

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version:	SB 171
Fiscal Note Number:	1
(S) Publish Date:	4/14/2025

Identifier: 4029-DOR-TAX-04-10-25
 Title: CHILD CARE ASSISTANCE; TAX CREDITS
 Sponsor: RLS 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)

	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	***	***	***	***	***

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 If yes, by what date are the regulations to be adopted, amended or repealed?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:	04/10/2025 01:00 PM
Approved By:	Janelle Earls, Administrative Services Director	Date:	04/10/25
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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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 on January 1, 2029.

The credit was expanded by a bill last year to include donations made to childcare 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 childcare 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 childcare costs. The bill would also increase the cap for the education tax credit—including the childcare provisions—from \$3 million to \$10 million.

Revenue Impact

There will be a negative, indeterminate change in revenue due to increasing the credit limit from \$3 million to \$10 million. The division is unable to estimate the impact as it is unknown how many taxpayers, if any, will approach the new cap. The division also does not have data on current corporation spending on childcare, and even with the data, the division cannot predict how much more it might go up because of corporations seeking to take advantage of the recent changes to broaden the credit to include childcare expenses. The best estimate is that the change will have a negative revenue impact in the tens of millions; however, given the cap of \$10 million per taxpayer, the impact could be considerably greater.

Implementation Cost

This legislation would require the Tax Division 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.