

HB

21

Alaska State House of Representatives
House District 39

Session
Alaska State Capital
Juneau, Alaska 99801-1182
Phone: (907) 465-4942



Interim
P.O. Box 137
Akiak, Alaska 99552
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Representative Ivan M. Ivan

SPONSOR STATEMENT - HOUSE BILL 21

With reduced funding for public broadcasting, I introduced House Bill 21 to provide an alternative funding source and lessen the general fund demand for this service.

This bill provides a tax credit for cash contributions made to a trust fund for public broadcasting which is established in this legislation. The credit to public broadcasting trust fund is limited to 50% of \$300,000. The tax credit would be applied against a taxpayer's liability under the following tax types: the insurance premium tax (AS 21.09.210), tax on title insurance premiums (AS 21.66.110), corporation income (AS 43.20), oil and gas production (AS 43.55), oil and gas property (AS 43.56) and mining license (AS 43.65). The credit claimed under one of the tax types may not be claimed under another tax type and may not be deducted against a tax imposed under the titles of the tax types previously listed.

A different maximum for the insurance premium tax and the title insurance tax is established. An attached memorandum from Legislative Counsel Jack Chenoweth explains the limitation.

The public broadcast provisions of this legislation sunsets after December 31, 2002.

**DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

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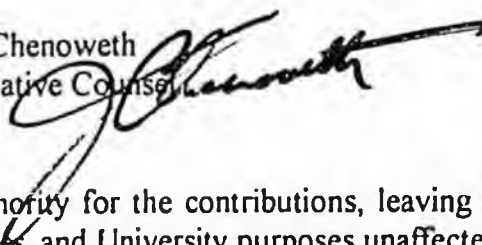
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 23, 1995

SUBJECT: Draft CSHB 269 () (Work Order No. 9-LS0937\F)

TO: Representative Ivan Ivan
ATTN: Tom Wright

FROM: Jack Chenoweth
Legislative Counsel 

This bill draft splits the authority for the contributions, leaving the existing contribution schedules for museums, libraries, and University purposes unaffected, but adding a credit for contributions to public educational radio and television networks and stations and endowments established to support them.

Unlike the original bill, this draft expands the credit to cover contributions that may be claimed as credits against insurance tax-related sources under AS 21.89.070--specifically, the insurance premium tax, AS 21.09.210, and the title insurance premium tax, AS 21.66.110. For the credits against that pair of taxes only, a different maximum is established. That ceiling may be lower than is provided in credits against other taxes. The credit ceiling for contributions claims as credits against the insurance taxes is further limited to "50 percent of the taxpayer's liability under [AS 21]." That limitation was in place for contributions made for libraries, museums, and university purposes and I simply extended it to cover contributions for public educational radio and television networks and stations and endowments established to support them.

My recollection is that the "50 percent of the taxpayer's liability under [AS 21]" language was included when the credit was first authorized under AS 21.89.070(a) to reflect the fact that (1) revenue derived from the insurance taxes were not significant--certainly in no way approximated amounts received from the corporate income tax or the severance tax, for example--and (2) that, without that kind of ceiling, it might be possible for the taxpayer to claim the entire amount of tax liability as a credit, thereby leaving no return of revenue to the state. Those considerations prompted me to bring the ceiling concept forward into this draft committee substitute.

JBC:glc
95-260.glc

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Representative Ivan M. Ivan

SECTIONAL ANALYSIS for HOUSE BILL 21

Section 1: Purpose statement. Describes which state taxes credits may be applied against for contributions to the Alaska public broadcasting trust fund established to benefit public broadcast stations.

Section 2: Extends tax credits for public broadcasting from the insurance premium tax and the tax on title insurance premiums. Increases the maximum credits under the insurance premium tax and the tax on title insurance premiums to \$300,000 or 50% of the taxpayer's tax liability. This is a new credit. This section also sunsets the public broadcast provisions on December 31, 2002, and reduces the contribution to \$200,000 after that date to universities, libraries and museums.

Section 3: Explains that contributions claimed as a credit under AS 21.89.070 may not exceed \$300,000 through December 31, 2002, may not exceed \$150,000 after that date and may not be claimed as a credit under more than one provision of this title. Also explains that a credit may not be allowed as a deduction against the tax imposed by this title or as a deduction against a tax imposed by AS 43.

