

Report on Apprenticeship Tax Refund Pilot Program for Program Year 2023

As Texas grows in population and in economic opportunities, the demand for a skilled workforce also continues to grow. Through full-time, paid apprenticeship programs, employers can ensure workers are well trained and on successful career pathways.

During the Regular Session of 2021, the 87th Texas Legislature passed Senate Bill 1524, which added Texas Tax Code §151.4292. The bill created a pilot program called the Apprenticeship Tax Refund Pilot Program. The pilot is designed to encourage the development of apprenticeship programs in new and emerging fields.

The purpose of this report is to evaluate “. . . the effect of the pilot program on the employment outcomes and earnings of apprentices with respect to whom refunds are granted under the pilot program¹” receiving tax refunds in Program Year 2023 (PY ‘23). The report also addresses whether the pilot program should be continued, expanded, or terminated.

Apprenticeship Tax Refund Pilot Background

Qualifying employers applied to receive a refund on their state taxes of up to \$2,500 for each qualified apprentice. To qualify for the tax refund, employers must:

- pay State of Texas sales and use taxes and
- pay wages to a Texas resident for at least seven months during their qualifying apprenticeship.

The Texas Workforce Commission (TWC) reviews and approves the tax refunds through an employer-initiated [application process](#). These approvals are sent to the Texas Comptroller of Public Accounts for a final review and issuance of the refunds. Because the refunds are capped at a cumulative total of 100 apprentices, TWC is required to give priority to apprentices who participate in apprenticeship programs in rural areas and who receive training in emerging job fields. Priority can also be given to employers who have apprentices from specific groups, including transitioning foster youth, military veterans, military spouses, and women.

Summary of Applicants and Apprentices

For PY ‘23, 29 employers submitted applications for 66 employees. Fourteen (14) employers claimed more than one apprentice². Five of the applicants were in non-metropolitan areas of Texas.

Thirty-six (36) apprentices were identified by employers as members of the following groups:

Specific Group	# of Participants
Military Veterans	16
Female	15

¹ Texas Tax Code §151.4292(k)

² Employers are limited to 1 apprentice per application. If, however, an employer hires from the specific groups listed above, they are eligible for refunds for up to 6 apprentices.

Youth Transitioning from Foster Care	3
Military Spouse	1
Military Veterans, Female	1

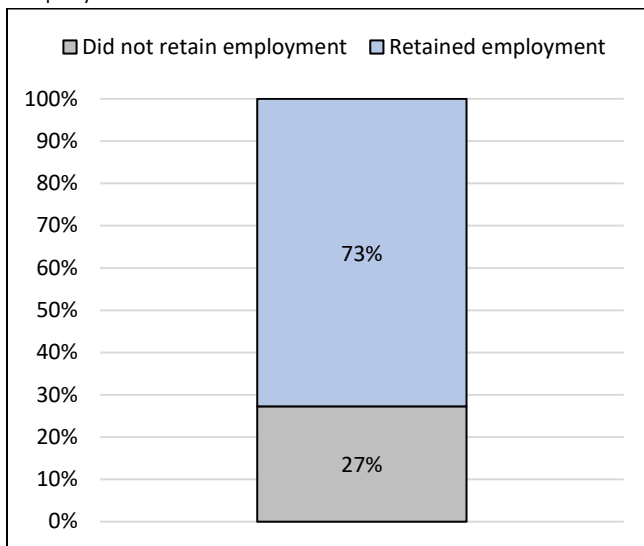
Apprenticeship Tax Refund Pilot Outcomes, PY '23

Methodology

To evaluate the effect of the pilot program on the employment outcomes and earning of the apprentices, staff matched wages using the employee's social security number and the employer's Federal Employer Identification Number (FEIN). By matching the quarter before, during, and all quarters after the apprenticeship start date, staff were able to determine the employment outcomes and quarterly earnings of the apprentices.

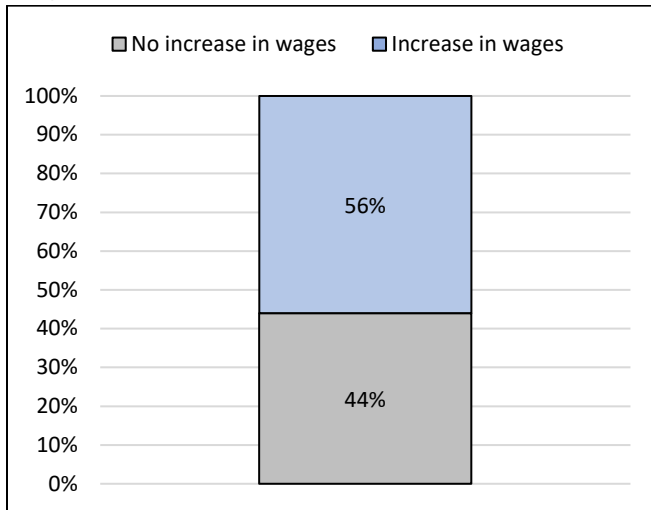
Outcomes

Employment Retention



Of the 66 reported apprentices, 73% remained with the same employer from their hire date through the first quarter of 2024.

Wages



Over 50% of the apprentices experienced wage increases from their hire date through the first quarter of 2024. On average, wages increased by over 7% for most of the apprentices.

Conclusion and Recommendations

For this report, TWC used wage data from the Texas Unemployment Insurance (UI) records to determine employment retention rates and wage increases for the apprentices taking part in the first year of the pilot. Through future data collections, staff can determine the following:

- Did the first cohort of apprentices maintain employment with the same employer for a second year? If yes, did wages remain the same? increase? decrease?
- When compared across multiple years, how do retention rates and wage increases compare from one cohort to another?
- Do apprenticeships positively impact employers in the hiring, training, and retention of workers?

With these additional data points in mind, staff recommend monitoring results of the pilot program through 2026 to accomplish the following:

1. Using longitudinal data, continue to track outcomes for Cohort 1.
2. Compare PY '23 findings to PY '24 findings and describe results of comparisons in the PY '24 report. Continue these comparisons as PY '25 and PY '26 data become available.
3. Conduct voluntary surveys of employers participating in the pilot and share results in future reports.

Results from the first year of the pilot and applications received for the second year indicate that the program is poised to grow as awareness and interest grow. Staff are confident this growth will lead to additional data points to explore and compare, greater insights into the pilot program in general, and a more complete picture of its effects. Future reporting will be expanded to include what is being learned as this innovative pilot continues.