To establish a tax credit for on-site apprenticeship programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. CANTWELL (for herself and Ms. COLLINS) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To establish a tax credit for on-site apprenticeship programs, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Apprenticeship and
Jobs Training Act of 2017”.

SEC. 2. TAX CREDIT FOR APPRENTICESHIP PROGRAMS.

(a) IN GENERAL.—Subpart D of part IV of sub-
chapter A of chapter 1 of the Internal Revenue Code of
1986 is amended by adding at the end the following new
section:
"SEC. 45S. CREDIT FOR APPRENTICESHIP PROGRAM EXPENSES."

"(a) Tax Credit.—

"(1) In general.—For purposes of section 38, in the case of an employer, the apprenticeship program credit determined under this section for any taxable year is an amount equal to—

"(A) with respect to each qualified individual in a qualified apprenticeship program, the lesser of—

"(i) the amount of any wages (as defined in section 51(c)(1)) paid or incurred by the employer with respect to such qualified individual during the taxable year, or

"(ii) $5,000, and

"(B) with respect to each qualified individual in a qualified multi-employer apprenticeship program, the lesser of—

"(i) an amount equal to the product of—

"(I) the total number of hours of work performed by such qualified individual for such employer during such taxable year, multiplied by

"(II) $3, or

"(ii) $5,000."
“(2) Established Apprenticeship Programs.—

“(A) In General.—The apprenticeship program credit determined under this section for the taxable year shall only be applicable to the number of qualified individuals employed by the employer through a qualified apprenticeship program or a qualified multi-employer apprenticeship program which are in excess of the apprenticeship participation average for such employer (as determined under subparagraph (B)).

“(B) Apprenticeship Participation Average.—For purposes of subparagraph (A), the apprenticeship participation average shall be equal to the average of the total number of qualified individuals employed by the employer through a qualified apprenticeship program or qualified multi-employer apprenticeship program for—

“(i) the 3 preceding taxable years, or

“(ii) the number of taxable years in which the qualified apprenticeship program or the qualified multi-employer apprenticeship program was in existence, whichever is less.
(3) Denial of double benefit.—No deduction or any other credit shall be allowed under this chapter for any amount taken into account in determining the credit under this section.

(4) Election not to claim credit.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

(5) Limitation.—The apprenticeship program credit under this section shall not be allowed for more than 3 taxable years with respect to any qualified individual.

(b) Qualified individual.—

(1) In general.—For purposes of this section, the term ‘qualified individual’ means, with respect to any taxable year, an individual who is an apprentice and—

(A) is participating in a qualified apprenticeship program or a qualified multi-employer apprenticeship program with an employer that is subject to the terms of a valid apprenticeship agreement (as defined in the Act of August 16, 1937 (commonly known as the ‘National Apprenticeship Act’; 50 Stat. 664, chapter 663; 29 U.S.C. 50 et seq.),
“(B) has been employed under a qualified apprenticeship program or a qualified multi-employer apprenticeship program for a period of not less than 7 months that ends within the taxable year,

“(C) is not a highly compensated employee (as defined in section 414(q)), and

“(D) is not a seasonal worker (as defined in section 45R(d)(5)(B)).

“(2) TRAINING RECEIVED BY MEMBERS OF THE ARMED FORCES.—An employer shall consider and may accept, in the case of a qualified individual participating in a qualified apprenticeship program or a qualified multi-employer apprenticeship program, any relevant training or instruction received by such individual while serving in the Armed Forces of the United States, for the purpose of satisfying the applicable training and instruction requirements under such qualified apprenticeship program.

“(c) QUALIFIED APPRENTICESHIP PROGRAM AND QUALIFIED MULTI-EMPLOYER APPRENTICESHIP PROGRAM.—

“(1) QUALIFIED APPRENTICESHIP PROGRAM.—

“(A) IN GENERAL.—For purposes of this section, the term ‘qualified apprenticeship pro-
gram’ means a program registered under the National Apprenticeship Act, whether or not such program is sponsored by an employer, which—

“(i) provides qualified individuals with on-the-job training and instruction for a qualified occupation with the employer,

“(ii) is registered with the Office of Apprenticeship of the Employment and Training Administration of the Department of Labor or a State apprenticeship agency recognized by such Office of Apprenticeship,

“(iii) maintains records relating to the qualified individual, in such manner as the Secretary, after consultation with the Secretary of Labor, may prescribe, and

“(iv) satisfies such other requirements as the Secretary, after consultation with the Secretary of Labor, may prescribe.

“(B) QUALIFIED OCCUPATION.—For purposes of subparagraph (A)(i), the term ‘qualified occupation’ means a skilled trade occupation in a high-demand mechanical, technical, healthcare, or technology field (or such other...
occupational field as the Secretary, after consultation with the Secretary of Labor, may prescribe that satisfies the criteria for an apprenticeable occupation under the National Apprenticeship Act.

“(2) QUALIFIED MULTI-EMPLOYER APPRENTICESHIP PROGRAM.—The term ‘qualified multi-employer apprenticeship program’ means an apprenticeship program described in paragraph (1) in which multiple employers are required to contribute and that is maintained pursuant to one or more collective bargaining agreements between one or more employee organizations and such employers.