Section 4: Establishes the Alaska Public Broadcasting Trust Fund under AS 37.14 to include the powers and duties of the commissioner, administration of the fund, powers and duties of the Public Broadcast Commission and uses of the fund.

Section 5: Extends tax credits for public broadcasting from the Alaska Net Income Tax program (AS 43.20). Increases the contributions to \$300,000 for all programs eligible to receive these contributions. This section also sunsets the public broadcast provisions on December 31, 2002, and reduces the contribution to \$200,000 after that date to universities, libraries and museums.

Section 6: Explains that contributions claimed as a credit under AS 43.20.014 may not exceed \$300,000, may not be claimed as a deduction against the tax imposed under this chapter and may not be claimed as a credit under more than one

provision of this title. The credits through December 31, 2002, may not exceed \$300,000 and after that date, may not exceed \$150,000.

Section 7: Extends tax credits for public broadcasting from the Oil and Gas Properties Production Tax program (AS 43.55). Allows for contributions up to \$300,000 to the public broadcast trust fund. This section also sunsets the public broadcast provisions on December 31, 2002, and reduces the contribution to \$200,000 after that date to universities, libraries and museums.

Section 8: Explains that contributions claimed as a credit under AS 43.55.019 may not exceed \$300,000, may not be allowed as a deduction against the tax imposed by this chapter or as a deduction against another tax imposed by this title and may not be claimed as a credit under more than one provision of this title. The credits through December 31, 2002, may not exceed \$300,000 and after that date, may not exceed \$150,000.

Section 9: Extends tax credits for contributions to the public broadcasting trust fund from the Oil and Gas Exploration, Production and Pipeline Transportation Property Tax program (AS 43.56). Allows for contributions up to \$300,000 to the public broadcast trust fund. This section also sunsets the public broadcast provisions on December 31, 2002, and reduces the contribution to \$200,000 after that date to universities, libraries and museums.

Section 10: Explains that contributions claimed as a credit under AS 43.56.018 may not exceed \$300,000, may not be allowed as a deduction against the tax imposed by this chapter or as a deduction against another tax imposed by this title and may not be claimed as a credit under more than one provision of this title. The credits through December 31, 2002, may not exceed \$300,000 and after that date, may not exceed \$150,000.

Section 11: Extends tax credits to the public broadcast trust fund from the Mining License Tax program (AS 43.65). Allows contributions up to \$300,000 to the public broadcast trust fund. This section also sunsets the public broadcast provisions on December 31, 2002, and reduces the contribution to \$200,000 after that date to universities, libraries and museums.

Section 12: Explains that contributions claimed as a credit under AS 43.65.018 may not exceed \$300,000, may not be allowed as a deduction against the tax imposed by this chapter or as a deduction against another tax imposed by this title and may not be claimed as a credit under more than one provision of this title. The credits

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Sectional Analysis
HB 21

through December 31, 2002, may not exceed \$300,000 and after that date, may not exceed \$150,000.

Section 13: Describes the duties of the Alaska Public Broadcast Commission in relation to the newly established public broadcast trust fund.

Section 14: Clarifies tax year application.

Section 15: Effective date of January 1, 1998.

KEY POINTS - House Bill 21

ESTABLISHES A TAX CREDIT FOR PUBLIC BROADCASTING

HB 21 would establish a tax credit for the Alaska public broadcasting trust fund and allow a contribution amount up to \$300,000 . The credit allowed for corporations paying state taxes is broken down as follows:

50% of the \$300,000= \$150,000

This bill also closes loopholes in current law which allow for both tax deductions and tax credits. Under HB 21, the credit cannot be used a deduction.

WHO CAN CONTRIBUTE

Any corporation or entity that pays a state tax for insurance premiums, title insurance premiums, the Alaska Net Income Tax (corporate income tax), oil and gas properties production, oil and gas exploration, production, and pipeline transportation property and mining license.

A corporation or entity paying state taxes can receive tax credits of up to \$150,000 for a contribution or contributions to the Alaska public broadcasting trust fund.

