

HB

194

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 14, 1997

FURTHER REFERRALS:

State Affairs
Finance

Date of Committee Action: 4/29/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 194

HOUSE BILL NO. 194

TAX CREDITS: CONTRIBUTIONS TO EDUCATION

"An Act relating to credits against certain taxes for contributions for educational purposes; and providing for an effective date."

recommends it be replaced the same title
with the following committee substitute _____ a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) Revenue/3-14-97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Fred B...</i>			✓	
<i>Car Br...</i>	✓			
<i>Car Br...</i>	✓			
<i>Bruce D. Porter</i>			✓	
<i>W. J. ...</i>			✓	

CHAIR'S SIGNATURE Car Br...

TONY KNOWLES
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB194
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Juneau, Alaska 99811-0001
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March 13, 1997

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker ^{Gail}Phillips:

As part of my Alaska Business Investment Incentive Plan to expand the partnership between the state and the private sector, I am submitting this legislation to enhance the existing tax credit for contributions to Alaska's colleges and universities and to expand it to cover contributions to our public elementary and secondary schools.

Education is vital to an expanding economy and to preparing Alaskans for good jobs. In today's climate of declining revenues and reduced budgets, it is vital we provide incentives to stimulate increased private contributions for our post-secondary institutions. This initiative will build on the program started several years ago which has generated millions of additional dollars from the private sector to higher education in Alaska.

Under current law, taxpayers may claim a credit against several types of state taxes for contributions to eligible Alaska colleges or universities. The credit is capped at \$150,000 a year based on \$200,000 in contributions. This bill extends the cap on the tax credit by creating a new tier of creditable contributions. Under this new tier of contributions, a taxpayer may claim a credit of 50% of an additional \$150,000 of eligible contributions.

The bill would also establish a new program which provides a tax credit of 50% of contributions up to \$100,000 to local school districts for educational support to our primary and secondary schools.

TRANSMITTAL LETTER

The Honorable Gail Phillips

March 13, 1997

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This is just one of several proposals I am putting forward where it makes good policy sense to provide incentives which stimulate even greater returns in terms of jobs and economic activity in Alaska.

I hope you will give this bill your support.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Knowles".

Tony Knowles
Governor

Session Date: _____ Dept. Affected: Revenue
 Title: Tax Credits for Contributions for Educational Purposes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Rules Committee
 Author: Governor COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
LIABILITIES, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	(2044.5)	(2044.5)	(2044.5)	(2044.5)	(2044.5)	0.0

FUND SOURCE (Thousands of Dollars)

02 Federal Receipts						
03 GF Match						
04 GF						
05 GF/Program Receipts						
07 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried Phone: (907) 465-3001
 Division: Income and Excise Audit Division Date: March 5, 1997
 Approved by Commissioner: Wilson L. Condon Date: March 5, 1997
 Agency: Revenue

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**Alaska Department of Revenue
Income and Excise Audit Division**

Tax Credits for Contributions for Educational Purposes

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BILL ANALYSIS

This bill amends tax statutes to: (1) add a third tier for contributions to accredited education institutions and (2) authorize a tax credit for contributions to school districts in the state. The following tax programs would be affected by this bill:

Insurance Premiums (AS 21.89.070)

Corporation Net Income (AS 43.20.014)

Oil and Gas Severance (AS 43.55.019)

Oil and Gas Property (AS 43.56.018)

Mining License (AS 43.65.018)

Fisheries Business (AS 43.75.018)

Fishery Resource Landing (AS 43.77.045)

Tier 3

This bill authorizes a third tier to existing statutes that allow credits for contributions to accredited educational institutions. Currently, taxpayers are allowed a credit of 50% of the first \$100,000 (tier 1) and 100% of the next \$100,000 (tier 2) of qualified contributions (\$150,000 maximum credit). Tier 3 would allow taxpayers to claim a credit for 50% of the next \$150,000 of qualified contributions; thus increasing the eligible contributions to \$350,000 and the maximum credit to \$225,000.

Under this bill, tier 3 would sunset on December 31, 2001. While this tier is in effect, credits may not exceed \$225,000 when combined with credits taken under all of the tax programs.

School Districts Credit

This bill authorizes taxpayers to claim credits for contributions to school districts in the state. The credit would be limited to 50% of cash contributions of not more than \$100,000.

Section 2 amends AS 21.89.070 (insurance tax credit for gifts to colleges) by adding tier 3 as described above. Under this statute, the credit is limited to the lesser of the allowable credit or 50% of the insurance premiums tax liability.

Section 3 amends AS 21.89.070 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 4 amends AS 21.89.070 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of insurance premiums tax or contributions under AS 23.20 (Alaska Employment Security Act).

Tax Credits for Contributions for Educational Purposes

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Section 5 amends AS 21.89 by adding a new section to authorize insurance tax credits for contributions to school districts as described above.

Section 6 amends AS 43.20.014 (income tax education credit) by adding tier 3 as described above.

Section 7 amends AS 43.20.014 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 8 amends AS 43.20.014 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 9 amends AS 43.20 by adding a new section to authorize income tax credits for contributions to school districts as described above.

Section 10 amends AS 43.55.019 (oil or gas producer education credit) by adding tier 3 as described above.

Section 11 amends AS 43.55.019 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 12 amends AS 43.55.019 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 13 amends AS 43.55 by adding a new section to authorize tax credits for contributions to school districts as described above.

Section 14 amends AS 43.56.018 (oil or gas property education credit) by adding tier 3 as described above.

Section 15 amends AS 43.56.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 16 amends AS 43.56.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Tax Credits for Contributions for Educational Purposes

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Section 17 amends AS 43.56 by adding a new section to authorize oil or gas property tax credits for contributions to school districts as described above.

