

CHAPTER 417

AN ACT providing corporation business tax and gross income tax credits for businesses that participate in federally-recognized apprenticeship programs, establishing an Apprenticeship Start-Up Grant Program, supplementing P.L.1945, c.162 (C.54:10A-1 et seq.) and Title 54A of the New Jersey Statutes, and amending and supplementing P.L.1992, c.43.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.54:10A-5.44 Credit against tax imposed pursuant to C.54:10A-5.

1. a. A taxpayer, upon approval of an application to the department and the director, shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5): (1) in amount not to exceed \$5,000 of the qualified start-up costs incurred by the taxpayer during a privilege period commencing on or after July 1, 2019, and associated with the initial year of participation in an apprenticeship program established by the taxpayer or group of taxpayers; or (2) in an amount not to exceed \$10,000 of the qualified start-up costs incurred by the taxpayer during a privilege period commencing on or after July 1, 2019, and associated with the initial year of participation in an apprenticeship program established by the taxpayer or group of taxpayers that provides greater opportunities for workers in key industries.

b. No tax credit shall be allowed pursuant to this section for any costs or expenses included in the calculation of any other tax credit or exemption granted pursuant to a claim made on a tax return filed with the director, or included in the calculation of an award of business assistance or incentive, for a period of time that coincides with the privilege period for which a tax credit pursuant to this section is allowed. The order of priority of the application of the tax credit allowed pursuant to this section, and any other credits allowed against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period, shall be as prescribed by the director. The amount of the credit applied pursuant to this section against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) shall not reduce a taxpayer's tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162 (C.54:10A-5).

c. The value of tax credits approved by the department and the director pursuant to subsection a. of this section and pursuant to subsection a. of section 2 of P.L.2019, c.417 (C.54A:4-19) shall not exceed a cumulative total of \$1,000,000 in fiscal year 2020, and in each fiscal year thereafter, to apply against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) and the tax imposed pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. If the cumulative total amount of tax credits allowed to taxpayers for privilege periods or taxable years commencing during a single fiscal year under subsection a. of this section and subsection a. of section 2 of P.L.2019, c.417 (C.54A:4-19) exceeds the amount of tax credits available in that fiscal year, then taxpayers who have first applied for and have not been allowed a tax credit for that reason shall be allowed, in the order in which they have submitted an application, the amount of tax credit on the first day of the next succeeding fiscal year in which tax credits allowed under subsection a. of this section and subsection a. of section 2 of P.L.2019, c.417 (C.54A:4-19) are not in excess of the amount of credits available.

d. A taxpayer shall submit to the department and the director a report to verify the qualified start-up costs incurred by the taxpayer associated with the initial year of participation in an apprenticeship program. The report shall include such information as

shall be determined necessary by the department and the director to substantiate the qualified start-up costs incurred by the taxpayer.

e. As used in this section:

“Apprenticeship program” means a registered program providing to each trainee combined classroom and on-the-job training under the direct and close supervision of a highly skilled worker in an occupation recognized as an apprenticable trade, and: (1) registered by the Office of Apprenticeship of the U.S. Department of Labor and meeting the standards established by that office; or (2) registered by a State apprenticeship agency recognized by the office.

“Department” means the Department of Labor and Workforce Development.

“Key industry” means an industry that makes or could make an important contribution to the economy of the State, which may include, but not be limited to, advanced manufacturing, construction, healthcare, logistics, pharmaceuticals, transportation, tourism, and renewable energy, as defined by the Department of Labor and Workforce Development in accordance with regulations adopted pursuant to P.L.2019, c.417 (C.54:10A-5.44 et al.).

“Qualified start-up costs” means the ordinary and necessary costs to start an apprenticeship program in that industry and occupation, including the salary costs of employees working on the program and, if applicable, the non-recurring costs of fixed telecommunication furnishings and office equipment.

C.54A:4-19 Credit against tax due under N.J.S.54A:1-1 et seq.

