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BILL ANALYSIS

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Senate Bill 814 (as enrolled)
Sponsor: Senator Laura M. Toy
Senate Committee: Commerce and Labor
House Committee: Commerce

PUBLIC ACT 273 of 2003

Date Completed: 7-14-04

CONTENT

The bill amended the Single Business Tax Act to allow companies with particular North American Industry Classification System (NAICS) classifications (pertaining to tool and die manufacturing) to claim a credit of up to \$4,000 per apprentice or special apprentice trained by the company in a tax year. The bill applies to tax years beginning after December 31, 2003.

- Includes a minimum term of at least 4,000 hours.
- Is provided pursuant to an agreement signed by the taxpayer and the apprentice.
- Is filed with the local workforce development board (a board established by a local unit's chief elected official pursuant to the Federal Job Training Partnership Act).

The SBT Act allows a taxpayer to claim a refundable credit of up to \$2,000 against the tax for qualified expenses related to the training of an apprentice. The credit equals 50% of the salary and wages paid to the apprentice, 50% of fringe benefits and other payroll expenses paid for his or her benefit, and 100% of the costs of classroom instruction and related expenses for which the taxpayer is responsible under an apprenticeship agreement. Under the bill, the \$4,000 credit may be claimed for the same expenses, and the \$2,000 credit continues to be available if the \$4,000 credit does not apply.

Under the bill, "special apprentice" means a person who is not an apprentice as defined above, is a resident of the State, is at least 16 years old but under 25, and is trained by a taxpayer through a program that meets all of the criteria required for an apprenticeship program.

To claim the \$4,000 credit, a company must have one of the following NAICS classifications:

The Act defines "apprentice" as a State resident at least 16 years old but under 20 years old who has not obtained a high school diploma, is enrolled in high school or a general education development (G.E.D.) test preparation program (or is expecting to enroll within three months), and is trained by the taxpayer in a program that meets the following criteria:

- 333511: Industrial Mold Manufacturing.
- 333512: Machine Tool (Metal Cutting Types) Manufacturing.
- 333513: Machine Tool (Metal Forming Types) Manufacturing.
- 333514: Special Die and Tool, Die Set Jig, and Fixture Manufacturing.
- 333515: Cutting Tool and Machine Tool Accessory Manufacturing.

MCL 208.38e

Legislative Analyst: Suzanne Lowe

- Is registered with the Bureau of Apprenticeship and Training of the U.S. Department of Labor.

FISCAL IMPACT

At the present time, businesses are claiming about \$100,000 from the existing apprenticeship credit each year. This credit is available to businesses for qualified expenses up to a maximum of \$2,000 for each apprentice trained by the taxpayer during the tax year. This credit is available to all businesses, including tool and die-related businesses. The bill increases the maximum credit to \$4,000 for tool and die-related businesses only and potentially increases the number of employees for whom a business may receive a credit. Given the very small amount that is currently being claimed by all businesses through this credit, it is estimated that the bill will reduce single business tax revenue by less than \$100,000 annually.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.