

HB331

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 16, 1991

FURTHER REFERRALS:

Date of Committee Action: 5/17/91

The FINANCE Committee considered:

HB 331

HOUSE BILL NO. 331

TAX CREDITS FOR EDUCATIONAL CONTRIBUTIONS

"An Act relating to tax credits for contributions to certain educational institutions; and providing for an effective date."

RECOMMENDATIONS:

be replaced with _____ the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact REVENUE

fiscal note(s) _____

zero fiscal note Dept of Revenue

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eileen P. Maclean ^{Maclean}	<input checked="" type="checkbox"/>	Jay Brown ^{Brown}		<input checked="" type="checkbox"/>	
Mike Savane ^{Savane}	<input checked="" type="checkbox"/>	Bob King ^{King}		<input checked="" type="checkbox"/>	
Mark Bayer ^{Bayer}	<input checked="" type="checkbox"/>				
_____ ^{Kopman}	<input checked="" type="checkbox"/>				
_____ ^{Phillips}	<input checked="" type="checkbox"/>				
_____ ^{Karsne}	<input checked="" type="checkbox"/>				
_____ ^{Ulmer}					

Mike Savane ^{SAVANE} E Proulx ^{Maclean}
 CHAIRMAN'S SIGNATURE

HOUSE BILL NO. 331

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE GRUENBERG

Introduced: 5/16/91

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to tax credits for contributions to certain educational institutions; and
 2 providing for an effective date."

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

4 * Section 1. The provisions of this Act revise and extend the credits authorized by ch. 58, SLA 1987,
 5 under each of the following state taxes for contributions made to instate institutions of postsecondary
 6 education:

7 (1) Alaska Net Income Tax (AS 43.20);

8 (2) Oil and Gas Properties Production Tax (AS 43.55);

9 (3) Oil and Gas Exploration, Production, and Pipeline Transportation Property Tax
 10 (AS 43.56);

11 (4) Mining License Tax (AS 43.65);

12 (5) Fisheries Taxes (AS 43.75).

13 * Sec. 2. AS 43.20.014(a) is amended to read:

14 (a) For cash contributions accepted for direct instruction, research, and educational

1 ACCRUING DURING THE MONTH THE CONTRIBUTION IS MADE. THE CREDIT MAY
2 NOT EXCEED THE LESSER OF 10 PERCENT OF THE AMOUNT OF TAX DUE UNDER
3 AS 43.55.011 - 43.55.150 OR \$10,000. A CONTRIBUTION CLAIMED AS A CREDIT UNDER
4 THIS SECTION MAY NOT BE CLAIMED AS A CREDIT UNDER ANOTHER PROVISION
5 OF THIS TITLE].

6 * Sec. 5. AS 43.55.019 is amended by adding new subsections to read:

7 (d) A contribution claimed as a credit under this section may not be claimed as a credit
8 under another provision of this title.

9 (e) The department may, by regulation, establish procedures by which a taxpayer may
10 allocate a pro rata share of a credit claimed under this section against monthly tax payments
11 made during the tax year.

12 * Sec. 6. AS 43.56.018(a) is amended to read:

13 (a) For cash contributions accepted for direct instruction, research, and educational
14 support purposes, including library and museum acquisitions, and contributions to
15 endowment, by an accredited, nonprofit, public or private, Alaska two-year or four-year
16 college or university, the [THE] owner of property taxable under this chapter is allowed as a
17 credit against the tax due under this chapter

18 (1) 50 percent of [CASH] contributions of not more than \$100,000; and

19 (2) 100 percent of the next \$100,000 of contributions [ACCEPTED FOR
20 DIRECT INSTRUCTION, RESEARCH, AND EDUCATIONAL SUPPORT PURPOSES,
21 INCLUDING LIBRARY AND MUSEUM ACQUISITIONS, BY AN ACCREDITED,
22 NONPROFIT, PUBLIC OR PRIVATE, ALASKA, TWO- OR FOUR-YEAR, COLLEGE OR
23 UNIVERSITY. THE CREDIT MAY ONLY BE APPLIED AGAINST THE TAX LIABILITY
24 ACCRUING DURING THE MONTH THE CONTRIBUTION IS MADE. THE CREDIT MAY
25 NOT EXCEED THE LESSER OF 10 PERCENT OF THE AMOUNT OF TAX DUE UNDER
26 THIS CHAPTER OR \$10,000. A CONTRIBUTION CLAIMED AS A CREDIT UNDER THIS
27 SECTION MAY NOT BE CLAIMED AS A CREDIT UNDER ANOTHER PROVISION OF
28 THIS TITLE].

29 * Sec. 7. AS 43.56.018 is amended by adding new subsections to read:

30 (d) A contribution claimed as a credit under this section may not be claimed as a credit
31 under another provision of this title.

1 UNIVERSITY. THE CREDIT MAY NOT EXCEED THE LESSER OF 10 PERCENT OF THE
2 AMOUNT OF TAX DUE UNDER THIS CHAPTER OR] \$100,000; and
3 (2) 100 percent of the next \$100,000 of contributions. [A CONTRIBUTION
4 CLAIMED AS A CREDIT UNDER THIS SECTION MAY NOT BE CLAIMED AS A CREDIT
5 UNDER ANOTHER PROVISION OF THIS TITLE.]

