

SB

225

If you or your corporation pay any of these taxes to the state of Alaska

- Income Tax
- Oil and Gas Property Tax
- Oil and Gas Production Tax
- Fisheries Tax
- Mining License Tax

you may make a contribution to the University of Alaska and reduce your state tax bill.

In some cases, your gift can result in you paying no state taxes at all.

How the Educational Tax Credit works

After you have made your contribution to the University and you fill out the forms to pay any of the taxes listed, you may claim an Alaskan Educational Tax Credit for up to 50% of the first \$100,000 of your gift and 100% of the next \$100,000 of your gift to the University.

For example, suppose in one year you or your business owes the state of Alaska an oil and gas production tax of \$200,000 and you make a \$200,000 contribution to the University of Alaska. You may then claim a credit against your state oil and gas production tax liability of \$150,000 (50% of the first \$100,000 plus 100% of the second \$100,000 of your gift = \$150,000).

Thus you have benefitted the University with a \$200,000 gift, and your oil and gas production tax bill has been reduced from \$200,000 to only \$50,000. The same is true of the other state taxes listed.

Since some of these state taxes are paid monthly, the Department of Revenue regulations and instructions will provide you with information as to how you may allocate a pro rata share of the annual credit to your monthly tax payments made to the state.

Please note that each contribution you make to the University of Alaska may be claimed for credit on *only one* of the state taxes listed above. Your accountant or attorney can help you decide under which tax you should claim your education contribution credit to provide you with the greatest benefit. The maximum credit which may be claimed by a taxpayer in any tax year is \$150,000.

What kind of contributions are eligible?

To be eligible for a state educational contribution tax credit, your contributions to the University of Alaska must be in the form of cash.

How do I claim the credit?

You should discuss this new law with your accountant and ask that your state tax forms be filled out to claim the credit. Alternatively, you may seek assistance from the Alaska State Department of Revenue on claiming the credit.

How do I make my gift to support the University of Alaska?

You may simply write a check to the University of Alaska Foundation and send it to:

University of Alaska Foundation
Attn: Scott Taylor, Executive Director
910 Yukon Drive, Suite 206
Fairbanks, AK 99775-5240
(907) 474-7687 FAX 474-7664

If you would like your contribution to be used to benefit a particular university in the University of Alaska system (UAA, UAF, UAS) or a branch campus (Chukchi, Interior, Kenai, Ketchikan, Kodiak, Kuskokwim, Mat-Su, Northwest, Prince William Sound Community College, Sitka, etc.) or program (Engineering, Music, Physics, etc.), you may also include this in your letter to the Foundation.

If you would like help in making your contribution, you may call or write us at the address noted.

How will my gift be managed and used?

Your gift to the University of Alaska is accepted and managed by the University of Alaska Foundation and used exactly as you specify in your letter accompanying your donation. Gifts which are unrestricted are especially valuable since they allow the University flexibility in allocating resources to the most pressing needs. The Foundation will invest your gift in accordance with its investment policy established by the Board of Trustees. A diversified portfolio approach is used by the Foundation's investment managers which has resulted in total returns ranging from 12% to 15% for its endowment funds over the last several years.

Recognition of all contributions to the University, except those who wish to remain anonymous, is made in the University of Alaska Foundation's Annual Report. Additional media coverage and/or special events often accompany especially large gifts. The Foundation can also help you to establish named endowment funds or other funds for special purposes to support the University.

What you should know about the University of Alaska Foundation

The University of Alaska Foundation is a non-profit corporation established in 1974 to receive donations and to hold and manage them for the exclusive benefit of the University of Alaska.

Unrestricted gifts to the Foundation will be expended for the benefit of the University of Alaska by the Foundation's Board of Trustees in consultation with the University administration. Gifts to the Foundation which are restricted to specific campuses, purposes or uses will be expended exclusively in accordance with the terms of the gift.

The Foundation is a tax-exempt organization as described in Subsection 501(c)(3) of the Internal Revenue Code. It qualifies as a public charitable organization under Subsection 170(b)(1)(A)(vi) of the Internal Revenue Code. Contributions to the Foundation are deductible according to the schedules established under income and estate tax regulations.

Additional or specific inquiries should be addressed to the University of Alaska Foundation.