2. a. A taxpayer, upon approval of an application to the department and the director, shall be allowed a credit against the tax otherwise due for the taxable year under the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq.: (1) in an amount not to exceed \$5,000 of the qualified start-up costs incurred by the taxpayer during a taxable year commencing on or after July 1, 2019, and associated with the initial year of participation in an apprenticeship program established by the taxpayer or group of taxpayers; or (2) in an amount not to exceed \$10,000 of the qualified start-up costs incurred by the taxpayer during a taxable year commencing on or after July 1, 2019, and associated with the initial year of participation in an apprenticeship program established by the taxpayer or group of taxpayers that provides greater opportunities for workers in key industries.

b. No tax credit shall be allowed pursuant to this section for any costs or expenses included in the calculation of any other tax credit or exemption granted pursuant to a claim made on a tax return filed with the director, or included in the calculation of an award of business assistance or incentive, for a period of time that coincides with the taxable year, for which a tax credit authorized pursuant to this section is allowed. The order of priority of the application of the credit allowed pursuant to this section, and any other credits allowed against the tax imposed pursuant to N.J.S.54A:1-1 et seq. for a taxable year, shall be as prescribed by the director. The amount of the credit applied against the New Jersey gross income tax imposed pursuant to N.J.S.54A:1-1 shall not reduce a taxpayer’s tax liability to an amount less than zero.

c. (1) A business entity that is classified as a partnership for federal income tax purposes shall not be allowed a tax credit pursuant to this section directly, but the amount of tax credit of a taxpayer in respect to distributive share of entity income, shall be determined by allocating to the taxpayer that proportion of the tax credit acquired by the entity that is equal to the taxpayer’s share, whether or not distributed, of the total distributive income or gain of the entity for its taxable year ending within or with the taxpayer’s taxable year.

(2) A New Jersey S Corporation shall not be allowed a tax credit pursuant to this section directly, but the amount of the tax credit of a taxpayer in respect of a pro rata share of S Corporation income, shall be determined by allocating to the taxpayer that proportion of the tax credit acquired by the New Jersey S Corporation that is equal to the taxpayer's share, whether or not distributed, of the total pro rata share of S Corporation income of the New Jersey S Corporation for its privilege period ending within or with the taxpayer's taxable year.

d. The value of tax credits approved by the department and the director pursuant to subsection a. of this section and pursuant to subsection a. of section 1 of P.L.2019, c.417 (C.54:10A-5.44) shall not exceed a cumulative total of \$1,000,000 in fiscal year 2020 and in each fiscal year thereafter to apply against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) and the tax imposed pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. If the cumulative total amount of tax credits allowed to taxpayers for taxable years or privilege periods commencing during a single fiscal year under subsection a. of this section and subsection a. of section 1 of P.L.2019, c.417 (C.54:10A-5.44) exceeds the amount of tax credits available in that fiscal year, then taxpayers who have first applied for and have not been allowed a tax credit for that reason shall be allowed, in the order in which they have submitted an application, the amount of tax credit on the first day of the next succeeding fiscal year in which tax credits allowed under subsection a. of this section and subsection a. of section 1 of P.L.2019, c.417 (C.54:10A-5.44) are not in excess of the amount of credits available.

e. A taxpayer shall submit to the department and the director a report to verify the qualified start-up costs incurred by the taxpayer associated with the initial year of participation in an apprenticeship program. The report shall include such information as shall be determined necessary by the department and the director to substantiate the qualified start-up costs incurred by the taxpayer.

f. As used in this section:

"Apprenticeship program" means a registered program providing to each trainee combined classroom and on-the-job training under the direct and close supervision of a highly skilled worker in an occupation recognized as an apprenticeship trade, and: (1) registered by the Office of Apprenticeship of the U.S. Department of Labor and meeting the standards established by that office; or (2) registered by a State apprenticeship agency recognized by the office.

"Department" means the Department of Labor and Workforce Development"

"Key industry" means an industry that makes or could make an important contribution to the economy of the State, which may include, but not be limited to, advanced manufacturing, construction, healthcare, logistics, pharmaceuticals, transportation, tourism, and renewable energy, as defined by the Department of Labor and Workforce Development in accordance with regulations adopted pursuant to P.L.2019, c.417 (C.54:10A-5.44 et al.).

