

Alaska State Legislature

Session:
Alaska State Capitol, Rm.104
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Representative Justin Ruffridge District 7 - Kenai/Soldotna

HB 144 **Sponsor statement**

The Education Tax Credit program was established by the Legislature in 1987 to encourage private businesses to make charitable contributions to schools in Alaska. The program has been consistently extended since that time, as well as modifications to statutes changing the percentages of tax credits to be deducted, industries allowed to receive tax credits, and what is considered a contribution.

In 2018, HB 223 established the current sunset expiration date of December 31, 2024, and created a tier system that lowered the tax credit levels in three phases. In 2018, the credit was available for up to 50% of annual contributions up to \$100,000, 100% of the next \$200,000, and 50% of annual contributions beyond \$300,000. The credit for any one taxpayer was not allowed to exceed \$5 million annually across all eligible tax types.

Beginning on January 1, 2019 the credit was available for up to 50% of annual contributions up to \$100,000, 75% of the next \$200,000, and 50% of annual contributions beyond \$300,000. The credit for any one taxpayer was not allowed to exceed \$1 million annually across all eligible tax types.

Beginning in 2021, the credit was reduced to 50% of all donations and the \$1 million cap on the credit per taxpayer each year remained the same as outlined in 2019.

HB 144 proposes to keep the same structure of tax deductions and tax credits that began in 2021 while removing the sunset provision. Removing the sunset provision allows schools, foundations, and industries to plan farther ahead and achieve higher levels of contributions over time. Maintaining the current levels of tax deductions ensures reasonable impacts to the State while allowing schools to benefit from direct contributions.