

HB

6

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 16, 1987

SUBJECT:           Constitutionality of SCSCSHB 6(HESS)

TO:                 Senator Paul Fischer, Chair  
                    Health, Education and Social Services  
                    Committee

FROM:              Theresa L. Bannister *TB*  
                    Legislative Counsel

This memo accompanies the committee substitute for CSHB 6(Fin) am that has been requested for your committee. The CS adds private schools to the tax credit provisions.

Please be aware that a question exists about the constitutionality of the proposed CS because it covers private schools. The state constitution prohibits public money being spent "for the direct benefit of any religious or other private educational institution". Art. VII, sec. 1, Alaska State Constitution. Applying private school contributions as credits against taxes owed to the state might be construed to be using state money for the benefit of religious or other private educational institutions. There does not appear to be any case law directly on this point, so the result of a court challenge is unclear.

If I may be of further assistance, please advise.

TLB:mkr  
m11/033

Enclosure

Original sponsors: Gruenberg, Koponen,  
Frank, et al.

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 6 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to, and allowing tax credits for,  
7 contributions to certain educational institutions;  
8 and restricting state tax deductions under 26 U.S.C.  
9 170."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. PURPOSE. It is the purpose of this Act to provide col-  
12 leges and universities with a private source of funding for direct instruc-  
13 tion, research, and educational support purposes, including library and  
14 museum acquisitions, during this period of decreased state revenue.

15 \* Sec. 2. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.014. INCOME TAX EDUCATION CREDIT. (a) A taxpayer is  
17 allowed as a credit against the tax due under this chapter 50 percent  
18 of cash contributions accepted for direct instruction, research, and  
19 educational support purposes, including library and museum acquisi-  
20 tions, by an accredited, nonprofit, public or private, Alaska, two- or  
21 four-year, college or university. The credit may not exceed the  
22 lesser of 10 percent of the amount of tax due under this chapter or  
23 \$100,000. A contribution claimed as a credit under this section may  
24 not be claimed as a credit under another provision of this title. A  
25 deduction is not allowed under 26 U.S.C. 170, if the credit provided  
26 by this section is claimed.

27 (b) Contributions accepted for endowment purposes are not eligi-  
28 ble for the credit under (a) of this section.

29 (c) By September 30 of each year, the Department of Revenue

1 shall report to the Legislative Budget and Audit Committee on the  
2 credits taken under this section. Each public college and university  
3 shall include in its annual operating budget request contributions  
4 received and how the contributions were used.

5 \* Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

6 (j) For purposes of calculating the tax payable under this  
7 chapter, a deduction under 26 U.S.C. 170 may only be taken if payment  
8 is made on or before the last day of the taxable year.

9 \* Sec. 4. AS 43.55 is amended by adding a new section to read:

10 Sec. 43.55.019. OIL OR GAS PRODUCER EDUCATION CREDIT. (a) A  
11 producer of oil or gas is allowed as a credit against the tax due  
12 under this chapter 50 percent of cash contributions accepted for  
13 direct instruction, research, and educational support purposes, in-  
14 cluding library and museum acquisitions, by an accredited, nonprofit,  
15 public or private, Alaska, two- or four-year, college or university.  
16 The credit may only be applied against the tax liability accruing  
17 during the month the contribution is made. The credit may not exceed  
18 the lesser of 10 percent of the amount of tax due under this chapter  
19 or \$10,000. A contribution claimed as a credit under this section may  
20 not be claimed as a credit under another provision of this title.

21 (b) Contributions accepted for endowment purposes are not eligi-  
22 ble for the credit under (a) of this section.

23 (c) By September 30 of each year, the Department of Revenue  
24 shall report to the Legislative Budget and Audit Committee on the  
25 credits taken under this section. Each public college and university  
26 shall include in its annual operating budget request contributions  
27 received and how the contributions were used.

28 \* Sec. 5. AS 43.56 is amended by adding a new section to read:

29 Sec. 43.56.018. OIL OR GAS PROPERTY EDUCATION CREDIT. (a) The

1 owner of property taxable under this chapter is allowed as a credit  
2 against the tax due under this chapter 50 percent of cash contribu-  
3 tions accepted for direct instruction, research, and educational  
4 support purposes, including library and museum acquisitions, by an  
5 accredited, nonprofit, public or private, Alaska, two- or four-year,  
6 college or university. The credit may only be applied against the tax  
7 liability accruing during the month the contribution is made. The  
8 credit may not exceed the lesser of 10 percent of the amount of tax  
9 due under this chapter or \$10,000. A contribution claimed as a credit  
10 under this section may not be claimed as a credit under another pro-  
11 vision of this title.

