9 any necessary authorization to the appropriate Federal, State
10 or local authority or any other person for the release to the
11 department of information requested by the department,
12 including, but not limited to, financial reports, returns or
13 records relating to the applicant or to the amount of credit
14 allowable under this section.

15 (8) Require that an applicant shall, at all times, keep
16 proper books of record and account in accordance with
17 generally accepted accounting principles consistently
18 applied, with the books, records or papers related to the
19 agreement, in the custody or control of the applicant open
20 for reasonable department inspection and audits, including,
21 without limitation, the making of copies of the books,
22 records or papers.

23 (9) Take whatever actions are necessary to protect the
24 Commonwealth's interest in the event of bankruptcy, default,
25 foreclosure or noncompliance with the terms and conditions of
26 financial assistance or participation required under this
27 section or any agreement entered into under this section,
28 including the power to sell, dispose of, lease or rent, upon
29 terms and conditions determined by the department to be
30 appropriate, real or personal property that the department

1 may recover as a result of those actions.

2 Section 1704-M. Tax credit.

3 (a) Tax credit.--For taxable years beginning on or after
4 January 1, 2022, and beginning on or before January 1, 2026, the
5 employer of one or more qualifying apprentices shall be allowed
6 a credit against the tax imposed under section 302(a) and (b)
7 for qualified education expenses incurred on behalf of a
8 qualifying apprentice. The credit shall be equal to 100% of the
9 qualified education expenses, but in no event may the total
10 credit amount awarded to a single taxpayer in a single taxable
11 year exceed \$3,500 per qualifying apprentice. A taxpayer shall
12 be entitled to an additional \$1,500 credit against the tax
13 imposed by section 302(a) and (b) if:

14 (1) the qualifying apprentice resides in an underserved
15 area during the school year for which a credit is sought by
16 an employer; or

17 (2) the employer's principal place of business is
18 located in an underserved area.

19 (b) Limitation on tax credit amount.--In no event shall a
20 tax credit under this section reduce the taxpayer's liability
21 under this act to less than zero.

22 (c) Limited liability companies.--For partners, shareholders
23 of Subchapter S corporations and owners of limited liability
24 companies, if the liability company is treated as a partnership
25 for purposes of Federal and State income taxation, a credit to
26 be determined by the department shall be allowed in accordance
27 with the determination of income and distributive share of
28 income under sections 702 and 704 and Subchapter S of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §§
30 702 and 704).

1 (d) Rules.--The department shall adopt rules to administer
2 this section. The aggregate amount of the tax credits that may
3 be claimed under this section shall be limited to \$5,000,000 per
4 calendar year. If applications for a greater amount are
5 received, credits shall be approved on a first-come, first-
6 served basis, based on the date on which each properly completed
7 application for a certificate of eligibility is received by the
8 department. If more than one certificate is received on the same
9 day, the credits will be awarded based on the time of submission
10 for that particular day.

11 (e) Transfers prohibited.--An employer may not sell or
12 otherwise transfer a credit awarded under this section to
13 another person or taxpayer.

14 (f) Employer information.--An employer shall provide
15 information as the department may require, including, but not
16 limited to, the:

17 (1) name, age and taxpayer identification number of each
18 qualifying apprentice employed by the taxpayer during the
19 taxable year;

20 (2) amount of qualified education expenses incurred with
21 respect to each qualifying apprentice; and

22 (3) name of the school at which the qualifying
23 apprentice is enrolled and the qualified education expenses
24 are incurred.

25 Section 1705-M. Reporting.

26 On or before July 1 of each year, the department shall report
27 to the Governor and the General Assembly on the tax credit
28 certificates awarded under this section for the prior calendar
29 year. The report shall include:

30 (1) the name of each employer awarded or allocated a

1 credit;

2 (2) the number of qualifying apprentices for whom the
3 employer has incurred qualified education expenses;

4 (3) the North American Industry Classification System
5 code applicable to each employer awarded or allocated a
6 credit;

7 (4) the amount of the credit awarded to each employer;

8 (5) the total number of employers awarded a credit;

9 (6) the total number of qualifying apprentices for whom
10 employers receiving credits under this section incurred
11 qualified education expenses; and

12 (7) the average cost to the employer of all
13 apprenticeships receiving credits under this article.

14 Section 2. This act shall take effect in 60 days.