6 * Sec. 11. AS 43.75.018 is amended by adding a new subsection to read:

7 (d) A contribution claimed as a credit under this section may not be claimed as a credit
8 under another provision of this title.

9 * Sec. 12. AS 43.20.014(b), AS 43.55.019(b), AS 43.56.018(b), AS 43.65.018(b), and
10 AS 43.75.018(b) are repealed.

11 * Sec. 13. This Act takes effect January 1, 1992, and applies to tax years beginning after
12 December 31, 1991.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 331

Revision Date: May 16, 1991
Title: An Act relating to tax credits for contributions to certain educational institutions; and an effective date
Sponsor: Representative Gruenberg
Requestor: _____

Department Affected: Revenue
BRU: Treasury
Component: _____

Component Serial No.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: This bill wouldn't have a fiscal impact on the Treasury's operation in that it doesn't establish a trust fund for investment management by Treasury or mandate an apportionment of General Fund investment earnings.

Prepared by: Brian C. Andrews *CSA*

Phone: 465-2350

Division: Treasury

Date: May 16, 1991

Approved by Commissioner: *[Signature]*

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB331

Revision Date: _____
Title: Tax credits for contributions to
certain educational institutions
Sponsor: Representative Gruenberg
Requestor: _____

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	(500.0)	(750.0)	(900.0)	(1000.0)	(1000.0)	(1000.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	(500.0)	(750.0)	(900.0)	(1000.0)	(1000.0)	(1000.0)
FEDERAL FUNDS						
OTHER						
TOTAL	(500.0)	(750.0)	(900.0)	(1000.0)	(1000.0)	(1000.0)


POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0.0

ANALYSIS: Attach a separate page for analysis.

SEE ATTACHED

Prepared By: Larry E. Meyers Phone: (907) 465-2320
Division: Income and Excise Audit Division Date: May 16, 1991
Approved by Commissioner: Lee E. Fisher 
Agency: Department of Revenue Date: May 16, 1991

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

May 16, 1991

HB 331
FISCAL NOTE ANALYSIS
DEPARTMENT OF REVENUE

HB 331 increases the maximum amount of education credit taxpayers may take against their tax liabilities from \$100,000 to \$150,000. This bill allows for credits on 50% of the first \$100,000 (\$50,000 maximum) of contributions and 100% of the next \$100,000 (\$100,000 maximum) of contributions. This bill deletes current provisions for limiting credits to the lesser of 10% of tax liabilities or \$100,000.

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
VICE-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



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Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

MEMORANDUM

TO: Members of the House Finance Committee
FROM: Representative Max Gruenberg *Max*
DATE: May 17, 1991
RE: HB 331, th University Tax Credit Bill

I would very much appreciate your support of HB 331, the University Tax Credit Bill.

HB 331 makes the following changes to existing law:

1. Increases the cap on the maximum annual tax credit per taxpayer from \$100,000 to 150,000 for corporate, mining, fisheries, and oil and gas taxpayers.
2. Allows the credit to be taken on contributions made for the entire tax year. The current legislation restricts oil and gas companies to \$10,000 contribution on a monthly basis.
3. Allows taxpayers a tax credit of 50% on contributions up to \$100,000 and 100% for contributions above \$100,000 not to exceed a total of \$200,000.
4. Removes the prohibition against contributions given to endowments.
5. Removes the language limiting the tax credit to "...the lesser of 10 percent of the amount of tax due under this chapter or...", allowing all taxpayers the full benefit of getting tax credit for large contributions.

The purpose of HB 331 is to amend the existing statutes to enhance the tax credit status for contributions made in support of higher education.

Under the present statutes, there is little incentive for individuals or companies to give contributions to higher

education institutions because the return is so small after the existing tax formula is taken into consideration. The changes made in HB 331 will greatly enhance our ability to secure large contributions, particularly from oil and gas companies. At the present time, the companies are unwilling to engage in the complications of giving donations with the present statutory restrictions.

The restriction on contributions to endowments has presented another inhibiting factor for in-state institutions. Many contributors prefer to give donations to very specific endowment funds for designated endowed chairs, museum endowments, etc. because they are able to secure higher visibility, and/or assure that their contribution will supporting an endeavor that is consistent with the interests/goals of their industry.

The restriction for oil and gas producers that contributions be applied as a monthly tax credit requires such substantial paperwork that the incentive is lost in overhead costs.

If you have any questions, please call me or Mark Handley, my Legislative Assistant, at ext. 4968.

MEMORANDUM

TO: Representative Max Gruenberg
FROM: Mark Handley
DATE: May 17, 1991
RE: Sectional Analysis of HB 331, the University Tax
Credit Bill

The following is a sectional analysis of HB 331, the university tax credit bill.

Section 1

Temporary law sets out the state taxes effected by this bill.