12 (b) Contributions accepted for endowment purposes are not eligi-  
13 ble for the credit under (a) of this section.

14 (c) By September 30 of each year, the Department of Revenue  
15 shall report to the Legislative Budget and Audit Committee on the  
16 credits taken under this section. Each public college and university  
17 shall include in its annual operating budget request contributions  
18 received and how the contributions were used.

19 \* Sec. 6. AS 43.65 is amended by adding a new section to read:

20 Sec. 43.65.018. MINING BUSINESS EDUCATION CREDIT. (a) A person  
21 engaged in the business of mining in the state is allowed as a credit  
22 against the tax due under this chapter 50 percent of cash contribu-  
23 tions accepted for direct instruction, research, and educational  
24 support purposes, including library and museum acquisitions, by an  
25 accredited, nonprofit, public or private, Alaska, two- or four-year,  
26 college or university. The credit may not exceed the lesser of 10  
27 percent of the amount of tax due under this chapter or \$100,000. A  
28 contribution claimed as a credit under this section may not be claimed  
29 as a credit under another provision of this title.

1 (b) Contributions accepted for endowment purposes are not eligi-  
2 ble for the credit under (a) of this section.

3 (c) By September 30 of each year, the Department of Revenue  
4 shall report to the Legislative Budget and Audit Committee on the  
5 credits taken under this section. Each public college and university  
6 shall include in its annual operating budget request contributions  
7 received and how the contributions were used.

8 \* Sec. 7. AS 43.75 is amended by adding a new section to read:

9 Sec. 43.75.018. FISHERIES BUSINESS EDUCATION CREDIT. (a) A  
10 person engaged in a fisheries business is allowed as a credit against  
11 the tax due under this chapter 50 percent of cash contributions ac-  
12 cepted for direct instruction, research, and educational support  
13 purposes, including library and museum acquisitions, by an accredited,  
14 nonprofit, public or private, Alaska, two- or four-year, college or  
15 university. The credit may not exceed the lesser of 10 percent of the  
16 amount of tax due under this chapter or \$100,000. A contribution  
17 claimed as a credit under this section may not be claimed as a credit  
18 under another provision of this title.

19 (b) Contributions accepted for endowment purposes are not eligi-  
20 ble for the credit under (a) of this section.

21 (c) By September 30 of each year, the Department of Revenue  
22 shall report to the Legislative Budget and Audit Committee on the  
23 credits taken under this section. Each public college and university  
24 shall include in its annual operating budget request contributions  
25 received and how the contributions were used.

26 \* Sec. 8. AS 43.75.130 is amended by adding a new subsection to read:

27 (d) In this section, "tax revenue collected" includes the amount  
28 credited against taxes under AS 43.75.018.

29 \* Sec. 9. The provisions of this Act apply to contributions made after

1 December 31, 1987.

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Government Center  
Fairbanks, Alaska 99701  
Tel. 459-4000

University of Alaska  
Fairbanks, Alaska 99775-5260

January 29, 1987

The Honorable Max Gruenberg  
House Majority Leader  
Pouch V  
Juneau, AK 99811

Subject: Fiscal Note, House Bill 6

Dear Representative Gruenberg:

Attached as you requested is a fiscal note for House Bill 6, "An Act allowing tax credits to certain educational institutions; and restricting state tax deductions under 26 U.S.C. 170." The University of Alaska is in favor of, and supports the concept of this legislation.

The fiscal considerations to the university of House Bill 6 are very favorable, with the exception of endowment income. At a time of declining state revenues, this legislation would be helpful to the university in soliciting operating funding from alternative sources.

Corporations who now make charitable contributions will have an incentive to channel them toward qualifying institutions, as they will have an economic incentive to do so. Losses to the Alaska state treasury from the tax credit will be offset by corresponding gains — twice as large as the losses — to Alaska educational institutions.

This is particularly important in the case of multi-state corporations who will, if the measure passes, have a strong economic incentive to contribute to qualifying educational institutions in Alaska, rather than institutions in other states. Non-Alaska tax-deductible organizations will tend to lose contributions as corporations operating in Alaska will retain a greater amount of net income by redirecting their contributions to qualifying Alaska educational institutions.

