

Alaska Education Tax Credit

The Alaska Education Tax Credit Program provides a tax credit to businesses that make contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations to school districts for purposes other than vocational education courses, programs, and facilities do not qualify.

Who qualifies? If your company pays any of the following taxes to the State of Alaska you may be eligible to claim an Education Tax Credit:

- Alaska Corporate Income Tax (AS 43.20.011)
- Fisheries Business Tax (AS 43.75.015)
- Fishery Resource Landing Tax (AS 43.77.010)
- Insurance Premium Tax/Title Insurance Premium Tax (AS 21.89.070)
- Mining License Tax (AS 43.65.010)
- Oil and Gas Production and Transportation Tax (AS 43.56.010)
- Oil and Gas Property Tax (AS 43.55.011)

How much can companies save? The examples below reflect recent changes to Alaska law—effective January 1, 2011—that provide even greater benefits for schools. In addition to the state tax credit, businesses may qualify for federal tax savings by making charitable cash donations.

Gift Amount	Alaska Education Tax Credit	Estimated Alaska Tax Benefit*	Estimated Federal Tax Benefit*	Total Tax Savings (State and Federal)	Net Cost of Donation
\$10,000	\$5,000	\$4,080	\$2,079	\$6,139	\$3,861
\$50,000	\$25,000	\$20,400	\$10,395	\$30,695	\$19,305
\$100,000	\$50,000	\$40,800	\$20,790	\$61,390	\$38,610
\$200,000	\$150,000	\$121,600	\$24,080	\$155,280	\$44,720
\$300,000	\$250,000	\$201,600	\$27,370	\$249,170	\$50,830
\$400,000	\$300,000	\$262,400	\$48,160	\$310,560	\$89,440
\$500,000	\$350,000	\$303,600	\$68,950	\$371,950	\$128,050
\$1,000,000	\$600,000	\$508,800	\$172,900	\$678,900	\$321,100
\$9,800,000	\$5,000,000	\$4,078,800	\$2,002,420	\$6,081,220	\$3,718,780

*Assumes an Alaska tax rate of 9.4% and a federal tax rate of 35%. This calculation is simplified and actual results may vary depending upon the unique circumstances of each taxpayer. Please contact your tax consultant for further information.

How is the new Alaska Education Tax Credit calculated?

- Donations up to \$100,000: donors still receive a tax credit of 50%.
- Donations of \$100,000 to \$300,000: the new 100% credit applies to the amount of the donation over \$100,000 up to \$300,000.
- Donations of \$300,000 to \$9,800,000: the new tax credit of 50% applies to the amount of the donation over \$300,000, limited to a maximum credit of \$5 million.

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Corporations Can Now Get up to \$5 Million in Tax Credits

NEW Alaska Educational Tax Credit Benefits beginning January 1, 2011 till December 31, 2013

The legislature recently expanded the Alaska Higher Education Tax Credit to increase the credit amount for corporations making contributions in support of education. Under current law, tax payers who make cash contributions to an Alaskan educational or vocational institution receive a tax credit of 50 percent for contributions up to \$100,000 and 100 percent for contributions between \$100,000 and \$200,000. The maximum credit allowable under current law is \$150,000. The revised law will allow companies to take up to a \$5 million tax credit when they support Alaska's colleges, universities and vocational programs.

Here's how it works:

The tax credit can be used against the following Alaska taxes:

- Income Tax
- Insurance Premium Tax/Title Insurance Premium Tax
- Oil and Gas Property Tax
- Oil and Gas Production Tax
- Fisheries Business Tax/Fisheries Landing Tax
- Mining License Tax

If you make a cash contribution to an Alaskan educational or vocational institution and pay any of the taxes listed above, you can claim the Alaska Educational Tax Credit as follows:

- 50% of contributions up to \$100,000
- 100% of contributions \$100,000-\$300,000
- 50% of contributions \$300,000-\$10,000,000

Who to give to:

The new law has expanded on the current law and now allows corporate donors to make contributions to secondary and postsecondary vocational institutions for courses, programs and facilities as well as to Alaska's two-year and four-year accredited colleges and universities.

Gift Amount	Alaska Education Tax Credit Savings	+	Federal Tax Savings	=	Total Tax Savings	Net Cost of Gift After Tax
\$10,000	\$5,000		\$1,750		\$6,750	\$3,250
\$50,000	\$25,000		\$8,750		\$33,750	\$16,250
\$100,000	\$50,000		\$17,500		\$67,500	\$32,500
\$300,000	\$250,000		\$17,500		\$267,500	\$32,500
\$500,000	\$350,000		\$52,500		\$402,500	\$97,500

\$700,000	\$450,000		\$87,500		\$537,500	\$162,500
\$1,000,000	\$600,000		\$140,000		\$740,000	\$260,000
\$2,000,000	\$1,100,000		\$315,000		\$1,415,000	\$585,000
\$5,000,000	\$2,600,000		\$840,000		\$3,440,000	\$1,560,000
\$7,500,000	\$3,850,000		\$1,277,500		\$5,127,500	\$2,372,500
\$9,800,000	\$5,000,000		\$1,680,000		\$6,680,000	\$3,120,000
\$10,000,000	\$5,000,000		\$1,750,000		\$6,750,000	\$3,250,000

If you have any questions regarding corporate giving or to find out more information, please contact Mikunda, Cottrell & Co.