The University of Alaska Foundation is not engaged in rendering legal or tax advisory services. For advice and assistance in specific cases, the services of an attorney or other professional advisor should be obtained. The purpose of this publication is to provide general information only.

Who is Eligible?

Any taxpayer who pays an Alaska state income tax, oil or gas production or oil and gas property tax, mining license tax or fisheries tax is eligible to claim a credit on their state tax for a portion of cash contributions made to the University of Alaska.

Why Make a Gift to the University?

The University of Alaska needs private support to assure that it can reach and sustain levels of academic excellence. As state funding becomes more precarious, it is essential that we establish a strong and stable source of private funding to assure that our instructional, research and public service programs have the necessary resources to achieve the level of distinction Alaska deserves.

Partnerships between the university and the private sector must be made among all those who benefit from the growth and development of a strong state university system.



University of Alaska Foundation
910 Milken Drive, Suite 206
Fairbanks, AK 99775-5240
(907) 474-7687



Gifts
to the
University of
Alaska
can reduce
your state
taxes . . .



DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450

FAX (907) 465-2029

Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

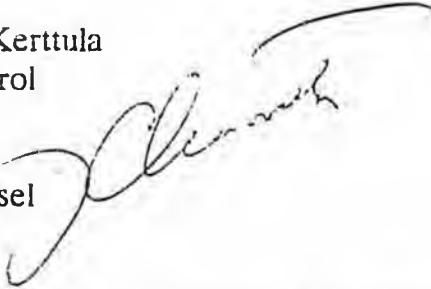
MEMORANDUM

January 19, 1994

SUBJECT: Senate Bill 225 -- Sectional analysis (Work Order No. 8-LS1268\E)

TO: Senator Jalmar Kerttula
Attn: Carol Carrol

FROM: Jack Chenoweth
Legislative Counsel



The measure would extend to payers of taxes imposed under the statutory title which regulates the business of insurance (AS 21) the same opportunity to claim credits for gifts to state educational institutions as were authorized for payers of various taxes imposed under AS 43 by ch. 71, SLA 1991.

Bill section 1: The bill section adds a subsection (j) to AS 21.09.210 that authorizes a claim of the credit against taxes due and payable under the general levy imposed on direct insurance premium income.

Bill section 2: The bill section adds a subsection (b) to AS 21.66.110 that authorizes a claim of the credit against taxes due and payable under the levy imposed on title insurance premiums.

Bill section 3: This provision defines the credit, extending the opportunity to claim a credit against taxes for contributions to qualifying educational institutions. The language derives directly from the claim of the credit authorized by the taxes imposed under AS 43. In amount, the claim of credit is limited to the lesser amount of (1) one-half of the amount of contributions on the first \$100,000 (\$50,000) and the full amount of the contribution on the next \$100,000, an effective maximum of \$150,000, or (2) 50 percent of the taxpayer's tax liability under AS 21.

Bill sections 4 - 8: The amendments to these five sections conform the various sections under which the educational institution credit is authorized against the corporate income tax (AS 43.20), oil and gas production (i.e severance) tax and surcharge (AS 43.55), oil and gas property tax (AS 43.56), mining license tax (AS 43.65), and fisheries business tax (43.75). Cumulative claims of the credits

Senator Jalmar Kerttula
January 19, 1994
Page 2

against all taxes--the insurance tax addressed in this bill and the five other taxes against which the claim may be made--during any one tax year may not, in total, exceed \$150,000.

Bill section 9: This provision makes the insurance tax credit claimable retroactive to January 1, 1994, to allow for a claim of the full amount of the credit in the current calendar year.

Bill section 10 gives the bill an immediate effective date.

JBC:pl
94-050.plm

SPONSOR STATEMENT S.B. 225
TAX CREDITS FOR INSURANCE COMPANIES
SENATOR JAY KERTTULA

THIS BILL WILL ALLOW AUTHORIZED INSURANCE AND TITLE INSURANCE COMPANIES TO CREDIT THEIR STATE TAX LIABILITY WITH AN AMOUNT EQUAL TO DONATIONS THEY MAKE TO QUALIFIED HIGHER EDUCATIONAL INSTITUTION IN THE STATE.

