Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 233
Fiscal Note Number:
() Publish Date:

Identifier: DOR-TAX-2-9-18
Title: EDUCATION TAX CREDITS; SUNSET; REPEALS
Sponsor: TUCK
Requester: House Education Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2019**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1250 UGF Rev (UGF)	(3,420.0)		(6,840.0)	(6,840.0)	(6,840.0)	(6,840.0)	(6,840.0)
Total	**(3,420.0)**	**0.0**	**(6,840.0)**	**(6,840.0)**	**(6,840.0)**	**(6,840.0)**	**(6,840.0)**

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial Version

Prepared By: Ken Alper, Director
Phone: (907)465-8221
Division: Tax Division
Date: 02/09/2018
Approved By: Mike Barnhill
Date: 02/10/18
Agency: DOR

STATE OF ALASKA **BILL NO.** HB233
2018 LEGISLATIVE SESSION

Analysis

The Education Tax Credit has been in existence since 1987, and has been extended multiple times. The credit is based on a percentage of donations to eligible organizations, and can be used to reduce tax liability against any one of seven different taxes: insurance premium tax, corporate income tax, mining license tax, fisheries business tax, fisheries resource landing tax, oil and gas production tax, and oil and gas property tax. Eligible organizations include schools as well as vocational education and certain cultural and pre-school programs. The credit is claimed by a taxpayer when they file their tax return; there is no pre-approval process.

HB233 makes two sets of changes to uncodified law. First, the overall program is extended from the current statutory sunset of December 31, 2018, to December 31, 2024. Because the credit exists in seven different statutes, this requires multiple concurrent changes.

Second, the current rate at which the credit is applied is also extended. The credit rate was increased substantially in 2010, and is currently $250,000 out of the first $300,000 of a donation (83%) with a per-company cap of $5 million. The smaller historic credit rate, $150,000 of the first $300,000 (50%) with a cap of $150,000, is scheduled to take effect on 1/1/21 (presuming the credit itself is extended). Also in 2021, the list of eligible recipients for education donations is scheduled to narrow. SB116 would eliminate the reduction in the credit rate, maintaining the 83% / $5 million structure through the 2024 sunset, and would maintain the current list of eligible recipients.

The fiscal impact of this bill will be through reduced revenue, due to companies continuing to use the program past the current 12/31/18 sunset. Although the actual amount claimed is unknown, for purposes of this analysis we used the average amount claimed for the past three calendar years:
2015: $7.43 million
2016: $6.81 million
2017: $6.29 million
Average: $6.84 million.
The impact in FY2019 will be half this amount, due to the effective date in the middle of the fiscal year.

Continuing this program will not add administrative costs to the Department of Revenue.