

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 89  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB089CS-DOR-TAX-04-09-13  
Title: TAX CREDITS FOR EDUCATIONAL  
CONTRIBUTIONS  
Sponsor: DUNLEAVY  
Requester: (S) EDC

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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>			***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 03/31/14

## Why this fiscal note differs from previous version:

Initial version.

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Department of Revenue

Phone: (907)269-6628  
Date: 04/09/2013 09:00 PM  
Date: 04/09/13

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. CS SB 89

### Analysis

**Bill Language:**

This bill would allow a taxpayer subject to tax under corporate income, fishery resource landing, fisheries business, mining license, oil and gas property and oil and gas production tax, a credit of 70% of contributions made to various educational entities. The maximum allowable credit under this legislation would be \$25 million per taxpayer. Current law allows a credit of 50% of contributions up to a maximum of \$5 million per taxpayer. This bill also expands the list of educational entities to which a contribution could be made to include direct instruction or educational support purposes by a public or private nonprofit elementary or secondary school, including a religious school. Similar to current law, this bill provides a sunset clause whereby the education credit would revert back to the language which allowed a maximum credit of \$150,000 and limited the recipients of a contribution for which a credit is allowed to Alaska two-year or four-year colleges or universities, secondary school level vocational education courses, a state operated vocational technical training school, and the Alaska higher education investment fund.

**Revenues:**

It is difficult to determine the effect on revenues as a result of this legislation because it is impossible to speculate on taxpayer behavior in taking advantage of this credit. In FY 2012, 40 taxpayers took advantage of the education credit, claiming total credits of \$6,865,048. In that same year, approximately 16,500 taxpayers filed returns with the Tax Division in the six tax programs identified above and for which an education credit can be claimed. Of this number, approximately 6,000 taxpayers had a tax liability, approximately 100 of those had a liability in excess of \$1 million and approximately 20 had a tax liability in excess of \$25 million. If all 20 taxpayers availed themselves of the full amount of this credit, state revenues could decline by as much as \$500 million each year. Revenue would drop even further if all 6,000 taxpayers that paid tax took advantage of this credit. It is important to note, however, that the likelihood of that happening is reduced by the fact that the taxpayer would only receive a credit of 70% of its contribution, and, therefore, would have to invest some of its own dollars to claim the credit.

**Expenditures:**

The provisions of this bill be implemented in the Department of Revenue using existing staff and resources.

**Regulations:**

The department will need to draft regulations to implement the changes affecting the amount of education credit as well as the new recipients to which donations under this law would be allowed as a credit. These regulations should be in effect by 3/31/2014.