

HOUSE BILL No. 2057

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-4-30; IC 6-3.1-20.

Synopsis: School to career program tax credit. Establishes a certified school to career program. Provides a credit against state tax liability for wages paid to a participant in a certified school to career program.

Effective: January 1, 2000.

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January 27, 1999, read first time and referred to Committee on Ways and Means.

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First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

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HOUSE BILL No. 2057



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-4-30 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2000]:

4 **Chapter 30. Certified School to Career Programs**

5 **Sec. 1. As used in this chapter, "certified school to career
6 program" means:**

7 (1) a sequenced and articulated secondary and postsecondary
8 program registered as an apprenticeship program under 29
9 CFR 29 that is conducted under an agreement under this
10 chapter; or

11 (2) a program approved by the department of commerce, in
12 conjunction with the department of education, that is
13 conducted under an agreement under this chapter and that:

14 (A) integrates a secondary school curriculum with private
15 sector job training;

16 (B) places students in job internships; and

17 (C) is designed to continue into postsecondary education



1 and that will result in teaching new skills and adding value
2 to the wage earning potential of participants and increase
3 their long term employability in the state.

4 **Sec. 2.** As used in this chapter, "participant" means an
5 individual who is at least sixteen (16) years of age and less than
6 twenty-four (24) years of age and who:

7 (1) is enrolled in a public or private secondary or
8 postsecondary school; and

9 (2) participates in a certified school to career program as part
10 of the individual's secondary school education.

11 **Sec. 3.** As used in this chapter, "sponsor" means a person, an
12 association, a committee, or an organization operating a school to
13 career program and in whose name the program is registered or
14 approved.

15 **Sec. 4.** The department of commerce, in conjunction with the
16 department of education, may not approve a school to career
17 program unless the following requirements are met:

18 (1) The program must be conducted under an organized,
19 written plan embodying the terms and conditions of
20 employment, job training, classroom instruction, and
21 supervision of one (1) or more participants, subscribed to by
22 a sponsor who has undertaken to carry out the school to
23 career program.

24 (2) The program must comply with all state and federal laws
25 pertaining to the workplace.

26 (3) The program must involve an institution of higher
27 learning as defined in IC 20-12-70-4.

28 (4) The certified program agreement must provide that the
29 employer agrees to assign an employee to serve as a mentor
30 for a participant. The mentor's occupation must be in the
31 same career pathway as the career interests of the
32 participant.

33 (5) The program must comply with any other requirement
34 adopted by rule by the department of commerce after
35 consultation with the department of education.

36 **Sec. 5.** The certified program shall be conducted under a signed
37 written agreement between each participant and the employer
38 which contains at least the following provisions:

39 (1) The names and signatures of the participant and the
40 sponsor or employer and the signature of a parent or
41 guardian if the participant is a minor.

42 (2) A description of the career field in which the participant

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- 1 is to be trained, and the beginning date and duration of the
2 training.
- 3 (3) The employer's agreement to provide paid employment for
4 the participant, at a base wage, during the summer months
5 after the participant's junior and senior years in high school
6 and after the participant's first year of postsecondary
7 education.
- 8 (4) The employer's agreement to assign an employee to serve
9 as a mentor for a participant. The mentor's occupation must
10 be in the same career pathway as the career interests of the
11 participant.
- 12 (5) The participant and employer shall agree upon set
13 minimum academic standards which must be maintained
14 through the participant's secondary and postsecondary
15 education.
- 16 (6) The base wage paid to the participant shall not be less than
17 the minimum wage prescribed by the federal Fair Labor
18 Standards Act.
- 19 (7) That, in addition to the base wage paid to the participant,
20 the employer shall pay an additional sum to be held in trust to
21 be applied toward the participant's postsecondary education
22 required for completion of the certified program. The
23 additional amount must not be less than an amount
24 determined by the department of commerce to be sufficient to
25 provide payment of tuition expenses toward completion of not
26 more than two (2) academic years of the required
27 postsecondary education component of the certified program
28 at an Indiana institution of higher learning as defined in
29 IC 20-12-70-4. This amount shall be held in trust for the
30 benefit of the participant under rules adopted by the
31 department of commerce. Payment into an ERISA-approved
32 fund for the benefit of the participant satisfies this
33 requirement. The specific fund shall be specified in the
34 agreement.
- 35 (8) The participant's agreement to work for the employer for
36 at least two (2) years following the completion of the
37 participant's postsecondary education required by the
38 certified program. However, the agreement may provide for
39 additional education and work commitments beyond the two
40 (2) years.
- 41 (9) If the participant does not complete the two (2) year
42 employment obligation, the participant's agreement to repay

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1 to the employer the amount paid by the employer toward the
2 participant's postsecondary education expenses under
3 subdivision (6).

4 (10) That if a participant does not complete the certified
5 program contemplated by the agreement after entering a
6 postsecondary education program, any unexpended funds
7 being held in trust for the participant's postsecondary
8 education shall be paid back to the employer. In addition, the
9 participant must repay to the employer amounts paid from
10 the trust which were expended on the participant's behalf for
11 postsecondary education.