The denial of eligibility for contributions accepted for endowment purposes would, however, be detrimental to current efforts by the university. The university is seeking through the University of Alaska Foundation to increase the size of its endowments and to create endowed chairs in areas of excellence. Provisions in the bill which deny eligibility for endowment contributions will create disincentives for corporations and




The Honorable Max Gruenberg  
January 29, 1987

Page 2

individuals to contribute to endowments; those wishing to contribute to the university will receive additional economic benefits if they contribute to current operations rather than endowments. While the approach taken in the legislation is more beneficial in the short term, allowance of tax credits for endowment purposes is more beneficial in the long term.

Projecting the actual fiscal impact of this legislation to the university cannot be accurately calculated at this time. We estimate that the university could potentially receive between \$250,000 and \$1 million annually under the educational tax credit program. The appropriate fiscal note forms and backup are attached. If you need any further information, please do not hesitate to call me or Brian Rogers at 474-6490.

Sincerely,

  
Sherman Carter  
Executive Vice President

cc: The Honorable Niilo Koponen and Johnny Ellis, co-chairs,  
House HESS Committee  
Liz Blecker, Division of Legislative Finance  
Janet Clarke, Office of Management and Budget  
Wendy Redman, Director of Government Relations

February 10, 1987  
Testimony of  
EXXON COMPANY, U.S.A.  
House Bill 6

"An Act allowing tax credits for contributions to certain educational institutions; and restricting state tax deductions under 26.U.S.C. 170."

I am Dan Smith, Senior Public Affairs Representative with Exxon Company, U.S.A., and appear before you today to express our support for HB-6.

Exxon has a clear and consistent policy of supporting higher education in Alaska and nationwide. The Exxon Education Foundation is a non-profit corporation formed as a vehicle to provide educational aid and includes such programs as employee gift matching and annual as well as continuing grants. Our support for House Bill 6 stems from this interest in education support.

We believe this bill would effectively help promote private funding for higher education in Alaska. Such action is important given the sharp revenue declines that are affecting the state's and the private sector's ability to provide such funding.

Accordingly, we believe passage of House Bill 6 would be in Alaska's best interest.

2/9/87

STATE OF ALASKA  
THE LEGISLATURE

PO BOX 11000  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 9, 1987

SUBJECT: Sectional Analysis of HB 6  
TO: Representative Max Gruenberg  
FROM: Theresa L. Bannister  
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 describes the purpose of the bill.

Section 2. Sec. 43.20.014(a) allows a credit against corporate income tax liability for certain cash contributions to certain colleges and universities. Puts a ceiling on the credit. Prohibits claiming a credit under another provision of AS 43 with the same contribution used to obtain the credit under this section. Prohibits using the same contribution to obtain a state corporate income tax deduction under 26 U.S.C. 170 (charitable, etc., contributions and gifts).

Sec. 43.20.014(b) states that contributions accepted for endowment purposes are not eligible for the credit.

Sec. 43.20.014(c) requires the Department of Revenue to report to the Legislative Budget and Audit committee each year on the credits taken under this section. Requires public colleges and universities to indicate in their annual operating budget requests the contributions that were received and how they were used.

Section 3 states that a taxpayer under AS 43.20 may only take a deduction under 26 U.S.C. 170 if the taxpayer makes the contribution payment before the last day of the taxable year.

Section 4. Sec. 43.55.019(a) allows a credit against the tax liability under AS 43.55 (oil and gas properties production tax) for certain cash contributions to certain colleges and universities. States that the credit can only be applied against the tax liability that accrues during the month the contribution is made. Puts a ceiling on the credit. Prohibits claiming a credit under another provision of AS 43 with the same contribution used to obtain the credit under this section.

Sec. 43.55.019(b) states that contributions accepted for endowment purposes are not eligible for the credit.

Sec. 43.55.019(c) requires the Department of Revenue to report to the Legislative Budget and Audit committee each year on the credits taken under this section. Requires public colleges and universities to indicate in their annual operating budget requests the contributions that were received and how they were used.

Section 5. Sec. 43.56.018(a) allows a credit against tax liability under AS 43.56 (oil and gas exploration, production and pipeline transportation property tax) for certain cash contributions to certain colleges and universities. States that the credit can only be applied against the tax liability that accrues during the month the contribution is made. Puts a ceiling on the credit. Prohibits claiming a credit under another provision of AS 43 with the same contribution used to obtain the credit under this section.

Sec. 43.56.018(b) states that contributions accepted for endowment purposes are not eligible for the credit.

Sec. 43.56.018(c) requires the Department of Revenue to report to the Legislative Budget and Audit committee each year on the credits taken under this section. Requires public colleges and universities to indicate in their annual operating budget requests the contributions that were received and how they were used.

