2025 Apprenticeship Tax Refund Pilot Program Report

Texas Tax Code §151.4292, Tax Refund Pilot Program for Certain Persons Who Employ Apprentices**,** establishes a pilot program to encourage the development of Registered Apprenticeship Programs.

This report evaluates the impact of the Apprenticeship Tax Refund Pilot Program on apprentice employment outcomes and earnings of apprentices working for at least seven months during Calendar Year 2025 (CY 2025) and compares outcomes and earnings to data shared in the CY 2024 report. The comparisons were used to inform recommendations regarding the program's continuation, expansion, or termination.

Apprenticeship Tax Refund Pilot Program Overview

From January through March of each pilot year, qualifying applicants submit applications to Texas Workforce Commission (TWC) to receive a refund on their state taxes of up to $2,500 for each qualified apprentice. To qualify for the tax refund, applicants must:

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

TWC's executive director may certify tax refunds for up to 100 eligible applicants in a year. If there are more than 100 eligible applicants, TWC is required to give priority to applicants who offer apprenticeships in rural areas and provide training in emerging occupation fields. Consideration is extended to applicants who employ multiple (up to the statutory maximum of six) apprentices from designated populations, including transitioning foster youth, military veterans, military spouses, and women.

Summary of Applicants and Apprentices

For CY 2024, 46 applicants submitted applications for 98 apprentices, with 17 applicants claiming more than one apprentice.

In comparison, for CY 2025, 40 applicants submitted applications for 90 apprentices, with 25 applicants claiming more than one apprentice.

Another point of comparison is apprentice designations. In CY 2024, applicants identified 54 apprentices who met designations described in Texas Tax Code §151.4292(e)(2)(A–D). For CY 2025, 59 apprentices were identified as meeting those designations. Women participating in apprenticeship programs increased by 32 percent while the number of participating military veterans remained consistent.

Designation	**CY 2024**	**CY 2025**
Youth Transitioning from Foster Care	4	0
Military Veterans	19	18
Military Spouses	0	0
Women	31	41
Total	**54**	**59**

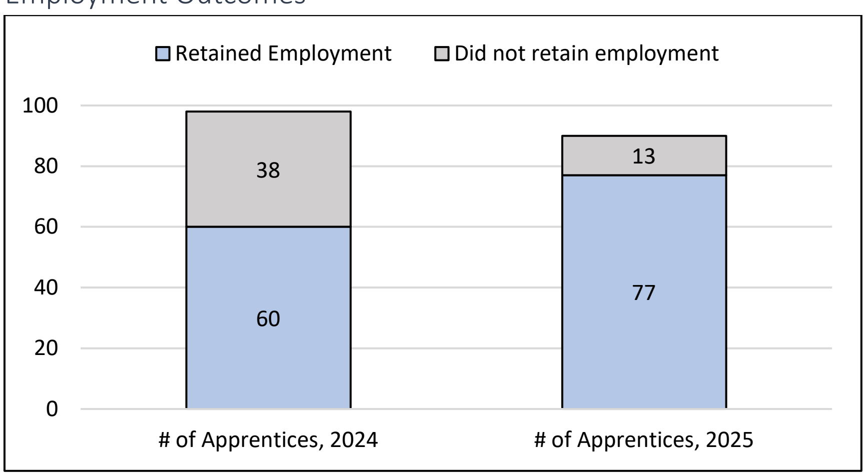
Apprenticeship Tax Refund Pilot Outcomes

Methodology

To evaluate the effect of the pilot program, staff matched wages using each apprentice's social security number and the applicant's federal employer identification number. 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 for both program years.

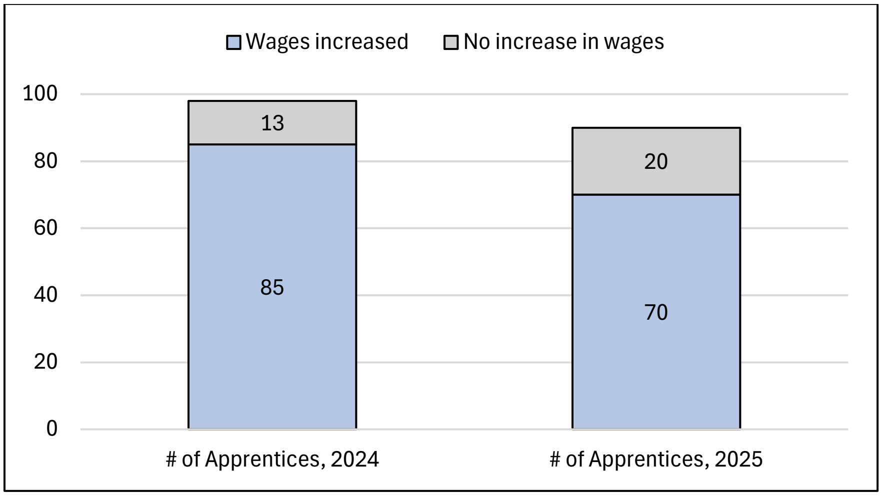
Outcomes

Employment Outcomes



For CY 2024, out of the 98 apprentices, 60 (61 percent) remained with the same employer through the first quarter of 2025. For CY 2025, out of the 90 apprentices, 77 (86 percent) remained with the same employer through the first quarter of 2026.

