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## EXTEND SBT APPRENTICE CREDIT

Senate Bill 717 as passed by the  
Senate  
First Analysis (10-27-99)

Sponsor: Sen. Mike Rogers  
House Committee: Economic Development  
Senate Committee: Finance

### ***THE APPARENT PROBLEM:***

Currently, under the Single Business Tax (SBT) Act, a taxpayer may claim a refund of up to \$2,000 per year for expenses related to the training of an apprentice. The credit is equal to 50 percent of the apprentice's salary and wages, and may include fringe benefits and other expenses paid for the benefit of an apprentice who is participating in the School-to-Registered Apprenticeship (STRA) program. Based on a program run by the U.S. Department of Labor's Bureau of Apprenticeship and Training (BAT), the Michigan program was developed in response to a proposal by the governor in his 1996 State of the State address to "create more opportunities for young men and women to acquire the skills to fill . . . [the] high-paying jobs of the future."

In addition to other criteria, an apprentice in the program must be: a resident of the state; between 16 and 20 years of age; enrolled in high school or in a general education development (GED) test preparation program; and not have obtained a high school diploma. The training provided by the taxpayer must also meet specific criteria: it must be registered with the BAT; it must be included in a term that has a minimum of 4,000 hours; it must be covered by an apprenticeship agreement signed by the taxpayer and the apprentice; and it must be filed with a local workforce development board.

The program carried a three-year sunset so that it could be evaluated for its effectiveness. (It takes from three to four years for a student to complete an apprenticeship). Although it is too early to obtain statistics on the number of students who complete apprenticeship training and continue to be employed with the employer who claims a tax credit, there were more than twice the number of high school students registered in apprenticeships in the program's first year, compared to the previous year. In addition, 62 high schools and skill centers have completed extensive BAT training and have now been certified by BAT to

assist in the development of registered apprenticeships. Based on this progress, it is suggested that the January 1, 2000, sunset date be deleted.

### ***THE CONTENT OF THE BILL:***

The bill would amend the Single Business Tax (SBT) Act to extend a provision that allows a taxpayer to claim a refundable tax credit for certain expenses incurred in training eligible teenage apprentices by deleting the January 1, 2000, sunset date. The bill would also delete out-dated references to the Michigan Jobs Commission and replace them with references to the Michigan Department of Career Development (MDCD). (For additional information on the MDCD, see *Background Information*).

MCL 208.38e

### ***BACKGROUND INFORMATION:***

Executive Order Number 2 of 1996 reorganized the Department of Commerce into a new department, the Department of Consumer and Industry Services, and transferred some of the department's functions to the Michigan Jobs Commission. Effective April 5, 1999, the Jobs Commission was abolished by the governor, and its functions were divided between two new departments: the Department of Career Development (MDCD), and the Michigan Economic Development Corporation (MEDC).

The Department of Career Development administers employment and job training programs such as "school-to-work" and "welfare-to work" programs, occupational rehabilitation services for handicapped individuals, and job search assistance for displaced workers.

Administered as a corporation under the auspices of a board drawn mostly from the private sector, the Michigan Economic Development Corporation is

Senate Bill 717 (10-27-99)

modeled after local economic development corporations. The MEDC oversees the state's travel promotion, business ombudsman, and the Michigan Strategic Fund. It conducts marketing campaigns, and forms partnerships with universities to attract high-technology employers to the state.

### **FISCAL IMPLICATIONS:**

A House Fiscal Agency (HFA) analysis notes that the Department of Treasury, in its 1999 Tax Expenditure Appendix to the Executive Budget, estimates that the revenue loss from the School-to-Registered Apprenticeship (STRA) Program could be as much as \$5 million for fiscal year 1999-00. However, in past years, according to the treasury department report, the revenue loss has been significantly less. For example, in 1997 there were 33 SBT returns that claimed a total of \$92,800 in credits. (10-22-99)

The Michigan Jobs Commission also reported that, while 131 employers participated in the STRA program in 1997, few took advantage of the tax credit. (3-10-99)

### **ARGUMENTS:**

#### ***For:***

The School-to-Registered Apprenticeship (STRA) Program was established in response to the governor's 1996 State of the State address, in which he cited a *Wall Street Journal* article that said the problem in the state was not too few jobs, but too few skilled workers. Noting that a "majority of our schools are designed to prepare students for college, not train students for work," and that nearly 80 percent of students do not graduate from a four-year college, the governor proposed the program, both to allow young men and women to acquire skills to fill the high-paying jobs of the future, and to increase the number of skilled workers in Michigan.

Since registered apprenticeships last for 3 to 4 years, it is too soon to judge the program's success. However, before the School-to-Registered Apprenticeship (STRA) Program began on January 1, 1997, less than 100 high school students were registered as apprentices. During the period beginning January 1, 1997 and ending February 28, 1998, a total of 215 high school students and 122 Michigan

companies participated in the program, according to statistics reported in May, 1999, by the Michigan Jobs Commission (now the Michigan Department of Career Development [MDCD]). Of these, 36 students registered in communications or transportation areas; 3 enrolled in health care areas; 143 in manufacturing occupations; 25 in service areas; and 8 students enrolled in stage technician apprenticeships. Since even more students registered during the program's second year, it is clear that the program is having some effect.

### **POSITIONS:**

A representative of the Capital Area Career Center, within the Ingham Intermediate School District, testified before the House Economic Development Committee in support of the bill. (10-26-99)

The Department of Career Development (MDCD) supports the bill. (10-26-99)

The Bureau of Apprenticeship and Training (BAT) of the U.S. Department of Labor, supports the bill. (10-26-99)

The Michigan Manufacturers Association (MMA) supports the bill. (10-26-99)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.