Section 6. Sec. 43.65.018(a) allows a credit against tax liability under AS 43.65 (mining license tax) for certain

cash contributions to certain colleges and universities. Puts a ceiling on the credit. Prohibits claiming a credit under another provision of AS 43 with the same contribution used to obtain the credit under this section.

Sec. 43.65.018(b) states that contributions accepted for endowment purposes are not eligible for the credit.

Sec. 43.65.018(c) requires the Department of Revenue to report to the Legislative Budget and Audit committee each year on the credits taken under this section. Requires public colleges and universities to indicate in their annual operating budget requests the contributions that were received and how they were used.

Section 7. Sec. 43.75.018(a) allows a credit against tax liability under AS 43.75 (fisheries business tax) for certain cash contributions to certain colleges and universities. Puts a ceiling on the credit. Prohibits claiming a credit under another provision of AS 43 with the same contribution used to obtain the credit under this section.

Sec. 43.75.018(b) states that contributions accepted for endowment purposes are not eligible for the credit.

Sec. 43.75.018(c) requires the Department of Revenue to report to the Legislative Budget and Audit committee each year on the credits taken under this section. Requires public colleges and universities to indicate in their annual operating budget requests the contributions that were received and how they were used.

Section 8 states that the term "tax revenue collected" under AS 43.75.130 (refunds to local governments) includes the amount credited under AS 43.75:018.

Section 9 states to what contributions the provisions of this Act apply.

TLB:mkr  
m8/108

**FISCAL NOTE**

No. 4  
 Bill Version: CSHB 6(Fin)  
 Publish Date: HOUSE 3/4/87

**REQUEST**

Bill/Resolution No.: CSHB 6 (FIN)  
 Title: Act allowing tax credits for contributions to educational institutions  
 Sponsor: Gruenberg, et. al  
 Requestor: \_\_\_\_\_  
 Date of Request: January 27, 1987

**FISCAL DETAIL**

Agency Affected: University of Alaska  
 BRU: ALI  
 Components: \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-

REVENUE	Positive	Positive	Positive	Positive	Positive

**FUNDING : (Thousands of Dollars)**

GENERAL FUND					
FEDERAL FUNDS					
OTHER					
TOTAL					

**POSITIONS :**

FULL-TIME					
PART-TIME					
TEMPORARY					

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

See attached.

Prepared by: Brian Rogers, Budget Director  
 Division: University of Alaska  
 Approved by <sup>Vice President</sup> Sherrill Carter  
 Agency: University of Alaska

Phone: 474-6490  
 Date: January 29, 1987  
 Date: January 29, 1987

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 6(Fin)

No. 4  
CSHB 6(Fin)  
3/4/87

It is impossible to give exact figures on what the revenue gain to the University of Alaska would be under HB 6 because, although the tax credit incentive can be analyzed, the degree of response to such a tax measure is not possible to gauge.

Corporations who now make charitable contributions will have an incentive to channel them toward qualifying institutions, as they will have an economic incentive to do so. Losses to the Alaska state treasury from the tax credit will be offset by corresponding gains - twice as large as the losses - to Alaska educational institutions.

This is particularly important in the case of multi-state corporations, who will, if the measure passes, have a strong economic incentive to contribute to qualifying educational institutions in Alaska, rather than institutions in other states. Non-Alaska tax-deductible organizations will tend to lose contributions as corporations operating in Alaska will retain a greater amount of net income by redirecting their contributions to qualifying Alaska educational institutions.

The magnitude of corporate contributions which might be affected is likely to be in the \$250,000 to \$1 million range annually. The oil industry, for example, contributed less than \$20 million to U.S. colleges and universities in 1984. If the University of Alaska could due to this tax credit garner 2% of the total U.S. oil industry contributions, the measure would generate \$400,000 for the university and cost \$200,000 to the state treasury.