"Qualified start-up costs" means the ordinary and necessary costs to start an apprenticeship program in that industry and occupation, including the salary costs of employees working on the program and if applicable, the non-recurring costs of fixed telecommunication furnishings and office equipment.

C.34:15D-6.1 Apprenticeship Start-Up Grant Program.

3. a. There is created in the Office of Customized Training in the Department of Labor and Workforce Development the Apprenticeship Start-Up Grant Program. The purpose of the program is to provide an incentive for eligible organizations to support the development and

expansion of apprenticeship programs, which will provide additional opportunities for New Jersey's workforce to access careers in high-skill, high-wage occupations.

b. An eligible organization may apply for a grant in an amount not to exceed \$5,000 to offset the qualified start-up costs associated with the initial year of participation in an apprenticeship program or for a grant in an amount not to exceed \$10,000 to offset the qualified start-up costs associated with the initial year of participation in an apprenticeship program that provides greater opportunities for workers in key industries.

c. An eligible organization shall demonstrate to the commissioner that it has participated in the establishment or operation of an apprenticeship program within the 12-month period before applying for a grant. An eligible organization shall submit an application in such form as shall be required by the commissioner. The application shall require, at a minimum, an eligible organization to submit to the department a report to verify the qualified start-up costs incurred by an eligible organization associated with the initial year of participation in an apprenticeship program. The report shall include such information as shall be determined necessary by the department to substantiate the qualified start-up costs incurred by an eligible organization.

d. As used in this section:

“Apprenticeship program” means a registered program providing to each trainee combined classroom and on-the-job training under the direct and close supervision of a highly skilled worker in an occupation recognized as an apprenticable trade, and: (1) registered by the Office of Apprenticeship of the U.S. Department of Labor and meeting the standards established by that office; or (2) registered by a State apprenticeship agency recognized by the office.

“Eligible organization” means a labor union or an organization exempt from taxation pursuant to paragraph (3) of subsection (c) of section 501 of the federal Internal Revenue Code, (26 U.S.C. s.501(c)(3)).

“Key industry” means an industry that makes or could make an important contribution to the economy of the State, which may include, but not be limited to advanced manufacturing, construction, healthcare, logistics, pharmaceuticals, transportation, tourism, and renewable energy defined by the department in accordance with regulations adopted pursuant to P.L.2019, c.417 (C.54:10A-5.44 et al.).

“Qualified start-up costs” means the ordinary and necessary costs to start an apprenticeship program in that industry and occupation, including the salary costs of employees working on the program and, if applicable, the non-recurring costs of fixed telecommunication furnishings and office equipment.

4. Section 9 of P.L.1992, c.43 (C.34:15D-9) is amended to read as follows:

C.34:15D-9 Workforce Development Partnership Fund.

9. a. A restricted, nonlapsing, revolving Workforce Development Partnership Fund, to be managed and invested by the State Treasurer, is hereby established to: provide employment and training services to qualified displaced, disadvantaged and employed workers by means of training grants or customized training services; provide for the other costs indicated in subsection a. of section 4 of P.L.1992, c.43 (C.34:15D-4); provide for the New Jersey Innovation and Research Fellowship Program as provided for in section 3 of P.L.2015, c.235 (C.34:15D-26); provide for the Talent Network Program as provided for in section 2 of P.L.2019, c.125 (C.34:15D-29); and facilitate the provision of education and training to youth by means of grants provided by the Youth Transitions to Work Partnership pursuant to the provisions of P.L.1993, c.268 (C.34:15E-1 et al.). All appropriations to the fund, all interest accumulated on balances in

the fund and all cash received for the fund from any other source shall be used solely for the purposes specifically delineated by this act.