Earnings



In CY 2024, 87 percent of apprentices experienced wage increases from their hire date through the first quarter of 2025. Of the 98 apprentices reported, 85 apprentices saw an increase in their quarterly wages.

In CY 2025, over 77 percent of the apprentices experienced wage increases from their hire date through the first quarter of 2026. This meant 70 out of the 90 apprentices saw an increase in their quarterly wages.

Cohort 1 (CY 2023) and Cohort 2 (CY 2024) Update

Employment Retention and Wage Growth through Q1 2026

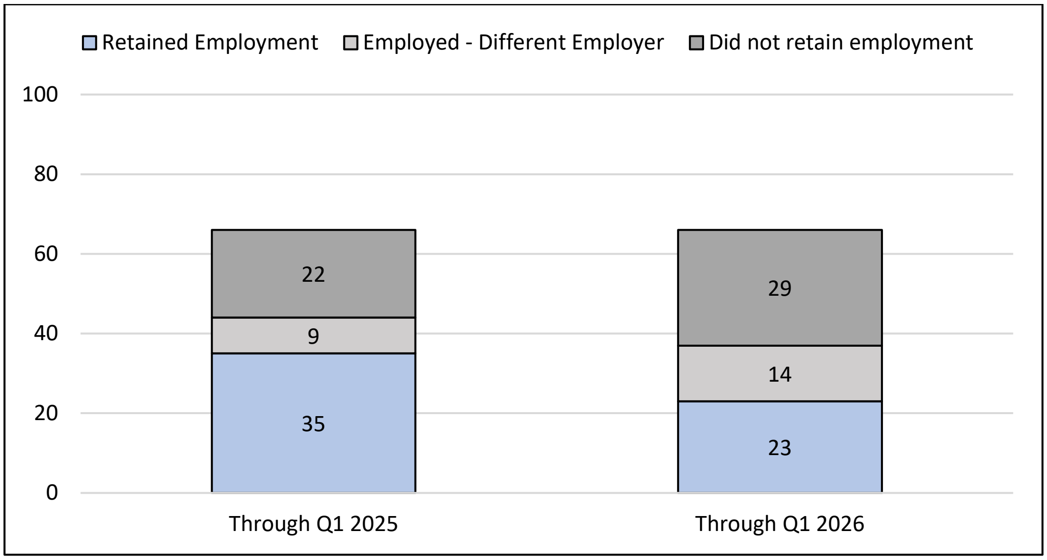
A follow-up analysis of apprentices reported in CY 2023 (Cohort 1) and CY 2024 (Cohort 2) was conducted to further inform decisions regarding the Apprenticeship Tax Refund Pilot Program. The analysis focused on employment retention and wage growth through the first quarter of 2026.

It should be noted that just because an apprentice did not remain with the same employer does not mean they are no longer employed. Many of the apprentices have moved on to other employers. However, available employment data does not allow confirmation of whether the apprentices remained working within the occupation for which they received training.

Cohort 1 (CY 2023)

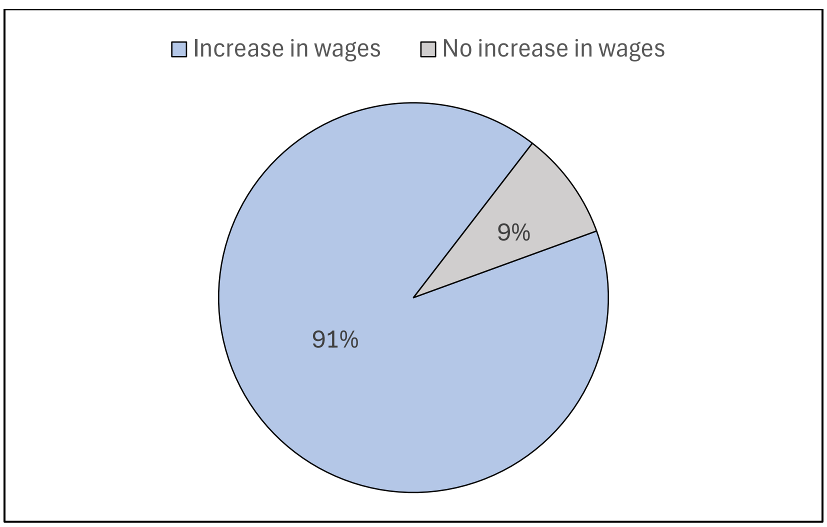
Employment Outcomes

As of Q1 2026, 23 apprentices from the first cohort remained with their original employer, representing a 35 percent retention rate for the group.