AN INSURANCE COMPANY WILL BE ABLE TO TAKE A CREDIT FOR 50% OF THE FIRST \$100,000 AND 100% OF THE NEXT \$100,000 UP TO A LIMIT OF \$150,000 (OR 50% OF THEIR TAX LIABILITY WHICHEVER IS LESS) THAT THEY DONATE TO A QUALIFIED INSTITUTION. THIS BILL BROADENS TO THE INSURANCE INDUSTRY THE ALREADY EXISTING TAX CREDITS AVAILABLE FOR OTHER INDUSTRIES IN THE STATE TO SUPPORT HIGHER EDUCATION.

I UNDERSTAND THAT THERE ARE MANY INSURANCE COMPANIES DOING BUSINESS IN THE STATE, SOME OF WHICH HAVE A VERY LIMITED MARKET. THIS IS WHY I HAVE ADDED THE 50% OF TAX LIABILITY LIMITATION, IN ORDER TO ENSURE THAT EACH COMPANY HAS A

MINIMAL AMOUNT OF INTERACTION WITH THE DIVISION OF INSURANCE.
IN ADDITION, THE DIVISION OF INSURANCE IS FUNDED ENTIRELY BY
THE TAXES AND FEES THE INSURANCE COMPANIES PAY TO THE STATE.
SO, IN ORDER TO ENSURE A STABLE BUDGET ARENA FOR THE DIVISION,
I HAVE LIMITED THE CREDIT TO 50% OF THE TAX LIABILITY.

I BELIEVE THIS BILL WILL HAVE A POSITIVE AFFECT ON
EDUCATIONAL INSTITUTIONS IN THE STATE BY PROVIDING AN
INCENTIVE TO THE INSURANCE INDUSTRY TO SUPPORT ALASKA
EDUCATIONAL INSTITUTIONS.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

No. 2
Bill Version: SB 225
(S) Public's F.a.e. 2-4-94

Revision Date: _____ Dept. Affected: Revenue
Title: Insurance Tax Credit: Gifts to Colleges BRU: Revenue Operations
Sponsor: Senator Kerttula Component: Income and Excise Audit
Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

	FY95	FY96	FY97	FY98	FY99	FY00
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE FUND SOURCE: General	**	**	**	**	**	**

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME			
PART-TIME			
TEMPORARY			

Estimate of current year (FY94) impact: \$ 0

Changes in CS SB 225 (HES)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.
2/4/94 keh
date Comte Aide (initial)

ANALYSIS: (Attach a separate page if necessary.)

** It is not feasible to determine how credits claimed under this bill will impact credits claimed under AS Title 43 because credits under both Title 21 and Title 43 are competing for the \$150,000 total credit limitation. Amounts will vary depending on contributions made by taxpayers each year.

Prepared by: Larry E. Meyers Phone: 465-2320
Division: Income and Excise Audit Date: January 31, 1994
Approved by Commissioner: Darrel J. Rexwinkel Date: January 31, 1994
Agency: Department of Revenue

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For further information contact the Legislative Office

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

Version: SB 225
(S) Publish Date: 2-4-94

Revision Date: _____
Title: Insurance Tax Credits: Gifts to Colleges
Sponsor: Kertula
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: Insurance
Component: Operations
COMPONENT SERIAL NO. 354

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	(900.0)	(900.0)	(900.0)	(900.0)	(900.0)	(900.0)
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GF 1004 & 68515
FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0
PART-TIME	0	0	0
TEMPORARY	0	0	0

Changes in CSB 225 (HES))
reflect NO FISCAL CHANGE from the original)
fiscal note. This fiscal note is appropriate.)
2/4/94 ban)
date Comte Aide (initial)

ANALYSIS: (Attach a separate page if necessary.)

This bill provides for a maximum annual premium tax credit of \$150,000 for cash gifts to Alaska colleges. Any tax credit will reduce general fund premium tax revenue (CMB 1004, SAS 68515) by a like amount. It is impossible to predict the amount of premium tax credits that would be applicable in any given year. However, if six companies claimed the maximum premium credit, the result would be a loss of \$900.0 to the general fund.

Prepared by: Joan Brown, Administrative Officer
Division: Insurance

Phone: 465-2597
Date: 1/20/94

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: _____

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Office of the President

February 14, 1994

Honorable Senator Jay Kerttula
PO Box V
Juneau, AK 99811

RE: Senate Bill 225

Dear Senator Kerttula,

The above cited piece of legislation is of great interest to Sheldon Jackson College and the institutions of higher education in this state. We are in support of this bill and we appreciate your efforts in its introduction.

