
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1242 Session of
2023

INTRODUCED BY WEBSTER, KINSEY, MADDEN, SANCHEZ, GUENST, HILL-
EVANS, FLEMING, CERRATO, CEPEDA-FREYTIZ, HOHENSTEIN, DELLOSO
AND SCOTT, MAY 24, 2023

REFERRED TO COMMITTEE ON LABOR AND INDUSTRY, MAY 24, 2023

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 Keystone State Apprenticeship Tax
11 Credit.

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 XVIII-I

18 KEYSTONE STATE APPRENTICESHIP TAX CREDIT

19 Section 1801-I. Definitions.

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

1 "Certified employer." A qualified employer that has received
2 a final certificate of eligibility from the department after the
3 department has determined that the qualified employer has
4 fulfilled all eligibility criteria to participate in the
5 program. The final certificate of eligibility shall state the
6 actual amount of tax credit that a certified employer is
7 entitled to claim and the allocation year of the credit.

8 "Construction." The act of constructing, reconstructing,
9 altering, maintaining, moving, rehabilitating, repairing,
10 renovating, fabricating, servicing or demolishing a building,
11 structure, improvement or component, or an act relating to the
12 excavation of or other development or improvement to land.

13 "Department." The Department of Labor and Industry of the
14 Commonwealth.

15 "Disadvantaged youth." An individual who is:

16 (1) Between 16 and 24 years of age when the individual
17 begins an apprenticeship.

18 (2) Low-income or at-risk, as those terms are defined by
19 the department.

20 "Mentor." An individual who provides instruction, guidance
21 and support to the apprentice on a regular basis throughout the
22 apprentice's completion of the apprenticeship as the apprentice
23 seeks employment in the field or industry of the apprenticeship.

24 "Participating employer." A qualified employer that has
25 applied to participate in the program and received a preliminary
26 certificate of tax credit from the department. The preliminary
27 certificate shall state the maximum amount of the tax credit
28 that the employer may be able to claim if the applicant becomes
29 a certified employer.

30 "Program." The Keystone State Apprenticeship Tax Credit

1 Program established under section 1802-I.

2 "Qualified apprentice." An individual employed by a
3 participating employer in a full-time position for at least six
4 months of a calendar year under a qualified apprenticeship
5 agreement with a qualified employer. An individual employed by a
6 qualified employer shall not be deemed a qualified apprentice if
7 the individual has not completed the apprenticeship training
8 program within one year of the expected date of completion of
9 the program.

10 "Qualified apprenticeship agreement." An apprenticeship
11 agreement that has been registered with and approved by the
12 department for a trade other than a construction trade.

13 "Qualified employer." An employer that participates in a
14 department-approved apprenticeship program.

15 "Secretary." The Secretary of Labor and Industry of the
16 Commonwealth.

17 Section 1802-I. Powers and duties of secretary.

18 (a) Establishment.--The Keystone State Apprenticeship Tax
19 Credit Program is established to provide tax incentives to
20 certified employers for employing qualified apprentices under an
21 apprenticeship agreement registered with the department under
22 section 4 of the act of July 14, 1961 (P.L.604, No.304), known
23 as The Apprenticeship and Training Act.

24 (b) Allocation.--The secretary may allocate up to
25 \$10,000,000 in tax credits annually beginning July 1, 2023, and
26 ending on July 1, 2028. Any unused annual allocation of credits
27 shall be made available in each of the subsequent years before
28 2028.

29 (c) Guidelines and criteria.--

30 (1) The secretary shall establish guidelines and

1 criteria that specify requirements for qualified employers to
2 participate in the program, including criteria for certifying
3 qualified apprentices.

4 (2) The secretary may give preference to qualified
5 employers that hire and train disadvantaged youth through
6 qualified apprenticeship agreements and qualified employers
7 that are engaged in demand occupations or industries or in
8 regional growth sectors, including those identified by the
9 department, such as clean energy, health care, technology,
10 including software engineering and web development, advanced
11 manufacturing and conservation.

12 (3) The secretary may give preference to employers that
13 employ apprentices in newly established apprenticeship
14 programs.

15 (4) The secretary may take the following factors into
16 consideration when evaluating whether to approve an
17 application in a year subsequent to the year in which a
18 qualified employer was determined to be a certified employer:

19 (i) The length of the qualified apprenticeship
20 agreement into which the employer has entered.

21 (ii) How many apprentices have graduated from the
22 apprenticeship program to which the qualified apprentice
23 employed by the employer belongs.

24 (iii) How many apprentices in the apprenticeship
25 program the qualified employer has hired.

26 (iv) Other factors the secretary deems relevant.

27 Section 1803-I. Keystone State Apprenticeship Tax Credit.

28 (a) Eligibility.--

29 (1) A certified employer shall be entitled to a tax
30 credit against income or franchise tax for each qualified

1 apprentice. The base credit allowed under the program shall
2 be computed as follows:

3 (i) Two thousand dollars for each first-year
4 apprentice.

5 (ii) Three thousand dollars for each second-year
6 apprentice.

7 (iii) Four thousand dollars for each third-year
8 apprentice.

9 (iv) Five thousand dollars for each fourth-year
10 apprentice.

