

Department of Revenue-Alaska's Education Tax Credit Program

Creating Opportunities for Alaska's Children

Alaska's Education Tax Credit program was first established in 1987 by the Legislature to encourage private businesses to make charitable contributions to support schools in Alaska. Due to the adoption of House Bill 278 in 2014, the list of those eligible to receive cash donations from private business was expanded. The passage of House Bill 233 in 2018 allowed for contributions of cash or equipment. There are now many more opportunities for private business to give cash donations to fund educational facilities and programs for Alaska's next generation. In return, the businesses receive credits to offset taxes due for the Alaska Net Income Tax (Corporate), Mining License Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Oil and Gas Production Tax, Oil and Gas Property Tax and Insurance Tax. The Education Tax Credit program is a win-win for the children and businesses in Alaska.

Frequently Asked Questions

What organizations are eligible to receive contributions of cash or equipment to be spent on expenditures that will qualify for the Education Tax Credit?

In general*, the following organizations/programs (subject to statutory qualifications) are eligible to receive contributions of cash or equipment to be used for certain expenditures that will qualify for the Education Credit:

- Nonprofit, public or private, accredited Alaska two-year or four-year colleges
- Public and private nonprofit elementary or secondary schools in the state
- Secondary school level vocational education by a school district in the state
- Vocational education by a state-operated vocational technical education and training school
- Nonprofit regional vocational training centers recognized by the Department of Labor and Workforce Development
- An apprenticeship program in the state registered with the U.S. Department of Labor
- A facility by a nonprofit, public or private, accredited Alaska two-year or four-year college
- A facility by a public or private nonprofit elementary or secondary school in the state
- Alaska Native cultural or heritage programs provided by a nonprofit agency for public school staff and students K-12
- A coastal ecosystem learning center under the Coastal America Partnership established by the federal government
- The Alaska higher education investment fund
- A scholarship awarded by a nonprofit organization to a dual-credit student for certain costs of dual-credit courses
- A qualifying residential housing facility by a residential school in the state
- Childhood early development programs provided by a nonprofit, a tribal entity, or a school district in the state, the Department of Education and Early Development, or through a state grant
- STEM programs provided by a nonprofit or school district for K-12
- A nonprofit providing education for promoting the legacy of public service contributions to the state and fostering public service leadership for future generations of residents in the state

**Please check the statutes for the specific tax type for limitations on what qualifies for the Education Tax Credit. Eligible organizations and programs may vary by tax type, as noted below.*

Is there a limit to the amount of contributions of cash and equipment that can be given to qualifying organizations during the tax year and how is this limit calculated?

A taxpayer is allowed a credit against qualifying tax types for contributions of cash and equipment to qualifying organizations/programs and spent on qualifying expenditures, limited to:

Through December 31, 2020:

- 50% of the first \$100,000
- 75% of the next \$200,000
- 50% of the amount that exceeds \$300,000

Effective January 1, 2021:

- 50% of qualifying expenditures

For all years:

- The maximum combined credit for Alaska Net Income Tax (Corporate), Mining License Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Oil and Gas Production Tax, Oil and Gas Property Tax and Insurance Tax is \$1,000,000.
- If the taxpayer is a member of a consolidated group, that combined group is also limited to \$1,000,000 in Education Tax Credit per tax year.

How do I claim the Education Tax Credit?

You may claim the credit on the tax return for the tax type(s) with a tax liability you wish to reduce. The value of equipment contributed must be determined by appraisal consistent with regulations.

Is the Education Tax Credit a refundable credit?

The Education Tax Credit cannot be refunded. It can only be used to reduce the amount of tax payable to the State of Alaska for the Alaska Net Income Tax (Corporate), Mining License Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Oil and Gas Production Tax, Oil and Gas Property Tax or Insurance Tax. Per statute, any unused portion of the credit not used for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

Can the Education Tax Credit be transferred to another person or entity?

The Education Tax Credit cannot be transferred to another person or entity. Per statute, any unused portion of the credit not used for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

When was the Education Tax Credit first established?

The Education Tax Credit was first established in 1987 and was intended to encourage private businesses to make charitable contributions to support schools in the state.

Can the Education Tax Credit be claimed against municipal or federal taxes?

The Education Tax Credit may only be claimed against State of Alaska taxes, not municipal or federal taxes.

Where can I find the statutes that apply to the Education Tax Credit?

The statutes are available through the Legislature's website <http://www.legis.state.ak.us/>. Click on the links "Bills & Laws," "Laws," then "Statutes" and search for the statute listed in "Which type of taxes can be reduced by the Education Credit?" below. You may also call your legislator's office for assistance.

Which type of taxes can be reduced by the Education Tax Credit?

The Education Tax Credit can generally* be used to reduce the amount of tax payable to the State of Alaska for:

- Alaska Net Income Tax (Corporate) (AS 43.20.014(a))
- Mining License Tax (AS 43.65.018(a))
- Fisheries Business Tax (AS 43.75.018(a))
- Fishery Resource Landing Tax (AS 43.77.045(a))
- Oil and Gas Production Tax (AS 43.55.019(a))
- Oil and Gas Property Tax (AS 43.56.018(a))
- Insurance Tax (AS 21.96.070(a))

*Please check the statutes for the specific tax type for limitations on what qualifies for the Education Tax Credit. Eligible organizations and programs may vary by tax type, as noted below.

When will the Education Tax Credit sunset or no longer be available as a credit?

With the passage of HB 233 in 2018, the Education Tax Credit for all tax types will no longer be available after 12/31/2024.

What is the definition of a "nonprofit organization"?

