

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	CSHB 89(FIN)
Fiscal Note Number:	3
(H) Publish Date:	2/12/2024

Identifier: HB089CS(FIN)-DOR-TAX-02-09-24  
 Title: DAY CARE ASSIST./CHILD CARE GRANT PROGRAM  
 Sponsor: COULOMBE  
 Requester: (H) Finance

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

**Change in Revenues**

1004 Gen Fund (UGF)	(4,800.0)		(4,800.0)	(4,800.0)	(2,300.0)		
<b>Total</b>	<b>(4,800.0)</b>	<b>0.0</b>	<b>(4,800.0)</b>	<b>(4,800.0)</b>	<b>(2,300.0)</b>	<b>0.0</b>	<b>0.0</b>

**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? No  
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

**Why this fiscal note differs from previous version/comments:**

Updated from SLA2023 to SLA2024 fiscal note template. Fiscal analysis was updated based on CS (H.FIN) that changed the effective date.

Prepared By: Michael Williams, Acting Deputy Director  
 Division: Tax Division  
 Approved By: Eric DeMoulin, Administrative Services Director  
 Agency: Department of Revenue

Phone: (907)269-6632  
 Date: 02/09/2024 11:15 AM  
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HFC 02/09/2024

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2024 LEGISLATIVE SESSION

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Analysis

**Background**

The education tax credit is a credit for qualifying contributions to Alaska universities and accredited nonprofit Alaska two- or four-year colleges for facilities, direct instruction, research and educational support purposes; donations to a school district or a state- or regional-operated technical and training school for vocational education courses, programs and facilities; and donations for Alaska Native cultural or heritage programs for public school staff and students; and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

The credit is available to be claimed against insurance premiums tax, title insurance premiums tax, corporate income tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax. The credit for any one taxpayer cannot exceed \$1 million annually across all tax types. The credit is currently scheduled to be repealed effective January 1, 2025.

This bill would expand the education tax credit to include donations made to childcare facilities (employer run or nonprofit) for the children of the taxpayer’s employees, or for payments made to an employee of the taxpayer for the purpose of offsetting the employee’s childcare costs. The new provisions would take effect 90 days from being signed into law (est. July 1, 2024). This bill also would increase the credit limit from \$1 million to \$3 million annually per taxpayer. The bill extends the sunset provisions to January 1, 2028.

**Revenue Impact**

The change in revenues reflected in this fiscal note only include those eligible tax programs administered by the Department. The bill's fiscal impacts can be divided into three categories: (1) expansion of the education tax credit to child care facilities and employer costs, (2) increase to the annual tax credit limit, and (3) extending the credit repeal date.

(1) The revenue impact of the expansion of the credit to childcare facilities and costs cannot be determined because the Department of Revenue does not have Alaska-specific data to estimate how many taxpayers will claim the expansion of the credit, how many taxpayers currently pay their employees' child care costs or make donations to child care facilities for the children of their employees, or how many taxpayers will start paying their employees' child care costs or making donations to child care facilities for the children of their employees.

(2) The revenue impact of the increase in the credit limit is estimated by applying historical information at higher credit limits and interpolating the impact of the \$3 million annual credit limit. See the table below.

(3) The revenue impact of the increase in the extension of the repeal date is estimated by using the average of the last three years of actual credits claimed as a basis going forward. See the table below.

Estimated Revenue Impacts (\$ Millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1. Expand to Child Care Facilities & Employer Costs	***	***	***	***	N/A	N/A
2. Raise the Annual Credit Limit to \$3 million effective 1/1/25	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (0.8)	N/A	N/A
3. Extend the Repeal from 1/1/25 to 1/1/28	\$ (3.1)	\$ (3.1)	\$ (3.1)	\$ (1.5)	N/A	N/A
*** Indeterminate						
N/A the credit would no longer be available in FY 2029						

Other sources of uncertainty stem from the high contribution limits and high cost of care in Alaska, as well as the fact that the credit is available against multiple tax types in Alaska.

**Implementation Cost**

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.