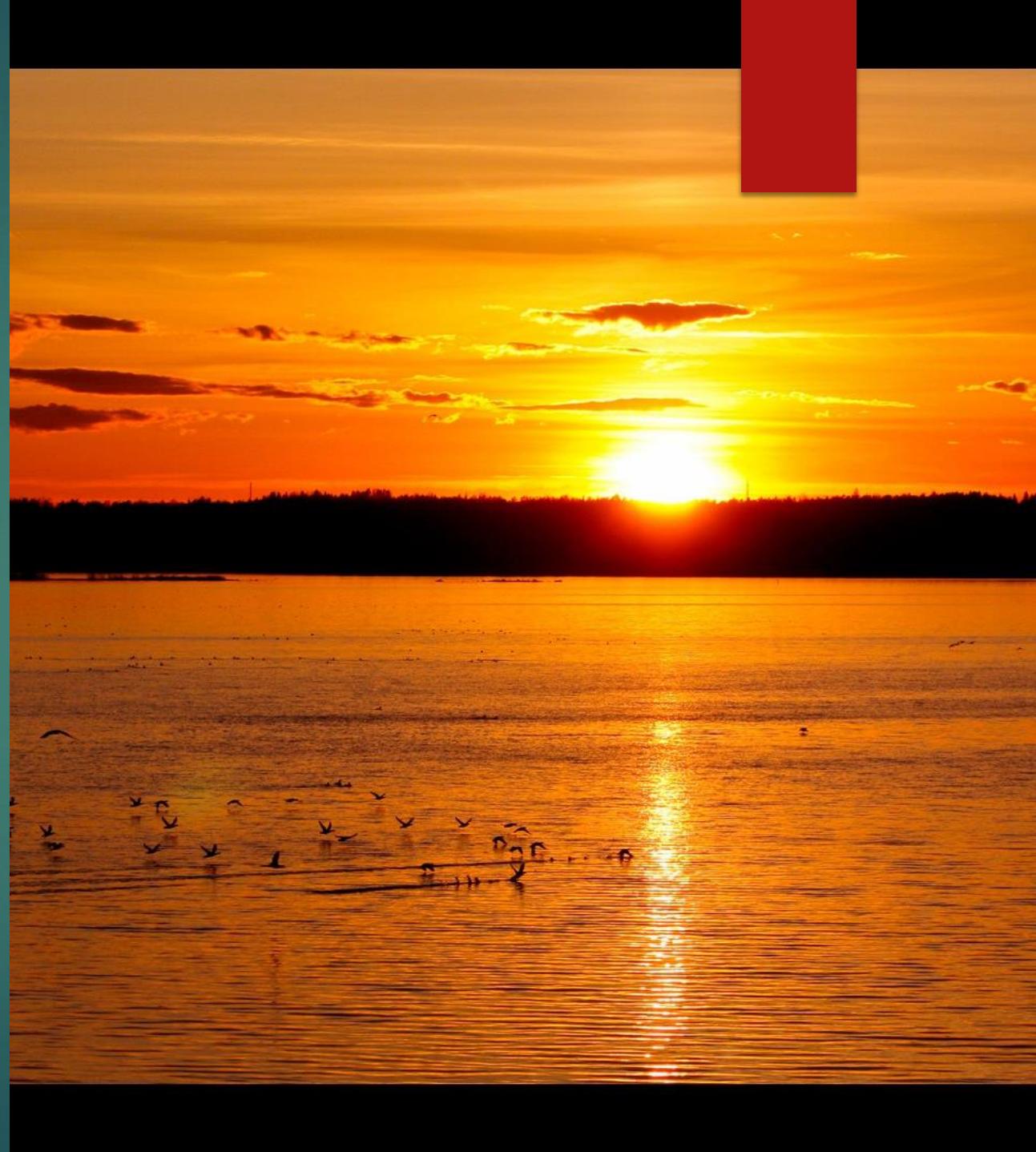


Senate Bill 116 - (SB 116) Education Tax Credit Bill

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This bill does the following:

- ▶ Extends the effective date for the repeal of the education tax credits from December 31, 2018 to **January 1, 2025**.
- ▶ Ensures that the credits that exist in statute today, will maintain until January 1, 2025 (instead of narrowing in scope and decreasing in value on January 1, 2021).

Reminder: What are the Education Tax Credits?

- ▶ Alaska's Education Tax Credit program allows private businesses to make charitable contributions to support education in Alaska.
- ▶ Over the years, the list of those eligible to receive cash donations from private businesses has expanded. Private businesses can give cash to fund facilities and programs.
- ▶ The objective is to help the next generation.



What are we trying to preserve?

- ▶ Generally, the credit provision allowed for 50% of the annual contributions up to \$100,000, 100% of the next \$200,000, and 50% of annual contributions beyond \$300,000.
- ▶ The total credit per taxpayer, across all tax types could not exceed \$5 million.

Why are education tax credits important?

- ▶ Education benefits directly. Students benefit and become the future workforce.
- ▶ They allow private industry to partner with education.
- ▶ They allow a need to be filled, directly.

A few examples of entities that can receive contributions:

- ▶ Nonprofit, public or private, accredited Alaska two-year or four-year colleges
- ▶ AK public and private nonprofit elementary or secondary schools and school districts
- ▶ State-operated vocational technical education and training schools
- ▶ Nonprofit regional vocational training centers
- ▶ Apprenticeship programs
- ▶ Coastal ecosystem learning centers
- ▶ The Alaska higher education investment fund
- ▶ Native cultural programs

Types of Taxes That Are Affected

- ▶ **Corporate Income Taxes** - A corporate income tax on Alaska taxable income which is based on federal taxable income (with certain Alaska adjustments).
- ▶ **Fisheries Business Tax** - Levied on persons who process or export fisheries resources from Alaska. The tax is based on the price paid to commercial fishers or fair market value when there is not an arms length transaction. Fisheries business tax is collected primarily from licensed processors and persons who export fish from Alaska.
- ▶ **Fishery Resource Landing Tax** - Levied on fishery resources processed outside the 3-mile limit and first landed in Alaska, or any qualified processed fishery resource. The tax is primarily collected from factory trawlers and floating processors. The tax is based on the unprocessed value of the resource. The calculation is determined by multiplying a statewide average price (determined by the Alaska Department of Fish and Game data) by the unprocessed weight.

Types of Taxes That Are Affected

- ▶ **Insurance Premium Tax** –All insurance companies are required to pay premium tax on policies written on Alaska risks under AS 21.09.210. From a collection stand-point, the premium tax is collected similarly to the corporate income tax. The credit is claimed against the premium tax on the Annual Premium Tax Report due March 1 of the year following the completed calendar year. The report is filed electronically to the Alaska Division of Insurance through a third party vendor. The credit is to provide insurance companies incentive to donate to Alaska educational institutions.
- ▶ **Title Insurance Premium Tax** – The only difference from the insurance premium tax is the type of insurance company claiming the credit under AS 21.66.110. Examples include: Chicago Title Ins Co, First American Title Ins Co, etc.

Types of Taxes That Are Affected

- ▶ **Mining License Tax** – Levied on mining net income and royalties received on mining properties in Alaska. Primary focus is on coal and hard rock mining.
- ▶ **Oil and Gas Production Tax** - Levied on oil and gas producers each calendar year from each lease or property in Alaska. Minus any oil and gas that is exempt, or which constitutes a landowner's royalty interest.
- ▶ **Oil and Gas Property Tax** – An annual tax levied each tax year on the full and true value of taxable property



QUESTIONS?