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Governor Mike Dunleavy
STATE OF ALASKA

February 15, 2024

The Honorable Gary Stevens
Senate President
Alaska State Legislature
Capitol Building, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill creating a new fifty percent tax credit to make childcare, residential energy, housing, and groceries more affordable for Alaskans. The high cost of these economic sectors hinders growth, entrepreneurship, and hiring in Alaska.

Alaska's cost of living is among the highest in the nation. This bill incentivizes the private sector to make strategic investments in the economic infrastructure necessary to attract a strong workforce, encourage entrepreneurship, and build a stronger Alaska.

I urge your prompt and favorable consideration of this legislation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy".

Mike Dunleavy
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing a corporate income tax credit for certain expenditures on child**
2 **care services, utility rates, residential housing, and food security and availability; and**
3 **providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 43.20 is amended by adding a new section to read:

6 **Sec. 43.20.022. Alaska affordability tax credit.** (a) A taxpayer is allowed a
7 credit against the tax due under this chapter for actual qualifying expenditures for

8 (1) employer-provided child care or qualified child care expenses paid by the
9 employee and reimbursed by the taxpayer;

10 (2) taxpayer contributions that reduce residential heating or electricity utility
11 rates in the state;

12 (3) taxpayer contributions that reduce residential mortgage rates or reduce the
13 costs of constructing energy efficient residential housing in the state; and

14 (4) taxpayer contributions that improve food security and affordability.

1 (b) The amount of the credit is 50 percent of the amount of actual qualifying
2 expenditures under (a) of this section.

3 (c) A contribution claimed as a credit under this section may not

4 (1) be the basis for a credit claimed under another provision of this
5 title; or

6 (2) also be allowed as a deduction under 26 U.S.C. against the tax
7 imposed by this chapter.

8 (d) The credit under this section may not reduce a person's tax liability under
9 this chapter by more than 50 percent for any tax year. An unused credit or portion of a
10 credit not used under this section for a tax year may not be sold, traded, transferred, or
11 applied in a prior or subsequent tax year.

12 (e) The department shall adopt regulations to implement this section, including
13 regulations that define "qualifying expenditures" for the purpose of this section.

14 * **Sec. 2.** This Act takes effect January 1, 2025.

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version: GB 92
Fiscal Note Number: _____
() Publish Date: _____

Identifier: 0419-DOR-TAX-02-14-24
Title: ALASKA AFFORDABILITY ACT
Sponsor: RULES BY REQUEST OF THE GOVERNOR
Requester: Governor

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)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates					
			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0							

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

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

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/25

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: <u>Michael Williams, Acting Deputy Director</u>	Phone: <u>(907)269-6632</u>
Division: <u>Tax</u>	Date: <u>02/14/2024 03:00 PM</u>
Approved By: <u>Eric DeMoulin, Administrative Services Director</u>	Date: <u>02/14/24</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

**STATE OF ALASKA
2024 LEGISLATIVE SESSION**

BILL NO. LL0419

Analysis

This bill would create a credit against corporate income tax for qualifying expenditures for childcare, residential heating and electricity affordability, housing affordability, and food affordability. The department is authorized to adopt regulations to define qualifying expenditures.

The tax credit is limited to 50 percent of qualifying expenditures and may not exceed 50 percent of a corporation’s tax liability for the year. Unused credits may not be sold, traded, transferred, or applied in a prior or subsequent year. Qualifying expenditures may not be claimed for credit under another provision of Title 43, nor be taken as a deduction (26 U.S.C.) in computing the Alaska corporate income tax.

Revenue Impact

The Division is not able to predict the behavior of corporations in response to this bill—how much or for which activities they might contribute. For that reason, this note is indeterminate. However, we have completed an analysis which forecasts the maximum revenue impact this bill could have on corporate income tax revenue. Because the bill creates a credit for money contributed and qualified spending, the impact would be a reduction to corporate income tax revenue. The analysis splits out the maximum potential impact by non-petroleum and petroleum taxpayers below:

All numbers are in Millions	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Maximum Impact on Non-Petroleum Corporate Income Tax Revenue	\$ (87.5)	\$ (99.9)	\$ (109.9)	\$ (116.5)	\$ (120.8)	\$ (126.3)
Maximum Impact on Petroleum Corporate Income Tax Revenue	\$ (150.1)	\$ (144.6)	\$ (140.8)	\$ (140.0)	\$ (140.2)	\$ (140.5)
Maximum Impact on Tax Revenue	\$ (237.6)	\$ (244.5)	\$ (250.7)	\$ (256.5)	\$ (261.1)	\$ (266.8)

The above analysis is estimated by scaling company tax return information by available earning per share projections. This information is then rolled up by a sector by sector basis and scaled to reflect the Alaskan corporate tax base.

Implementation Costs

This legislation would require the Department of Revenue to make minor changes to its Tax Revenue Management System (TRMS). Resources required to implement this bill would include staff time to updated tax forms, TRMS, and Revenue Online, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing resources.