

# House Bill 233

## Education Tax Credits



# Education Tax Credit

- ✧ 1987: Education Tax Credit (ETC) established to encourage private businesses to make charitable contributions to Alaska educational institutions and facilities
- ✧ 2010: Credit increased from 50% to 100% on contributions between \$101-\$300k; maximum annual credit expanded from \$150k to \$5 million (SB236)
- ✧ 2011 and 2014: List of institutions and programs eligible for donation were expanded; eligibility varies by tax-type (SB84 & HB278)
- ✧ 2014: ETC sunset established for Dec 2018 as part of newly established Indirect Expenditure Report (HB306)

# House Bill 233

- ✧ HB233 extends the effective date for the repeal of the education tax credits from December 31, 2018 to January 1, 2025.
- ✧ Ensures that the credit that exists in statute today will maintain until January 1, 2025, instead of narrowing in scope and decreasing in value on January 1, 2021.

# Education Tax Credit

- ✧ Today, there are many opportunities to make private donations to a variety of educational institutions, facilities and programs
- ✧ However, there are specific eligibility requirements for both organizations and tax type
- ✧ Selection of eligible entities:
  - ✧ Non-profit, public or private accredited Alaska two-year or four-year colleges
  - ✧ Non-profit elementary or secondary schools and school districts
  - ✧ State operated vocational education and training schools
  - ✧ Non-profit regional vocational training centers
  - ✧ Apprenticeship programs
  - ✧ Alaska higher education investment fund
  - ✧ Postsecondary institutions providing dual-credit courses

# Education Tax Credit

- ✧ Non-transferable, non-refundable credit that a donor can apply against the following categories of State of Alaska taxes. The use and deductibility of contributions varies by tax type:
  - ✧ Corporate Income Tax
  - ✧ Fisheries Business Tax / Fisheries Resource Landing Tax
  - ✧ Insurance Premium Tax / Title Insurance Premium Tax
  - ✧ Mining License Tax
  - ✧ Oil and Gas Production Tax
  - ✧ Oil and Gas Property Tax
- ✧ General Credit Provisions:
  - ✧ 50% of annual contributions up to \$100,000
  - ✧ 100% of the next \$200,000
  - ✧ 50% of annual contributions beyond \$300,000
  - ✧ Total annual credit per taxpayer, across all tax types not-to-exceed \$5 million

# Why are ETC Important?

- ✧ ETC allows a need to be filled directly.
- ✧ Encourages private industry to partner with education institutions, creating more opportunity in our state.
- ✧ Expanding our educational programs to provide more opportunities for our students.
- ✧ Training our future workforce for Alaskan jobs.

# Benefits to Education

**Alaska Department of Revenue**  
Tax Division

## Summary of 2015

| Tax Program                                 | Credits Claimed    | Total of Contributions | Beneficiary        |                  |                      |                    |
|---|--------------------|------------------------|--------------------|------------------|----------------------|--------------------|
|   |                    |                        | U of A             | APU              | Secondary Vocational | Other              |
| Corporation Net Income                      | \$3,720,856        | \$5,766,002            | \$2,848,112        | \$200,100        | \$691,325            | \$2,026,465        |
| Insurance Premiums                          | 151,000            | 202,000                | 202,000            | -                | -                    | -                  |
| Fishery Resource Landing                    | 925,000            | 1,150,000              | 727,778            | 346,222          | 76,000               | -                  |
| Mining License                              | 2,098,668          | 3,397,891              | 997,891            | -                | 2,400,000            | -                  |
| Fisheries Business                          | 535,000            | 700,000                | 396,667            | 109,333          | 194,000              | -                  |
| Oil and Gas Production (No credits claimed) | -                  | -                      | -                  | -                | -                    | -                  |
| Oil and Gas Property (No credits claimed)   | -                  | -                      | -                  | -                | -                    | -                  |
| <b>Total - All Tax Types</b>                | <b>\$7,430,524</b> | <b>\$11,215,893</b>    | <b>\$5,172,448</b> | <b>\$655,655</b> | <b>\$3,361,325</b>   | <b>\$2,026,465</b> |

**To be eligible for the Education Tax Credit, a contribution to the University of Alaska must be used for:**

- ✧ Direct instruction
- ✧ Research
- ✧ Education support including libraries, museums and contributions to a UA Foundation Endowment
- ✧ Facilities
- ✧ Intercollegiate Sports



# Benefits to Education

## Alaska Department of Revenue Tax Division

### Summary of CY 2017 Alaska Education Credits

| Tax Program                                 | Credits Claimed    | Total of Contributions | Beneficiary        |                    |                      |                    |
|---|--------------------|------------------------|--------------------|--------------------|----------------------|--------------------|
|   |                    |                        | U of A             | APU                | Secondary Vocational | Other              |
| Corporation Net Income                      | \$2,179,531        | \$3,296,329            | \$1,605,017        | \$162,437          | \$483,075            | \$1,045,800        |
| Insurance Premiums                          | 975                | 1,950                  | 1,950              | -                  | -                    | -                  |
| Fishery Resource Landing                    | 1,628,042          | 2,003,042              | 323,354            | 1,304,688          | 375,000              | -                  |
| Mining License                              | 1,828,267          | 3,062,836              | 647,490            | -                  | 2,413,346            | 2,000              |
| Fisheries Business                          | 475,149            | 653,771                | 240,789            | 150,313            | 221,500              | 41,169             |
| Oil and Gas Production (No credits claimed) | -                  | -                      | -                  | -                  | -                    | -                  |
| Oil and Gas Property                        | 178,000            | 228,000                | 116,000            | -                  | 100,000              | 12,000             |
| <b>Total - All Tax Types</b>                | <b>\$6,289,964</b> | <b>\$9,245,928</b>     | <b>\$2,934,599</b> | <b>\$1,617,438</b> | <b>\$3,592,921</b>   | <b>\$1,100,969</b> |

Through the existing ETC program contributions brought in over \$9 million in CY2017 for education that we may not have seen otherwise.



# Industry Investment in Education

- ✧ In 2000, members of the At-Sea Processors Association began making private contributions to support student fellowships and to fund sustainable oceans and fisheries research
- ✧ Association members established the Ted Stevens Professorship of Marine Policy
- ✧ UA and the At-Sea Processors created the Pollock Conservation Cooperative Research Center (PCCRC) within the College of Fisheries and Ocean Sciences at UAF
- ✧ The PCCRC has put over \$20 million into marine research and education since 2000, the largest single contributor to marine research at the University of Alaska.
- ✧ The work done over the years has had an impact far beyond what the University could have accomplished alone.
- ✧ Participating companies have included Trident, American, Starbound, Glacier Fish, Arctic Storm, and the Coastal Villages Region Fund

Thank you.

Any questions?