12 (11) That if a participant does not complete the certified
13 program contemplated by the agreement before entering a
14 postsecondary education program, one-half (1/2) of the money
15 being held in trust for the participant's postsecondary
16 education shall be paid to an institution of higher learning (as
17 defined in IC 20-12-70-4) of the participant's choice to pay
18 tuition or expenses of the participant. The other one-half (1/2)
19 of the trust money shall be paid back to the employer. Any
20 moneys to be transferred for the benefit of the participant
21 which are not transferred within five (5) years for purposes of
22 education at the designated postsecondary institution shall be
23 paid back to the employer.

24 **Sec. 6.** The department of commerce, in consultation with the
25 department of education, shall adopt rules under IC 4-22-2 to
26 implement this chapter.

27 SECTION 2. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE
28 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
29 JANUARY 1, 2000]:

30 **Chapter 20. Certified School to Career Program Payroll Credit**

31 **Sec. 1.** As used in this chapter, "certified school to career
32 program" has the meaning set forth in IC 4-4-30-1.

33 **Sec. 2.** As used in this chapter, "participant" has the meaning
34 set forth in IC 4-4-30-2.

35 **Sec. 3.** As used in this chapter, "pass through entity" means:

- 36 (1) a corporation that is exempt from the adjusted gross
37 income tax under IC 6-3-2-2.8(2);
- 38 (2) a partnership;
- 39 (3) a limited liability company; or
- 40 (4) a limited liability partnership.

41 **Sec. 4.** As used in this chapter, "payroll expenditures" means
42 the base wages actually paid by an employer to a participant in a

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1 certified school to career program under IC 4-4-30, plus the
 2 amount held in trust to be applied toward the participant's
 3 postsecondary education.

4 **Sec. 5.** As used in this chapter, "state tax liability" means a
 5 taxpayer's total tax liability that is incurred under:

- 6 (1) IC 6-2.1 (gross income tax);
- 7 (2) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- 8 (3) IC 6-3-8 (supplemental net income tax);
- 9 (4) IC 6-5-10 (bank tax);
- 10 (5) IC 6-5-11 (savings and loan association tax);
- 11 (6) IC 6-5.5 (financial institutions tax); and
- 12 (7) IC 27-1-18-2 (insurance premiums tax);

13 as computed after the application of the credits that under
 14 IC 6-3.1-1-2 are to be applied before the credit provided by this
 15 chapter.

16 **Sec. 6.** As used in this chapter, "taxpayer" means a person,
 17 corporation, or pass through entity that employs participants in a
 18 certified school to career program under IC 4-4-30.

19 **Sec. 7. (a)** A taxpayer is entitled to a credit against the
 20 taxpayer's state tax liability for a taxable year for the payroll
 21 expenditures by the taxpayer in the taxable year on the participant.

22 (b) Subject to the limitations under subsection (c) and section 11
 23 of this chapter, the amount of the credit is equal to the taxpayer's
 24 payroll expenditures in the taxable year multiplied by twenty
 25 percent (20%).

26 (c) The credit is limited to the first four hundred (400) hours of
 27 payroll expenditures per participant for each calendar year the
 28 participant is in the certified school to career program, not to
 29 exceed three (3) years per participant.

30 **Sec. 8. (a)** If the amount determined under section 7(b) of this
 31 chapter for a taxpayer in a taxable year exceeds the taxpayer's
 32 state tax liability for that taxable year, the taxpayer may carry the
 33 excess over to the following taxable years. The amount of the credit
 34 carryover from a taxable year shall be reduced to the extent that
 35 the carryover is used by the taxpayer to obtain a credit under this
 36 chapter for any subsequent taxable year. A taxpayer is not entitled
 37 to a carryback.

38 (b) A taxpayer is entitled to a refund of any unused credit.

39 **Sec. 9.** If a pass through entity does not have state income tax
 40 liability against which the tax credit may be applied, a shareholder
 41 or partner of the pass through entity is entitled to a tax credit equal
 42 to:



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1 (1) the tax credit determined for the pass through entity for
2 the taxable year; multiplied by

3 (2) the percentage of the pass through entity's distributive
4 income to which the shareholder or partner is entitled.

5 **Sec. 10.** To receive the credit provided by this chapter, a
6 taxpayer must claim the credit on the taxpayer's state tax return
7 in the manner prescribed by the department. The taxpayer must
8 submit to the department proof of payment of the payroll
9 expenditures and all information that the department determines
10 is necessary for the calculation of the credit provided by this
11 chapter.

12 **Sec. 11. (a)** The amount of tax credits allowed under this chapter
13 may not exceed five hundred thousand dollars (\$500,000) in a state
14 fiscal year.

15 (b) The department shall record the time of filing of each
16 application for allowance of a credit under section 10 of this
17 chapter and shall approve the applications, if they otherwise
18 qualify for a tax credit under this chapter, in the chronological
19 order in which the applications are filed in the state fiscal year.

20 (c) When the total credits approved under this section equal the
21 maximum amount allowable in a state fiscal year, no application
22 filed later for that same fiscal year shall be approved. However, if
23 an applicant for whom a credit has been approved fails to file the
24 statement of proof of payment required under section 10 of this
25 chapter, an amount equal to the credit previously allowed or set
26 aside for the applicant may be allowed to any subsequent applicant
27 in the year. In addition, the department may, if the applicant so
28 requests, approve a credit application, in whole or in part, with
29 respect to the next succeeding state fiscal year.

30 SECTION 3. [EFFECTIVE JANUARY 1, 2000] IC 6-3.1-20, as
31 added by this act, applies to taxable years beginning after
32 December 31, 1999.

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