11 (v) Six thousand dollars for each fifth-year
12 apprentice.

13 (2) The apprentice's status under paragraph (1) shall be
14 determined on the last day of the calendar year or, if the
15 apprentice is no longer employed by the participating
16 employer on the last day of the calendar year, on the last
17 day of the apprentice's employment with the participating
18 employer.

19 (b) Disadvantaged youth credit.--

20 (1) In lieu of the credit specified in subsection (a),
21 for each qualified apprentice who is considered a
22 disadvantaged youth for each tax year:

23 (i) Five thousand dollars for each first-year
24 apprentice.

25 (ii) Six thousand dollars for each second-year
26 apprentice.

27 (iii) Seven thousand dollars for each third-year,
28 fourth-year or fifth-year apprentice.

29 (2) The apprentice's status under paragraph (1) shall be
30 determined on the last day of the calendar year or, if the

1 apprentice is no longer employed by the participating
2 employer on the last day of the calendar year, on the last
3 day of the apprentice's employment with the participating
4 employer. If a disadvantaged youth under 25 years of age
5 begins an apprenticeship, a certified employer shall be
6 eligible to continue to receive the tax credit for the
7 disadvantaged youth under this subsection until that
8 apprentice completes the apprenticeship.

9 (c) Increase.--If an apprentice has been trained in the
10 apprentice's trade by a mentor for the entirety of the calendar
11 year, the base credit amounts described in subsection (a) shall
12 be increased by \$500.

13 (d) Other credit.--A certified employer shall not be allowed
14 a tax credit under this article for an apprentice if the
15 apprentice is the basis for any other State tax credit.

16 Section 1804-I. Application and approval.

17 (a) Application.--To participate in the program, a qualified
18 employer must submit to the secretary an application in a form
19 prescribed by the secretary. As part of the application, a
20 qualified employer must:

21 (1) Agree to allow the Department of Revenue to share
22 the applicant's tax information with the department.
23 Information shared as a result of this agreement is exempt
24 from access under the act of February 14, 2008 (P.L.6, No.3),
25 known as the Right-to-Know Law.

26 (2) Allow the department and the department's agents
27 access to any and all books and records the department may
28 require to monitor compliance.

29 (b) Approval.--After reviewing a qualified employer's
30 completed application and determining that the qualified

1 employer meets the eligibility conditions specified in this
2 article and any applicable regulations promulgated by the
3 secretary, the department may admit the applicant into the
4 program as a participating employer and provide the applicant
5 with a preliminary certificate of eligibility establishing the
6 qualified employer as a participating employer and stating the
7 maximum amount of credit for which the applicant is eligible.
8 Section 1805-I. Final report.

9 To receive a final certificate of tax credit, the
10 participating employer must annually submit a final report to
11 the secretary in a form prescribed by the department. The report
12 must demonstrate that the applicant has satisfied all
13 eligibility requirements under this article and provided all the
14 information necessary for the secretary to compute an actual
15 amount of credit allowed for that calendar year, notwithstanding
16 the fact that a participating employer's taxable year may be a
17 fiscal year. The final certificate of eligibility shall state
18 the actual amount of tax credit that a certified employer is
19 entitled to claim and the allocation year of the credit.

20 Section 1806-I. Certification of employer.

21 (a) Certification.--After review and approval of the final
22 report, the secretary shall certify the participating employer
23 as a certified employer and issue a final certificate of tax
24 credit. The certificate shall include the following information:

25 (1) The name and employer identification number of the
26 certified employer.

27 (2) The actual amount of credit to which the certified
28 employer is entitled for that calendar year, which actual
29 amount cannot exceed the amount of credit listed on the
30 preliminary certificate but may be less than the amount.

1 (3) The allocation year of the credit.

2 (4) Any other information deemed necessary by the
3 secretary.

4 (b) Taxable year.--If a certified employer's taxable year is
5 a fiscal year, the certified employer shall be entitled to claim
6 the credit on the return for the fiscal year that includes the
7 last day of the calendar year covered by the final certificate
8 of tax credit.

9 Section 1807-I. Annual report.

10 (a) Report.--The secretary shall annually publish a report
11 containing the following information:

12 (1) The names and addresses of certified employers
13 issued a final certificate of eligibility under this article.

14 (2) The work location of each apprentice generating a
15 tax credit.

16 (3) The amount of Keystone State Apprenticeship Tax
17 Credits allowed to the certified employer as specified on the
18 final certificate of eligibility.

19 (4) The number of each of the first-year apprentices,
20 second-year apprentices, third-year apprentices, fourth-year
21 apprentices and fifth-year apprentices and which individuals
22 are considered disadvantaged youth.

23 (b) Recommendations and publication.--The secretary shall
24 include in the report under subsection (a) the relevant
25 industries of certified employers and recommendations for
26 legislative or other action to further the intent and purpose of
27 the program. The report shall be published by December 31 on the
28 department's publicly accessible Internet website.

29 (c) Promotion.--The secretary shall promote, publish and
30 disseminate information concerning the Keystone State

1 Apprenticeship Tax Credit and other available funding,
2 particularly targeting industries and fields of business not
3 currently taking advantage of apprenticeships.

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