Provisions in the legislation which deny eligibility for contributions accepted for endowment purposes will, however, be detrimental to current efforts by the University of Alaska. The university is seeking to increase the size of its endowments and to create endowed chairs in areas of excellence. These provisions (Sec. 43.20.014(b), Sec. 43.55.109(b), Sec. 43.55.018(b), Sec. 43.65.018(b), and Sec. 43.75.018(b)) will create economic disincentives for corporations and individuals to contribute to endowments; those wishing to contribute to the university will receive additional economic benefits if they contribute to current operations rather than endowments.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST \_\_\_\_\_

Bill Version: CEHB 6(Fin)  
Publish Date: HOUSE 3/4/87

Revision Date: 2/3/87  
Title: Tax Credits - Educational Institutions  
Sponsor: Gruenberg et al  
Requestor: House Health, Education & Social Services and Finance

Agency Affected: Revenue  
BRU: Audit  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
TRAVEL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CONTRACTUAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
SUPPLIES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
EQUIPMENT	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
LANDS & STRUCTURES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
GRANTS, CLAIMS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
MISCELLANEOUS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
<b>TOTAL OPERATING</b>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
<b>CAPITAL</b>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
<b>REVENUE</b>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FEDERAL FUNDS	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
OTHER	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
<b>TOTAL</b>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Steven E. Kettel  
Division: Audit

Phone: 465-2320  
Date: 2/3/87

Approved by Commissioner: Hugh Malone  
Agency: Department of Revenue

Date: 2/4/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary



Fiscal Note Bill Analysis

Section 1 - 7

HB 6 is very similar to CS for HB 688 which was introduced in the House last year. The bill provides for a tax credit to be given to those persons and businesses making cash contributions to certain educational institutions and restricting state tax deductions under 26 U.S.C. 170.

The credit is generally limited to 50 percent of the contribution and is further limited depending upon the type of tax being offset. The following tax types may receive the credit and the additional limitations are noted

TAX TYPE	LIMITATION
AS 43.20 Corporate Income Tax	Lesser of 10% of tax or \$10,000
AS 43.55 Oil & Gas Production Tax	Lesser of 10% of tax or \$1,000
AS 43.56 Oil & Gas Property Tax	Lesser of 10% of tax or \$1,000
AS 43.65 Mining Tax	Lesser of 10% of tax or \$10,000
AS 43.75 Fisheries Business Tax	Lesser of 10% of tax or \$10,000

For income tax purposes the credit is in lieu of the contribution deduction normally allowed by the Internal Revenue Code. A person with a tax liability in several of the creditable tax types may only receive credit under one type. There is no carryover of unused credits as drafted.

Contributions may not be earmarked for specific purposes and must be used for direct instruction, research, and educational support purposes including library and museum acquisitions.

Both the Department of Revenue and each public college and university must file informational reports with the legislature.

Section 8

Provides that the tax credit will not reduce the 25 - 30 percent share of the fisheries tax that is shared to local municipalities.

Section 9

Provides an effective date applicable to contributions made after December 31, 1987.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

No. 6

Bill Version: CSHB 6(Fin)  
Publish Date: HOUSE 3/4/87

REQUEST

Revision Date: \_\_\_\_\_  
Title: An Act Allowing Tax Credits For  
Contributions to Education Institutions  
Sponsor: Gruenberg  
Requestor: \_\_\_\_\_

Agency Affected: Revenue  
BRU: \_\_\_\_\_

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	(See Attachment)					

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

Prepared By: Mary Ellen Frank/Bob Elliott *MEF BE*  
Division: Research

Phone: 465-2173  
Date: 2/6/87

Approved by Commissioner: Hugh Malone *H.W. For*  
Agency: Revenue

Date: 2/9/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Continuation for Fiscal Note Analysis

HB 6

It is impossible to give exact figures on what the revenue loss to the State would be under HB 6 because, although the incentives can be analyzed (below), the degree of response to the tax measure isn't possible to gauge.

1. The State will lose tax revenue but may also have less demand for existing revenues if educational institutions are funded by private contributions.
2. Non-educational tax deductible organizations will tend to lose contributions from companies because corporations will have a net gain in retained income by redirecting their contribution budgets to qualifying Alaska educational institutions.
3. Non-Alaskan tax deductible organizations including educational institutions will tend to lose contributions as corporations operating in Alaska will retain a greater amount of net income by redirecting their contributions to qualifying Alaska educational institutions.
4. On aggregate, companies that do not make charitable contributions now will have no economic incentives\* to change that. Companies that have contribution budgets will have incentive to channel them toward qualifying institutions as they will have an economic incentive\*. \*Economic incentive here means having greater net income retained after contribution.
5. The Federal government will tend to gain tax revenue on aggregate. Companies which currently make contributions will have less deductions against Federal income taxes (due to the add back of state credits), and thus will have a greater Federal tax liability. In contrast, companies not already making contributions would have more deductions and less Federal tax liability if they chose to make contributions. However, as noted in item four above, they would have less retained income after contributions, and thus no economic incentive.
6. There will be less ability for the State and educational institutions to estimate revenues and subsequently to control budgets due to the unpredictable nature of the tax credits.