The Alaska Income Tax Education Credit is an extremely useful tool for Alaskans because it encourages mutually beneficial partnerships between industry and higher education. This tool allows colleges in the state to enhance and improve academic programs by having access to the funding necessary to implement quality education for Alaskans.

An omission in the original legislation, namely the omission of including the insurance industry as a taxpayer group eligible to participate in this most essential partnering incentive, can be rectified by SB 225.

We support the passage of SB 225 in order to rectify the omission of the original bill. Thank you for recognizing and attempting to correct the oversight of the incentive.

Best regards,

Kenneth M. Cameron D.M.D.
President (Acting)

ALASKA PACIFIC UNIVERSITY

The President

FAX for Senator Jay Kerttula
 Re: Education Tax Credit

Dear Senator Kerttula:

I write to support Senate Bill 225 which seeks to include within the Education Tax Credit legislation a group of Alaskan corporations who were inadvertently left out of the earlier legislation. I refer to insurance companies who do not pay state income tax but do pay a tax based on premiums.

The inadvertence was due to the fact that the insurance companies are included in a different part of the code. S225 seeks to remedy this oversight to make it possible for these companies to receive credits against certain insurance taxes for contribution to certain educational institutions in the same way that is available to other companies under paragraphs in AS43.

Insurance companies, interested in making gifts through the Education Tax Credit program, have urged us to seek a way for them to be included in the program.

This is very important especially to the two private institutions in the state, Alaska Pacific University and Sheldon Jackson College, and to the University of Alaska Foundation. It encourages corporations to support institutions that are totally dependent on private philanthropy. These institutions provide substantial service to the state by educating a significant percentage of Alaska's students with high quality programs.

I urge the passage of S225.

Cordially,

Tom

F. Thomas Trotter
 President

Post-It™ brand fax transmittal memo 7671 # of pages 1

To <i>Carol</i>	From <i>Tom Trotter</i>
Co. <i>Sen Kerttula's Office</i>	Co. <i>APU</i>
Dept.	Phone # <i>907-8220</i>
Fax # <i>465-3801</i>	Fax #



Wendy Redman, Vice President
University Relations
(907) 474-7562
(907) 474-7570 (FAX)

University of Alaska Statewide System
Fairbanks, Alaska 99775-6580

TO: Senate HESS Committee

FROM: Wendy Redman, Vice President *WR*

DATE: February 2, 1994

RE: SB 225 - Credits Against Certain Insurance Taxes

I am sorry that I am unable to testify in person, or by audio conference, in support of SB 225, but I ask that this letter be included in the proceedings of the meeting, and that the University of Alaska be shown as strongly in favor of passage.

The tax credit legislation passed several years ago has proved very helpful to the University of Alaska, to APU and to Sheldon Jackson College in seeking private funds in support of our academic programs. Corporations and businesses that are inclined to donate to higher education find it much more appealing because of the tax credit opportunity. It has been a significant asset for our fund-raisers in presenting their case to potential donors.

Legislation regarding the taxation of insurance companies doing business in Alaska precludes them from being able to utilize the current corporate tax credit. The legislation before you will extend the tax credit to this group of corporations and, we hope, make them more favorable to our solicitations.

As you know the legislature has been encouraging the University of Alaska to seek alternative revenue sources including private fund-raising. UAF has been particularly active, having just completed their first major campaign. The campus raised close to \$12 million over the past two years, exceeding their goal by \$2 million. The majority of these funds are in endowments that will provide benefits to students far into the future. UAA and UAS have engaged in smaller efforts, but they have each had notable success over the past year with several substantial gifts.

During discussion on the original legislation there were concerns that other private non-profit groups would be disadvantaged if donors were encouraged, by use of a tax credit, to give money to higher education. I believe that the pattern of private fund-raising in the state has shown that this is not true, and that corporations and businesses continue to make donations following their own internal priorities and principles. The tax credit is an advantage for securing donations that are already targeted for higher education but for one reason or another just haven't materialized.

Thank you for your interest and again, on behalf of the University of Alaska, I urge your support of this legislation, and ask for your vote to move SB 225 from the HESS Committee.