A nonprofit organization defined by AS 43.20.014(g)(2), AS 43.65.018(g)(2), AS 43.75.018(g)(2) and AS 43.77.045(g)(2) means a charitable or educational organization in the state that is exempt from taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code).

Is it the donor's responsibility to obtain and retain proper documentation to verify that contributions of cash or equipment were given to a qualifying organization/agency and that the donated money went to qualifying expenditures?

It is the taxpayer's responsibility to obtain enough support to verify that both the recipient and the expenditure qualify under the Education Tax Credit statutes.

What is required for contributions of equipment?

The value of equipment contributed must be determined by appraisal.

When does a taxpayer need to donate during the year?

A taxpayer can make a contribution of cash or equipment any time during the tax year.

If I give a contribution of cash or equipment to a qualified nonprofit organization, what types of expenditures qualify for the Education Tax Credit?

The qualified nonprofit organization or agency must use the contribution of cash or equipment for at least one of the following:

- Direct instruction
- Research
- Education support purposes (includes library and museum acquisitions and contributions to endowment by an Alaska university foundation)
- The operation of an organization dedicated to providing education opportunities that promote the legacy of public service contributions to the state and perpetuate ongoing educational programs that foster public service leadership for future generations of residents of the state*
- Science, technology, engineering, and math programs (STEM) for staff and for students in grades K-12*
- Providing Alaska Native cultural or heritage programs and educational support (including mentoring and tutoring) for public school staff and for students who are in grades K-12
- Childhood early learning and development programs and educational support to childhood early learning and development programs*

* This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a public or private Alaska two-year or four-year college accredited by a regional accreditation association, what types of expenditures qualify for the Education Tax Credit?

The public or private Alaska two-year or four-year college must use the contribution of cash or equipment for at least one of the following:

- Direct instruction
- Research
- Education support purposes (includes library and museum acquisitions and contributions to endowment by an Alaska university foundation)
- Facilities

If I give a contribution of cash or equipment to a public or private nonprofit elementary or secondary school in the state, what types of expenditures qualify for the Education Tax Credit?

The public or private nonprofit elementary or secondary school in the state must use the contribution of cash or equipment for at least one of

the following:

- Direct instruction
- Research
- Education support purposes
- Facilities

This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a school district in the state, what types of expenditures qualify for the Education Tax Credit?

The school district in the state must use the contribution of cash or equipment for at least one of the following:

- Secondary school level vocational education courses, programs and facilities
- Childhood early learning and development programs*
- Educational support to childhood early learning and development programs*
- Science, technology, engineering, and math (STEM) programs for school staff and for students in grades kindergarten through 12*

* This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a nonprofit regional training center in the state recognized by the Department of Labor and Workforce Development, what types of expenditures qualify for the Education Tax Credit?

The regional training center must use the contribution of cash or equipment for vocation education courses, programs, equipment, and facilities. This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a state-operated technical education and training school, what types of expenditures qualify for the Education Credit?

The programs must use the cash contribution for vocation education courses, programs, equipment, and facilities. This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to an apprenticeship

program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50 – 50b (National Apprenticeship Act), what types of expenditures qualify for the Education Tax Credit?

The apprentice program must use the contribution of cash or equipment for vocation education courses, programs, equipment, and facilities. This provision is **not** available under AS 21.96.070, the Insurance tax education credit or AS 43.56.018, the Property tax education credit.

If I give a contribution of cash or equipment to a coastal ecosystem learning center in the state under the Coastal American Partnership established by the federal government, what types of expenditures qualify for the Education Tax Credit?

The coastal ecosystem learning center must use the cash contribution for the following:

- Education
- Research
- Rehabilitation
- Facilities

Can a company, agency or organization give a contribution of cash or equipment to the Alaska higher education investment fund under AS 37.14.750?

Yes, as long as the contribution of cash or equipment is going to the Alaska higher education investment fund established under AS 37.14.750. This provision is not available under AS 21.96.070, the Insurance Tax Education Credit.

If a nonprofit organization sets up a scholarship to defray the cost of dual-credit courses, where can the recipient student use this scholarship money and what type of expenses qualify for the Education Tax Credit?

The scholarship funds must be paid to a postsecondary institution in the state that provides dual-credit courses or a residential school approved by the Department of Education and Early Development under AS 14.16.200 and must be for the following expenses:

- Tuition
- Textbooks
- Registration
- Course and programmatic student fees
- On-campus room and board
- Transportation costs to and from a residential school or the postsecondary school that provides the dual-credit course
- Other related educational and programmatic costs

This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a residential school in the state approved by the Department of Education and Early Development under AS 14.16.200, what types of expenditures qualify for the Education Tax Credit?

The residential school must use the contribution of cash or equipment for at least one of the following:

- Constructing a residential housing facility
- Operating a residential housing facility
- Maintaining a residential housing facility

This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a tribal entity, what types of expenditures qualify for the Education Tax Credit?

The tribal entity must use the contribution of cash or equipment for at least one of the following:

- Childhood early learning and development programs
- Educational support to childhood early learning and development programs

This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.

If I give a contribution of cash or equipment to a nonprofit corporation organized under AS 10.20, what types of expenditures qualify for the Education Tax Credit?

The corporation must use the contribution of cash or equipment for at least one of the following:

- Childhood early learning and development programs
- Educational support to childhood early learning and development programs

This provision is **not** available under AS 21.96.070, the Insurance Tax Education Credit; AS 43.55.019, the Oil or Gas Producer Education Credit; or AS 43.56.018, the Property Tax Education Credit.