

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 367(EDC)  
 (H) Publish Date: 3/29/10

Identifier (file name): CSHB367(EDC)-REV-TAX-03-25-10 Dept. Affected: Revenue  
 Title: Tax Credits for Educational Contributions RDU: Taxation and Treasury  
 Sponsor: Representative Munoz Component: Tax Division  
 Requester: (H) Education Committee Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

|                               | Appropriation<br>Required | Information |            |            |            |            |            |            |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
|                               |                           | FY 2011     | FY 2011    | FY 2012    | FY 2013    | FY 2014    | FY 2015    | FY 2016    |
| <b>OPERATING EXPENDITURES</b> |                           |             |            |            |            |            |            |            |
| Personal Services             |                           |             |            |            |            |            |            |            |
| Travel                        |                           |             |            |            |            |            |            |            |
| Contractual                   |                           |             |            |            |            |            |            |            |
| Supplies                      |                           |             |            |            |            |            |            |            |
| Equipment                     |                           |             |            |            |            |            |            |            |
| Land & Structures             |                           |             |            |            |            |            |            |            |
| Grants & Claims               |                           |             |            |            |            |            |            |            |
| 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> |
| <b>CAPITAL EXPENDITURES</b>   |                           |             |            |            |            |            |            |            |
| <b>CHANGE IN REVENUES ( )</b> |                           | <b>0.0</b>  | <b>0.0</b> | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</b> |

**FUND SOURCE** (Thousands of Dollars)

|                            |  |            |            |            |            |            |            |            |
|----------------------------|--|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts      |  |            |            |            |            |            |            |            |
| 1003 GF Match              |  |            |            |            |            |            |            |            |
| 1004 GF                    |  |            |            |            |            |            |            |            |
| 1005 GF/Program Receipts   |  |            |            |            |            |            |            |            |
| 1037 GF/Mental Health      |  |            |            |            |            |            |            |            |
| Other Interagency Receipts |  |            |            |            |            |            |            |            |
| <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> |

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

|           |  |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

See Attached

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 Division: Tax Division  
 Approved by: Ginger Blaisdell, Director  
Administrative Services Division

Phone: (907) 269-1020  
 Date/Time: 3-24-2010 5:00 p.m.  
 Date: 03-25-10; 8:35am

## FISCAL NOTE #2

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. CSHB 367(EDC)

### ANALYSIS CONTINUATION

#### **Bill Language:**

This bill increases the amount of the education credit currently allowed under AS 21.89.070, AS 21.89.075, AS 43.56.018, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, and AS 43.77.045. Currently, taxpayers may take a maximum credit of \$150,000 on the first \$200,000 in contributions made to qualifying organizations. This bill expands the credit to 50% of the first \$100,000 in contributions, 100% of the next \$100,000 in contributions, and 50% of contributions in excess of \$200,000, with a maximum credit of \$5,000,000.

Currently the credit is only allowed for instruction and programs. This bill would expand the use of the contributions and allow a taxpayer to take a credit for contributions made for construction and maintenance of facilities by a state-operated vocational education school and two-year or four-year college. The bill would become effective January 1, 2011.

The intent of this bill is to provide increased contributions to qualifying higher education and vocational institutions by expanding the credit cap currently in place and allowing the credit for contributions made for facilities.

#### **Revenues:**

Revenues to the State of Alaska would decline if companies increase their contributions to qualifying higher education institutions. The amount of decline cannot be determined at this time, because it is impractical and impossible to speculate on taxpayer behavior in taking advantage of this credit. However, if all corporate income tax taxpayers took the maximum credit as allowed by this bill in FY 2009, the decline in corporate income tax for that year alone would have been approximately \$131 million.

Since the credit can be taken against Petroleum Production and Property Taxes, Corporate Income Taxes, Fisheries Business Taxes, Fisheries Landing Taxes, Mining License Taxes, and Insurance Taxes, if all taxpayers took advantage of the credit, the decline in tax revenues could be much higher. We expect, however, the effect on corporate income and other taxes to be lower as, under the current credit scheme, only 23 taxpayers took advantage of the credit. Again, it is difficult to determine the total revenue affect due to this legislation.

This legislation would become effective for tax years beginning January 1, 2011. Therefore this credit would be allowed against tax liabilities due beginning in fiscal year 2012.

#### **Expenditures:**

The provisions of this bill can be implemented using existing resources.