

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version:	SB 96
Fiscal Note Number:	2
(S) Publish Date:	3/26/2025

Identifier: SB096-DOR-TAX-3-7-25
 Title: CHILD CARE: TAX CREDITS
 Sponsor: RLS
 Requester: (S) L&C

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)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2026	FY 2026					
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

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

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:	03/07/2025
Approved By:	Janelle Earls, Administrative Services Director	Date:	03/07/25
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

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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 \$3 million annually across all tax types. The credit is currently scheduled to be repealed effective January 1, 2029.

The credit was expanded by a bill last year to include donations made to child care facilities 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. That bill is being challenged in court under the single-subject rule. This bill would repeal and replace with the same language the expansion of the education tax credit to include donations made to child care facilities, operated by the employer or a 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 child care costs. The bill would also change the sunset date from January 1, 2029 to January 1, 2028.

Revenue Impact

Since the child care provisions of the education tax credit are already in law, there would be no change to revenue projections as a result of this bill, other than changes due to reappealing the credit a year earlier. Even if this was not current law, the revenue impact could not 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.

There will be an indeterminate positive revenue impact in FY2028 and FY2029 due to the repeal date of the education tax credit moving one year earlier—to January 1, 2028. Using the prior three years of education credits claimed and adjusting for the raise in the annual credit limit from \$1 million to \$3 million, that was passed in a separate bill last year, the positive increase for moving the repeal one year earlier could be around \$4.5 million over two fiscal years (because of the mid-fiscal year repeal date).

Implementation Cost

This legislation would require the Department of Revenue to make a change to the sunset date of the education tax credit in its Tax Revenue Management System—a very minor programming change. There would be little to no cost to this change. Any cost would be absorbed by the Tax Division using existing resources.