

ARKANSAS DEPARTMENT of FINANCE & ADMINISTRATION -- **RULE 2018-3**

APPRENTICESHIP PROGRAM INCOME TAX CREDIT under ACT 1042 of 2017

SECTION I - DEFINITIONS

- (1) "Department" means the Arkansas Department of Finance and Administration.
- (2) "Wages" are the gross taxable wages paid to an apprentice.
- (3) "Apprentice" means a worker who is at least sixteen (16) years of age and is employed (A) to learn an apprenticeable occupation under 29 CFR § 29.1 et seq. as it existed on January 1, 1995 or (B) in an apprenticeship or work-based learning program that meets (i) either the standards of program design for a nationally recognized curriculum or business, industry, or trade association standards and (ii) the criteria for vocationally approved youth apprentice or work-based learning programs.
- (4) "Apprenticeship or work-based learning program" includes non-registered apprenticeship, pre-apprenticeship, and youth apprenticeship programs.
  - a) "Non-registered apprenticeship" programs are not registered and are not approved by the U.S. Department of Labor and may include a variety of possible outcomes; academic and work-related competencies are integrated into the youth or adult program; and may or may not lead to a certification or credential.
  - b) "Pre-apprenticeship" programs are designed to prepare individuals to enter and succeed in registered apprenticeship programs. These programs are not registered but have a documented partnership with at least one registered apprenticeship program sponsor and are aligned with the registered apprenticeship programs, and together, they expand the participant's career pathway opportunities with industry-based training coupled with classroom instruction.
  - c) "Youth apprenticeship" programs consist of academic and technical classroom instruction combined with on-the-job learning experiences for individuals between the ages of sixteen (16) and twenty-one (21) years who are enrolled in a public or private secondary school.
- (5) "Taxpayer" means an employer who employs an apprentice and seeks to qualify for the state income tax credit authorized under this Act.
- (6) "Act" means Act 1042 of 2017 as enacted by the Arkansas General Assembly.

SECTION II - APPROVAL INTO PROGRAM

- a) A taxpayer seeking benefits under this Act must apply to the Department for approval into this program. Application must be made on forms prescribed and approved by the Department.
- b) The Arkansas Office of Apprenticeship of the United States Department of Labor shall determine if an employer's training program meets the qualifications pursuant to federal regulations governing labor standards for the registration of apprenticeable occupations under 29 CFR § 29.1 et seq. as it existed on January 1, 1995.

c) The Arkansas Apprenticeship Coordinating Committee and the Arkansas Department of Career Education shall determine if an employer's training program meets the qualifications as outlined above in Section I(3)(B) pursuant to an apprenticeship or work-based learning program.

d) When an apprenticeship agreement has been reached in which an employer is to employ one or more apprentices, the Arkansas Office of Apprenticeship of the United States Department of Labor shall forward to the Department copies of the apprenticeship agreement and other pertinent documentation regarding the qualification of the registered apprenticeship.

When an apprenticeship or work-based learning agreement has been reached in which an employer is to employ one or more apprentices, the Arkansas Department of Career Education shall forward to the Department copies of the apprenticeship agreement and other pertinent documentation regarding the qualification of an apprenticeship or work-based learning program.

e) After the Department has been notified that the employer's training program meets the qualifications for a registered apprenticeship or an apprenticeship or work-based learning program, the necessary forms and instructions to be used in reporting annual wages paid to a qualified apprentice will be provided to the taxpayer.

### SECTION III - INCOME TAX CREDITS

#### a) Certification.

To claim the credit authorized under this act, a taxpayer must certify to the Department that the taxpayer has satisfied all of the requirements for the credit. The certification shall be obtained from the Office of Apprenticeship of the United States Department of Labor if the apprentice is employed to learn an apprenticeable occupation under 29 CFR § 29.1 et seq. as it existed on January 1, 1995. The certification shall be obtained from the Arkansas Department of Career Education if the apprentice is employed in an apprenticeship or work-based learning program that meets (1) either the standards of program design for a nationally recognized curriculum or business, industry, or trade association standards and (2) the criteria for vocationally approved youth apprentice or work-based learning programs.

#### b) Amount of Credit.

(1) The taxpayer shall be allowed a credit equal to ten percent (10%) of the certified wages earned by an 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 apprentice per tax year.

(3) The total amount of the income tax credit that a taxpayer may claim under this act for a tax year cannot exceed ten thousand dollars (\$10,000).

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 tax year shall not exceed the amount of individual or corporation 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 tax years.

(2) If the taxpayer is an S corporation, the pass-through provisions of Ark. Code Ann. § 26-51-409, as in effect for the tax 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 § 704(b), as in effect on January 1, 1995.

(4) The tax credit provided under this act shall apply to tax years beginning January 1, 2018 and all tax years thereafter.

SECTION IV

This rule shall amend and supercede Rule 1996-1 with respect to the apprenticeship program income tax credit for tax years beginning on or after January 1, 2018.



Larry W. Walther, Director  
Arkansas Department of Finance & Administration

Date: November 6, 2018



Walter C. Anger, Deputy Director and Commissioner of Revenue  
Arkansas Department of Finance & Administration

Date: November 6, 2018

**Apprenticeship Program (ACA §26-51-509) as amended [Applicable to tax years 2018 and thereafter]**

Act 1042 of 2017 provides for an income tax credit for each qualified youth apprentice who is at least 16 years of age and is employed to learn an apprenticeable occupation or is in an apprenticeship or work-based learning program. To claim the benefits, a taxpayer must obtain a certification from the Office of Apprenticeship of the U.S. Department of Labor or the Department of Career Education, certifying to the Department of Finance and Administration that the taxpayer has met all the requirements and qualifications.

A taxpayer who employs an apprentice is allowed an income tax credit in the amount of \$2,000 or 10% of the wages earned by the youth apprentice, whichever is less, for each apprentice. The amount of the income tax credit claimed in a taxable year may not exceed the individual or corporate income tax otherwise due. Any unused credit may be carried forward for a maximum of two (2) consecutive taxable years.

To claim the tax credit, contact Tax Credits/Special Refunds Section at (501) 682-7106 or [tax.credits@dfa.arkansas.gov](mailto:tax.credits@dfa.arkansas.gov) for the appropriate forms.