

## **Alaska Department of Revenue Legislative History of the Education Tax Credit**

**1987** – The education tax credit was initially established in 1987. At that time, the education credit was allowed for contributions made to an Alaska two or four-year college or university for instruction, research, and educational support purposes, including library and museum acquisitions. The credit was allowed against five different tax types; corporate income, oil and gas production, oil and gas property, mining license, and fisheries business tax. As part of the legislation, the legislature included a section that identified the purpose for the credit. That purpose is as follows:

“PURPOSE. The legislature recognizes the unique social and economic importance of Alaska’s colleges and universities to the state’s future. It is the purpose of this Act to provide colleges and universities with a private source of funding for direct instruction, research, and education support purposes, including library and museum acquisitions.”

The initial credit was 50% of cash contributions and was limited to the lesser of 10 percent of the amount of corporate income, mining license, and fisheries business tax due in each tax type or \$100,000 and the lesser of 10 percent of the amount of oil and gas production and oil and gas property tax due or \$10,000.

The Department of Revenue was required to report to the Legislative Budget and Audit Committee by September 30 of each year on the credits taken under the five tax programs identified above. Each public college and university was also required to include in its annual operating budget request the amount of contributions received for which a tax credit was taken.

**1991** – The legislature amended the tax credit provisions to include contributions made to a university foundation. In separate legislation during that same year, the limit of 10% of the tax due in each program was removed and the amount of the credit allowed against all tax programs was limited to \$150,000. The credit was also changed to 50% of the first \$100,000 and 100% of the next \$100,000 in contributions.

**1994** – The education tax credit was expanded to include the insurance premiums and title insurance premiums taxes. The maximum credit of \$150,000 across all tax programs, including these two tax types did not change. In separate legislation during that same year, the reporting requirement enacted in 1987 by the Department of Revenue was removed.

**1996** – The fishery resource landing tax was enacted. The education tax credit was included as part of that legislation. This increased the total tax types to which the education tax credit can be taken to eight.

**2008** – The education tax credit allowed in all tax types was expanded to include contributions made to an Alaska school district for secondary school level vocational education courses and programs and by a state-operated vocational technical education and training school.

**2010** – The legislature included language that requires both the director of the Division of Insurance and the commissioner of the Department of Revenue to report before February 15 each year the total amount of contributions reported and the total amount of credit claimed during the previous calendar year against the eight different tax types administered by each agency. The legislature also expanded

the tax credit to include contributions made for vocational education facilities and facilities by an Alaska two or four-year college. The legislature changed the calculation of the tax credit to three tiers; 50% for the first \$100,000 in contributions, plus 100% of the next \$200,000 in contributions, plus 50% of the amount over \$300,000 up to a maximum of \$5 million across all tax types for each taxpayer.

The legislature also included sunset language whereby all changes, except the reporting requirements of the Division of Insurance and Department of Revenue, made to the tax credit within this piece of legislation would be repealed effective January 1, 2014. On January 1, 2014, contributions made for vocational education and university facilities would no longer qualify for a credit and the maximum credit amount would drop back to \$150,000.

**2011** – The legislature expanded the tax credit to include contributions made to an Alaska two or four-year college or university for an annual intercollegiate sports tournament, a nonprofit agency for Alaska Native cultural or heritage programs and educational support provided to K-12 public school staff and students, and for a coastal ecosystem learning center under the Coastal America Partnership for education, research, rehabilitation, and facilities (Seward Sealife Center). The legislature also expanded the sunset date whereby the tax credit language would revert back to how it existed in 2008 to January 1, 2021. On January 1, 2021, contributions made for vocational education and university facilities, intercollegiate sports tournaments, Alaska Native cultural programs and the Seward Sealife Center would no longer qualify and the maximum credit amount would drop back to \$150,000.

**2012** – The legislature defined the term “school district” as it relates to the education tax credit allowed against the six different tax types administered by the Department of Revenue. In a separate piece of legislation, the legislature expanded the tax credit to include contributions made to the Alaska higher education investment fund which was also established in 2012 against only the six tax types administered by the Department of Revenue (DOR). Contributions made to the Alaska higher education investment fund are not allowed as a credit against the insurance premiums or title insurance premiums taxes. This legislation also made changes to the sunset provision so that on January 1, 2021, contributions made to the Alaska higher education investment fund will still qualify for a credit against the six tax types administered by DOR.

**2014 Proposed Changes (SB 139 & HB 278)** – The Governor proposes expanding the education tax credit allowed against the corporate income, mining license, fisheries business and fishery resource landing tax to include contributions made to a nonprofit organization to fund scholarships awarded to a dual-credit student for tuition, registration, course and textbook fees and to a residential school approved by the Department of Education and Early Development for construction, operation, or maintenance of a residential housing facility. The proposed language will also change the sunset provision so that on January 1, 2021 contributions made to these two new contribution types will continue to qualify for the education tax credit within the four tax programs identified above.