Earnings

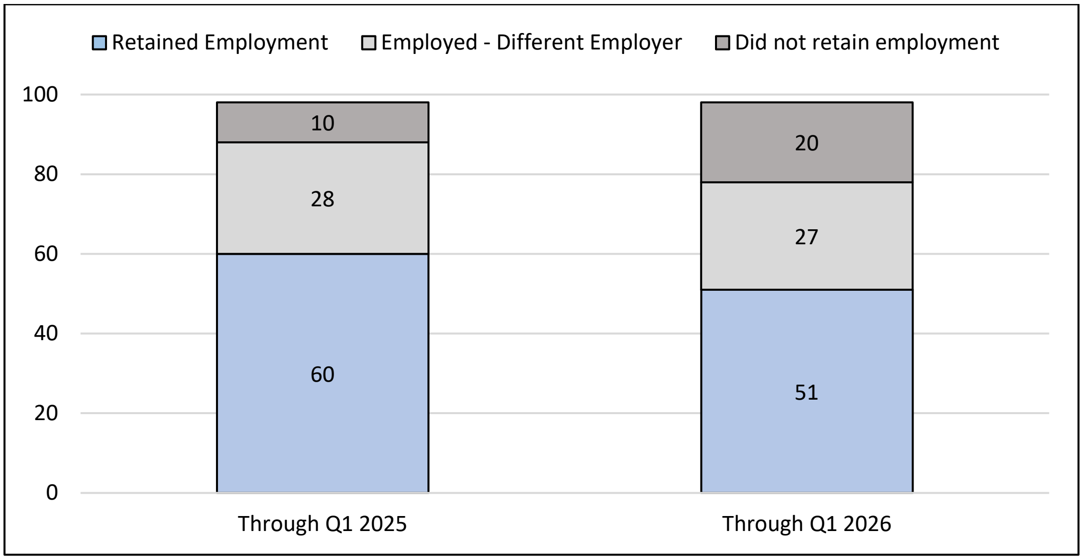
Of the 23 apprentices who remained with their employer, 91 percent have experienced continuous wage growth.



Cohort 2 (CY 2024)

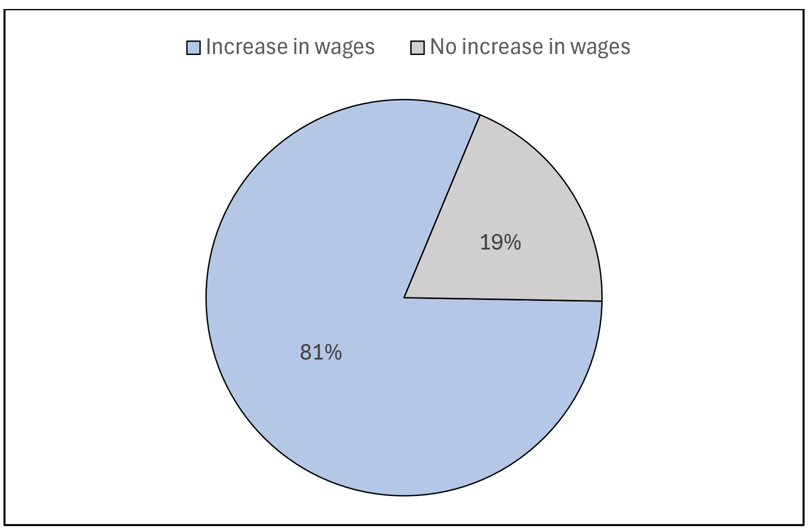
Employment Outcomes

As of Q1 2026, 47 apprentices from the second cohort remained with their employer, representing a 48 percent retention rate for the group.



Earnings

Eighty-one percent of the 47 retained apprentices from Cohort 2 have seen their quarterly wages continue to rise.



The apprenticeship model creates lasting value for its participants. Data through the first quarter of 2026 shows that apprentices who remain with their employers benefit from steady wage growth. On average, quarterly earnings increased by 3.9 percent for Cohort 1 and 1.9

percent for Cohort 2. This demonstrates the program's success in building valuable skills that directly boost earning potential for Texas workers.

Conclusion and Recommendation

Analysis of the Apprenticeship Tax Refund Pilot Program for CY 2024 and CY 2025 reveals that this initiative is successfully achieving its core objective to encourage the expansion of high-quality apprenticeship programs across Texas. The program continued to encourage participation among targeted demographics. The enduring wage growth observed in earlier cohorts solidifies the program's role in cultivating a skilled and competitively compensated workforce.

Based on the positive employment outcomes and sustained wage growth observed across multiple cohorts, it is recommended that the Apprenticeship Tax Refund Pilot Program be continued beyond its current December 31, 2026, expiration date. The pilot is successfully meeting its core objective, demonstrating high early employment retention and consistent earnings increases, as observed in most participants.