“(d) APPRENTICESHIP AGREEMENT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘apprenticeship agreement’ means an agreement between a qualified individual and an employer that satisfies the criteria under the National Apprenticeship Act.

“(2) CREDIT FOR TRAINING RECEIVED UNDER APPRENTICESHIP AGREEMENT.—If a qualified individual has received training or instruction through a qualified apprenticeship program or a qualified multi-employer apprenticeship program with an employer which is subsequently unable to satisfy its ob-
ligations under the apprenticeship agreement, such individual may transfer any completed training or instruction for purposes of satisfying any applicable training and instruction requirements under a separate apprenticeship agreement with a different employer.

"(e) APPLICATION OF CERTAIN RULES.—For purposes of this section, all persons treated as a single employer under subsection (a) or (b) of section 52, or subsections (m) or (o) of section 414, shall be treated as a single person.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section.”.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by adding at the end the following new paragraph:

“(37) the apprenticeship program expenses credit determined under section 45S(a).”.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1
of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 45S. Credit for apprenticeship program expenses."

(d) CONFORMING AMENDMENTS.—

(1) RULE FOR EMPLOYMENT CREDITS.—Section 280C(a) of the Internal Revenue Code of 1986 is amended by inserting “45S(a),” after “45P(a),”.

(2) EXCLUSION FOR DETERMINATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES.—Clause (iii) of section 41(b)(2)(D) of such Code is amended by inserting “the apprenticeship program credit under section 45S(a) or” after “in determining”.

(e) EVALUATION.—Not later than 3 years after the date of the enactment of this Act, and annually thereafter, the Comptroller General of the United States shall submit a report to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate and the Committees on Ways and Means and Education and the Workforce of the House of Representatives that contains an evaluation of the activities authorized under this Act, including—

(1) the extent to which qualified individuals completed qualified apprenticeship programs and qualified multi-employer apprenticeship programs;

(2) whether qualified individuals remained employed by an employer that received an apprentice-
ship program credit under section 45S of the Internal Revenue Code of 1986 and the length of such employment following expiration of the apprenticeship period;

(3) whether qualified individuals who completed a qualified apprenticeship program or a qualified multi-employer apprenticeship program remained employed in the same occupation or field; and

(4) recommendations for legislative and administrative actions to improve the effectiveness of the apprenticeship program credit under section 45S of the Internal Revenue Code of 1986.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 3. ENCOURAGING MENTORS TO TRAIN THE FUTURE.

(a) EARLY DISTRIBUTIONS FROM QUALIFIED RETIREMENT PLANS.—Section 72(t)(2) of the Internal Revenue Code of 1986 is amended—

(1) in subparagraph (A)—

(A) by striking “or” at the end of clause (vii); and

(B) by striking the period at the end of clause (viii) and inserting “, or”; and
(C) by adding at the end the following new clause:

“(ix) made to an employee who is serving as a mentor.”; and

(2) by adding at the end the following new sub-paragraph:

“(H) DISTRIBUTIONS TO MENTORS.—For purposes of this paragraph, the term ‘mentor’ means an individual who—

“(i) has attained 55 years of age,

“(ii) is not separated from their employment with a company, corporation, or institution of higher education,

“(iii) in accordance with such requirements and standards as the Secretary determines to be necessary, has substantially reduced their hours of employment with their employer, with the individual to be engaged in mentoring activities described in clause (iv) for not less than 20 percent of the hours of employment after such reduction, and

“(iv) is responsible for the training and education of employees or students in an area of expertise for which the indi-
vidual has a professional credential, certificate, or degree.”.

(b) Distributions During Working Retirement.—Paragraph (36) of section 401(a) of the Internal Revenue Code of 1986 is amended to read as follows:

“(36) Distributions during working retirement.—

“(A) In general.—A trust forming part of a pension plan shall not be treated as failing to constitute a qualified trust under this section solely because the plan provides that a distribution may be made from such trust to an employee who—

“(i) has attained age 62 and who is not separated from employment at the time of such distribution, or

“(ii) subject to subparagraph (B), is serving as a mentor (as such term is defined in section 72(t)(2)(H)).

“(B) Limitation on distributions to mentors.—For purposes of subparagraph (A)(ii), the amount of the distribution made to an employee who is serving as a mentor shall not be greater than the amount equal to the product obtained by multiplying—
“(i) the amount of the distribution that would have been payable to the employee if such employee had separated from employment instead of reducing their hours of employment with their employer and engaging in mentoring activities, in accordance with clauses (iii) and (iv) of section 72(t)(2)(H), by

“(ii) the percentage equal to the quotient obtained by dividing—

“(I) the sum of—

“(aa) the number of hours per pay period by which the employee’s hours of employment are reduced, and

“(bb) the number of hours of employment that such employee is engaging in mentoring activities, by

“(II) the total number of hours per pay period worked by the employee before such reduction in hours of employment.”.

(c) ERISA.—Subparagraph (A) of section 3(2) of the Employee Retirement Income Security Act of 1974 (29
1. U.S.C. 1002(2)) is amended by striking the period at the end and inserting the following: “, or solely because such distribution is made to an employee who is serving as a mentor (as such term is defined in section 72(t)(2)(H) of the Internal Revenue Code of 1986).”.

(d) APPLICATION.—The amendments made by this section shall apply to distributions made in taxable years beginning after December 31, 2017.