

**SUBJECT:** Creating a sales tax refund pilot program for employers of apprentices

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — Meyer, Thierry, Button, Cole, Guerra, Murphy, Noble, Rodriguez, Shine

0 nays

2 absent — Martinez Fischer, Sanford

**SENATE VOTE:** On final passage, April 21 — 27-4 (Hancock, Nichols, Paxton, Springer)

**WITNESSES:** For — Sylvia Praesel, Coalition for Apprenticeship Partners in Economic Development; Mitch Fuller, Veterans of Foreign Wars Department of Texas; (*Registered, but did not testify*: Dana Harris, Austin Chamber of Commerce; Ron Hinkle, Coalition for Apprenticeship Partners in Economic Development; Daniel Womack, Dow, Inc.; Annie Spilman, NFIB; J.D. Hale, Texas Association of Builders; James LeBas, Texas Association of Manufacturers and AECT; Dino Marcaccio, Texas Tax Group; Molly Weiner, United Ways of Texas)

Against — None

On — (*Registered, but did not testify*: Tom Currah, Comptroller of Public Accounts)

**DIGEST:** SB 1524 would establish a sales and use tax refund pilot program for certain employers of apprentices that would expire December 31, 2026.

A “qualified apprenticeship” would include a program certified as an industry-recognized apprenticeship program by an entity meeting U.S. Department of Labor criteria or registered with the department and qualified to receive funding through the Texas Workforce Commission (TWC) for other apprenticeship training programs.

A person would not be considered to be employed in a qualified apprenticeship position under the bill:

- after the earlier of the fourth anniversary of employment in the position or the conclusion of the term of the position; or
- if the person was employed in another position by the employer immediately before beginning employment in the apprenticeship position.

**Refund eligibility.** A person would be eligible to receive a refund of the sales and use taxes paid during a calendar year if the person was certified by the executive director of TWC and employed at least one apprentice in a qualified apprenticeship position for at least seven months during the calendar year. The total amount of the refund for a year would be equal to the lesser of:

- \$2,500 in connection with each apprentice, not to exceed the maximum number of apprentices allowed; or
- the amount of sales and use taxes paid by the person.

A person could receive a refund in connection with one apprentice or up to six apprentices if at least half were foster children who had transitioned or were transitioning to independent living, military veterans and spouses, or women.

A person could not apply for a refund unless the executive director of TWC certified that the person was able to employ apprentices in qualified apprenticeships. A person would have to apply to the executive director to obtain certification.

**Executive director of TWC.** The executive director would have to adopt rules that established merit-based criteria for selecting applicants to certify. The rules would have to require that the executive director give preference to applicants who offered qualified apprenticeships in areas of the state not designated as metropolitan statistical areas and provided training and skills development in emerging or developing occupational

fields.

The executive director could not certify more than 100 persons at any time. If the number of eligible applicants exceeded 100, the executive director would have to select applicants for certification according to the adopted rules.

The executive director would have to issue a certificate to each person certified, and the certificate would have to confirm the person's eligibility to apply for a refund under the bill.

**Application to comptroller.** A person would have to apply to the comptroller for a refund and include the person's certificate from the executive director of TWC and any other information required by the comptroller in an application.

**Report.** By September 1, 2024, the executive director of TWC would have to prepare a report evaluating the effect of the pilot program on the employment outcomes and earnings of apprentices with respect to whom refunds were granted under the pilot program. The report would have to include a recommendation on whether the pilot program should be continued, expanded, or terminated.

The executive director would have to deliver the report to the governor, the lieutenant governor, the House speaker, and the presiding officer of each legislative standing committee with primary jurisdiction over taxation.

A person who applied for a refund would have to provide information requested by the executive director to prepare the report.

**Implementation.** TWC and the comptroller would be required to implement the bill only if the Legislature appropriated money specifically for that purpose. If the Legislature did not appropriate money, TWC and the comptroller could, but would not be required to, implement the bill using other appropriations available for that purpose.

The bill would take effect January 1, 2022, and a person could apply for a refund under the bill only in connection with apprentices first employed on or after that date.

**SUPPORTERS  
SAY:**

SB 1524 would help address worker shortages in key industries while benefiting Texas workers and businesses by incentivizing employers to offer apprenticeship programs through a sales tax refund.

Providing a pipeline of skilled workers to critical industries and small businesses is essential for the health of the Texas economy. Apprenticeships have proven to be effective in meeting workforce demands by providing on-ramps to stable, skilled jobs. The bill would encourage employers to participate in apprenticeship programs and bolster the Texas workforce by creating a sales tax refund pilot program. The program also would benefit certain key populations by including specific incentives for hiring veterans, military spouses, and foster children.

Apprenticeships are useful tools to bridge the skills gap and address worker shortages in key industries. The bill would not distort market demand or provide preferential treatment to certain employers but instead would benefit the Texas economy as a whole by encouraging the hiring of apprentices. Further, the bill would provide for tax refunds from sales taxes already paid by an employer and would not create a public subsidy.

**CRITICS  
SAY:**

SB 1524 would give tax incentives to one particular set of employers, which could lead to market distortion. Tax refunds should not be used as incentives for employers to create apprenticeship programs.

**NOTES:**

According to the Legislative Budget Board, the bill would have a negative impact of about \$1.8 million to general revenue through fiscal 2023.