b. During any fiscal year beginning after June 30, 2001, of the total revenues dedicated to the program during any one fiscal year: 25% shall be deposited in an account of the Workforce Development Partnership Fund reserved to provide employment and training services for qualified displaced workers, and through fiscal year 2023, not less than 10% of the revenues deposited in that account shall be reserved to provide employment and training services to qualified displaced workers in the pursuit of industry-valued credentials under the pilot program established pursuant to P.L.2019, c.252 (C.34:15D-30 et al.); and during any fiscal year beginning after June 30, 2019, 0.5% shall be deposited in an account of the Workforce Development Partnership Fund reserved for and appropriated to the Department of Labor and Workforce Development for the Apprenticeship Start-Up Grant Program created pursuant to section 3 of P.L.2019, c.417 (C.34:15D-6.1); 6% shall be deposited in an account of the Workforce Development Partnership Fund reserved to provide employment and training services for qualified disadvantaged workers, and through fiscal year 2023, not less than 10% of the revenues deposited in that account shall be reserved to provide employment and training services to qualified disadvantaged workers in the pursuit of industry-valued credentials under the pilot program established pursuant to P.L.2019, c.252 (C.34:15D-30 et al.); 37% shall be deposited in an account of the Workforce Development Partnership Fund reserved for and appropriated to the Office of Customized Training; 5% shall be deposited in an account of the Workforce Development Partnership Fund reserved for the Youth Transitions to Work Partnership created pursuant to P.L.1993, c.268 (C.34:15E-1 et seq.); 3% shall be deposited in an account of the Workforce Development Partnership Fund reserved for occupational safety and health training; 5% shall be deposited in an account of the Workforce Development Partnership Fund reserved for and appropriated to the Talent Network Program established pursuant to section 2 of P.L.2019, c.125 (C.34:15D-29); 3% shall be deposited in an account of the Workforce Development Partnership Fund reserved for the New Jersey Innovation and Research Fellowship Program established pursuant to section 3 of P.L.2015, c.235 (C.34:15D-26); 10% shall be deposited in an account of the Workforce Development Partnership Fund reserved for administrative costs as defined in section 3 of P.L.1992, c.43 (C.34:15D-3); 0.5% shall be deposited in an account of the Workforce Development Partnership Fund reserved for the State Employment and Training Commission to design criteria and conduct an annual evaluation of the program; and 5% shall be deposited in an account of the Workforce Development Partnership Fund to be used, at the discretion of the commissioner, for any of the purposes indicated in subsection a. of section 4 of P.L.1992, c.43 (C.34:15D-4).

c. Beginning January 1, 1995, through June 30, 2002, the balance in the fund as of the previous December 31, as determined in accordance with generally accepted accounting principles, shall not exceed 1.5 times the amount of contributions deposited for the calendar year then ended. If the balance exceeds this amount, the excess shall be deposited into the unemployment compensation fund within seven business days of the date that the determination is made.

d. Beginning July 1, 2002, and for any subsequent fiscal year, if the unexpended cash balance in any of the accounts indicated in subsection b. of this section, except for the account reserved for the Talent Network Program, less any amount awarded in grants but not yet disbursed from the account, is determined to exceed 20% of the amount of contributions collected for deposit in the account pursuant to this subsection during the fiscal year then ended, the excess shall be regarded as an unemployment compensation contribution and deposited into the unemployment compensation fund within seven business days of the date that the

determination is made. If the unexpended cash balance in the account reserved for the Talent Network Program, less any amount awarded in grants but not yet disbursed from the account, is determined to exceed 20% of the amount of contributions collected for deposit in the account pursuant to this subsection during the fiscal year then ended, the excess shall be deposited into the Workforce Development Partnership Fund account reserved for the Office of Customized Training.

5. No later than January 1, 2025, the Commissioner of Labor and Workforce Development shall submit to the Governor, and to the Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), a report that evaluates the results of the tax credits and the Apprenticeship Start-Up Grant Program and the effectiveness of those initiatives in encouraging businesses to participate in apprenticeship programs. The report shall include a recommendation regarding whether to continue the tax credits and the Apprenticeship Start-Up Grant Program, and if continuance is recommended, if the tax credits and the Apprenticeship Start-Up Grant Program should be expanded or otherwise enhanced.

6. The Director of the Division of Taxation in the Department of the Treasury shall adopt rules and regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate sections 1 and 2 of this act.

7. The Commissioner of Labor and Workforce Development shall adopt rules and regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate section 3 of this act.

8. This act shall take effect immediately.

Approved January 21, 2020.