

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	CSSB 120(EDC)
Fiscal Note Number:	1
(S) Publish Date:	5/5/2023

Identifier: SB120-DOR-TAX-03-31-23
 Title: EXTEND EDUCATION TAX CREDITS
 Sponsor: EDUCATION
 Requester: (S) Education

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)

	FY2024	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2024 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
OPERATING EXPENDITURES	FY 2024	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

1004 Gen Fund (UGF)	(1,700.0)		(5,000.0)	(6,600.0)	(6,600.0)	(6,600.0)	(6,600.0)
Total	(1,700.0)	0.0	(5,000.0)	(6,600.0)	(6,600.0)	(6,600.0)	(6,600.0)

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Not applicable, initial version.

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Division:	Tax Division	Date:	03/31/2023
Approved By:	Eric DeMoulin, Director	Date:	03/31/23
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

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-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 reverts back to provisions of prior legislation (House Bill 274 in 2014) which expands the amount of the credit as a percentage of the contribution from 50% of all contributions to the following:

- (1) 50 percent of contributions of not more than \$100,000;
- (2) 100 percent of the next \$200,000 of contributions; and
- (3) 50 percent of the amount of contributions that exceed \$300,000

This bill also would increase the credit limit from \$1 million to \$5 million annually per taxpayer. The new provisions would take effect January 1, 2024. The bill extends the sunset provisions to January 1, 2031.

Revenue Impact

The revenue impacts only include those eligible tax programs administered by the Department of Revenue (Department). The bill's fiscal impacts can be divided into two categories: (1) increase to the tax credit percentage of contribution and annual limit and (2) extending the credit repeal date.

(1) The revenue impact of the increase in the tax credit percentage of contribution and annual limit change is estimated by applying historical information when similar provisions and limits were allowed in statute. This analysis looked at information from 2014 to 2019. See the table below.

(2) 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	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1. Increase Contribution %s and Credit Limits effective 1/1/2024	\$ (1.70)	\$ (3.40)	\$ (3.40)	\$ (3.40)	\$ (3.40)	\$ (3.40)
2. Extend the Repeal from 1/1/2025 to 1/1/2031	\$ -	\$ (1.60)	\$ (3.20)	\$ (3.20)	\$ (3.20)	\$ (3.20)

This assumes that usage will be similar to the past.

Implementation Cost

This legislation would require the Department 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.