Section 18 amends AS 43.65.018 (mining business education credit) by adding tier 3 as described above.

Section 19 amends AS 43.65.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 20 amends AS 43.65.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 21 amends AS 43.65 by adding a new section to authorize mining license tax credits for contributions to school districts as described above.

Section 22 amends AS 43.75.018 (fisheries business education credit) by adding tier 3 as described above.

Section 23 amends AS 43.75.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 24 amends AS 43.75.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 25 amends AS 43.77.045 (fisheries resource landing tax education credit) by adding tier 3 as described above.

Section 26 amends AS 43.77.045 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 27 amends AS 43.77.045 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 28 provides for repeal of school districts credit statutes.

Section 29 provides that sections 1 through 26 are retroactive to January 1, 1997 and apply to contributions made after December 31, 1996.

Section 30 provides for an immediate effective date for sections 1 through 26.

Section 31 provides a effective date of January 1, 2002 for repeal of school districts credit provisions.

OPERATING COSTS

The department does not anticipate any additional costs for administering tier 3 and school districts credit programs. The department would revise its tax forms to allow taxpayers to claim credits authorized under this bill.

REVENUE

Tier 3

During FY 1996, 29 taxpayers claimed \$2.3 million in education credits from \$3.2 million in qualified contributions to Alaska universities and educational institutions. Of these taxpayers, 15 taxpayers claimed the maximum \$150,000 credit. Assuming that 75% of these taxpayers take advantage of tier 3, (6 taxpayers at the maximum tier 3 credit of \$75,000 and 5 at \$37,500) taxpayers would claim \$637,500 each year. Credits would begin in FY 1998 when 1997 tax returns are due. The last fiscal year that tier 3 credits would be claimed is FY 2002 when 2001 tax returns are due.

School Districts Credit

The department assumed that 8 of the 15 taxpayers who claimed the maximum education credit would claim the maximum (\$50,000) school districts credit. Total credits for these taxpayers would equal \$400,000. The department projects that all other taxpayers would claim \$1,007,000 in credits. Total school districts credits would be approximately \$1,407,000 each year. The last fiscal year that school districts credits would be claimed is FY 2002 when 2001 tax returns are due.

Grand total credits for both programs would be \$2,044,500 (\$637,500 + \$1,407,000) each year.

Alaska Department of Revenue
Income and Excise Audit Division
Projected Revenue Decreases from Changes in Education Credits

Tax Credits for Contributions for Educational Purposes
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Assumptions for Public School Education Credit: 8 of the 15 taxpayers who currently receive the maximum amount of education credits available choose to participate in the proposed Public School Education Tax Credit at the \$100,000 level. Because there are 53 school districts in Alaska vs. 3 universities that qualify under the current Education Tax Credit program, we believe the new program will have a higher participation rate at lower levels of tax liability. Consequently, we assume that the participation rate at lower levels of liability (down to the \$1,000 level) in the new program is half of the participation rate at higher liabilities in the existing education credit program (8%).

	Corp. Number	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03*
Credits for Bus. with >\$99,999 Liab.	8	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$0
Credits for Bus. with \$50,000-\$99,999 Liab.	4	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$0
Credits for Bus. with \$10,000-\$49,999 Liab.	17	\$510,000	\$510,000	\$510,000	\$510,000	\$510,000	\$0
Credits for Bus. with \$1,000-\$9,999 Liab.	54	\$297,000	\$297,000	\$297,000	\$297,000	\$297,000	\$0
Total	83	\$1,407,000	\$1,407,000	\$1,407,000	\$1,407,000	\$1,407,000	\$0

* Sunsets after 5 years.

Assumptions for Tier 3 Education Credit: 11 of the 15 taxpayers who currently receive the maximum amount of education credits available choose to participate in the proposed Tier 3 Education Tax Credit. We assume 6 of the 11 participate at the \$150,000 level and 5 participate at the \$75,000 level.

	Corp. Number	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03*
Credits for Bus. part. at \$150,000 level	6	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$0
	5	\$187,500	\$187,500	\$187,500	\$187,500	\$187,500	\$0
Total	11	\$637,500	\$637,500	\$637,500	\$637,500	\$637,500	\$0

* Sunsets after 5 years.



**Anchorage - Star of the North
Chamber of Commerce
Anchorage Chamber of Commerce
Resolution 96/97-15
In Support of Small Business Growth**

WHEREAS, the Anchorage Chamber of Commerce is the largest business organization in Alaska, with a membership of more than 1,200 businesses and organizations with "Small Business" making up 80% of our membership; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee has as its primary mission to present seminars, workshops and conferences that educate our members and assist in the development of programs that engender economic development for small business; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee has been studying ways that the small business community can be assisted by government in areas of economic development, employee training as it applies to the welfare reform mandates, and access to capital for business expansion; and

WHEREAS, the Anchorage Chamber of Commerce is concerned about a strong fiscal plan to ensure the elimination of a gap, it believes that the State must support business development to assist with a continuing pattern of economic growth and diversification; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee supports as a first step the concept of encouraging business through small business tax incentives for welfare-to-work training assistance, equipment purchase for business expansion and education contributions which are important to business growth in the State.

NOW THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce hereby urges the Legislature and the Administration to work on additional program enhancements in order to stimulate small business welfare-to-work participation, small business growth, education-business partnerships and general economic development for Alaska's small businesses; and

NOW THEREFORE BE IT FURTHER RESOLVED that the Business Development Committee of the Anchorage Chamber of Commerce will continue to study the effectiveness of current business assistance programs and the need for elimination or consolidation of such programs and the implementation of new programs. This study will include review of current and past task force materials. The findings and recommendations will be forwarded to the Legislature and Administration with a call for action.

Approved: April 18, 1997


Tom Williams Chair 1996-97


Carol Heyman President