Section 2

AS 43.20.14 (a) Present law allows a corporate income taxpayer tax credit for the lesser of 50% of up to \$200,000 or 50% of 10% of the taxpayer's state tax liability for contributions to Alaskan universities or colleges. This section makes amendments which allow any taxpayer to receive a 50% tax credit for contributions up to \$100,000 and a 100% credit for the next \$100,000 donated in that tax year.

Section 3

AS 43.55.019 (a) prohibits a taxpayer from claiming any additional tax credits or deductions for a contribution for which a tax credit was received under this section.

Section 4

AS 43.55.019 (a) Present law allows a oil and gas severance taxpayer tax credit for the lesser of 50% of up to \$200,000 or 50% of 10% of the taxpayer's state tax liability for contributions to Alaskan universities or colleges. This section makes amendments which allow any taxpayer to receive a 50% tax credit for contributions up to \$100,000 and a 100% credit for the next \$100,000 donated in that tax year.

Section 5

AS 43.55.019 prohibits a taxpayer from claiming any additional tax credits for a contribution for which tax credit has been claimed under this section and gives the Department of Revenue the authority to promulgate regulations allowing taxpayers, who

pay their taxes on a monthly basis, to spread the allocation of this taxpayer out over the tax year.

Section 6

AS 43.56.018 (a) Present law allows a oil and gas property taxpayer a tax credit for the lesser of 50% of up to \$200,000 or up to 50% of 10% of the taxpayer's state tax liability for contributions to Alaskan universities or colleges. This section makes amendments which allow any taxpayer to receive a 50% tax credit for contributions up to \$100,000 and a 100% credit for the next \$100,000 donated in that tax year.

Section 7

AS 43.56.018 (d) prohibits a taxpayer from claiming any additional tax credits for a contribution for which a tax credit has been claimed under this section.

Section 8

AS 43.65.018 (a) Present law allows a mining licensee taxpayer a tax credit for the lesser of 50% of up to \$200,000 or up to 50% of 10% of the taxpayer's state tax liability for contributions to Alaskan universities or colleges. This section makes amendments which allow any taxpayer to receive a 50% tax credit for contributions up to \$100,000 and a 100% credit for the next \$100,000 donated in that tax year.

Section 9

AS 43.65.018 (d) prohibits a taxpayer from claiming any additional tax credits for a contribution for which a tax credit has been claimed under this section.

Section 10

AS 43.75.018 (a) Present law allows a fisheries taxpayer a tax credit for the lesser of 50% of up to \$200,000 or up to 50% of 10% of the taxpayer's state tax liability for contributions to Alaskan universities or colleges. This section makes amendments which allow any taxpayer to receive a 50% tax credit for contributions up to \$100,000 and a 100% credit for the next \$100,000 donated in that tax year.

Section 11

AS 43.75.018 (d) prohibits a taxpayer from claiming any additional tax credits for a contribution for which a tax credit has been claimed under this section.

Section 12

Repeals the provisions of existing law which prohibit the allowance of a tax credit if the contributions are made for endowment purposes.

Section 13

Provides for an effective date of January 1, 1992, and makes the bill applicable to tax years beginning after December 31, 1991.

PROPOSED LEGISLATION

Income Tax Education Credit

The University of Alaska system, Alaska Pacific University, and Sheldon Jackson College, all support the following legislative changes in the state's tax credit legislation for donations to higher education.

The purpose of this legislation is to amend the existing statutes to enhance the tax credit status for contributions made in support of higher education.

The proposed legislation is intended to make the following changes to existing legislation. The statutes affected are Sec. 43.20.014; Sec 43.55.019; Sec. 43.56.018; Sec. 43.65.018; Sec. 43.75.018

1. Increase the contribution rate from \$100,000 to \$200,000 for individual, mining, fishing, and oil and gas taxpayers.
2. Allow the credit to be taken on contributions made during a tax year. The current legislation restricts oil and gas companies to \$10,000 contribution on a monthly basis.
3. Allow taxpayers a tax credit of 50 percent on contributions up to \$100,000 and 100% for contributions above \$100,000 not to exceed a total of \$200,000.
4. Remove the prohibition against contributions given to endowments.
5. Remove the language limiting the contribution to "...the lesser of 10 percent of the amount of tax due under this chapter or...." since the inclusion of #1 makes this language mute.

RATIONALE:

Under the present statutes there is little incentive for individuals or companies to give contributions to higher education institutions because the return is so small after the existing tax formula is taken into consideration. The proposed changes will greatly enhance our ability to secure large contributions, particularly from oil and gas companies. At the present time, the companies are unwilling to engage in the complications of giving donations with the present statutory restrictions.

The restriction on contributions to endowments has presented another inhibiting factor for in-state institutions. Many contributors prefer to give donations to very specific endowment funds for designated endowed chairs, museum endowments, etc. because they are able to secure higher visibility, and/or assure that their contribution is supporting an endeavor that is consistent with the interests/goals of their industry.

The restriction for oil and gas producers that contributions be applied as a monthly tax credit requires such substantial paperwork that the incentive is lost in overhead costs.