WHO CAN RECEIVE THE CONTRIBUTIONS UNDER HB 21?

The Alaska public broadcast trust fund is eligible to receive contributions. This trust is created in Section 4 of HB 21.

POLL

A statewide poll of 3900 Alaskans conducted by Willhight Research Corporation indicated that 65.4% of Alaskans support a corporate tax credit to public radio.

SUNSET

The public broadcasting portion of this bill sunsets on December 31, 2002. The contribution limit and those eligible to receive contributions reverts to current statute.

AFFECT ON THE TREASURY

There will be a slight loss in state revenues. Estimates range from \$650,000 to \$1.3 million. Hopefully, in the near future, state dollars will not be sought to fund operations of public broadcast stations.

TRUST FUND

The principal of the fund consists of any legislative appropriations and gifts, bequests and contributions. The commissioner of revenue is the treasurer of the fund and will provide oversight for its administration. The Public Broadcast Commission will award grants from the fund and also solicit contributions, gifts and bequests. The principal of the fund may not be used for awarding of grants. Net income from the fund may be appropriated by the legislature for grants, inflation proofing, and for reinvestment purposes.

WHY SHOULD PUBLIC BROADCASTING RECEIVE A CREDIT AND NOT OTHER GROUPS

The state has a special relationship with public broadcasting unlike any other non-profit organizations. In 1966, the state created the Alaska Educational Broadcast Commission to set up a state system of public broadcasting stations. The state applied for the licenses, hired the station managers and assisted in constructing the stations. A representative of the state, by regulation, sits on the board of directors of every station. Since the state created the system, there is a special obligation to assist local communities in maintaining the service. Most of these stations were on the air by 1981, before the huge influx of oil money into the state treasury.

200,000 Alaskans use public broadcasting every week, few, if any other, non-profits affect or serve this many Alaskans. This service is often the only communication service for the Bush and a major element in the state's emergency response system.

Sec. 21.89.070. Insurance tax credit for gifts to colleges.

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, that are accepted by a nonprofit, public or private, Alaska two-year or four-year college or university accredited by a regional accreditation association or that are accepted by an Alaska university foundation that supports a university or college that could receive a contribution for which a taxpayer may obtain a credit under this section. The amount of the credit is the lesser of

(1) an amount equal to

(A) 50 percent of contributions of not more than \$100,000; and

(B) 100 percent of the next \$100,000 of contributions; or

(2) 50 percent of the taxpayer's tax liability under this title.

(b) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(c) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under more than one provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

History -

(sec. 3 ch 21 SLA 1994; am sec. 10 ch 126 SLA 1994; am sec. 15 ch 81 SLA 1996)

Cross References -

For legislative findings, intent, and purpose relating to the amendment of subsection (c) by ch. 81, SLA 1996, see sec. 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Amendment Notes -

The 1994 amendment, effective July 1, 1994, deleted the former first sentence in subsection (b), relating to the department's annual report for credits taken under this section.

The 1996 amendment, effective June 21, 1996, in subsection (c), inserted a section reference in paragraph (2) and made minor stylistic changes throughout.

Effective Date Notes -

Section 10, ch. 21, SLA 1994 makes this section effective May 6, 1994, in accordance with AS 01.10.070(c).

Editors Notes -

Under sec. 9, ch. 21, SLA 1994, ch. 21 is retroactive to January 1, 1994, and applies to contributions made under AS 21.89.070 after December 31, 1993. Section 29, ch. 81, SLA 1996 makes the 1996 amendment of subsection (c) retroactive to January 1, 1994.

Sec. 43.20.014. Income tax education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a taxpayer is allowed as a credit against the tax due under this chapter

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

(2) 100 percent of the next \$100,000 of contributions.

(b) [Repealed, sec. 12 ch 71 SLA 1991].

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

History -

(sec. 2 ch 58 SLA 1987; am sec. 45 ch 21 SLA 1991; am sec. 2, 3, 12 ch 71 SLA 1991; am sec. 4 ch 21 SLA 1994; am sec. 17 ch 126 SLA 1994; am sec. 16 ch 81 SLA 1996)

Revisors Notes -

In 1991, to harmonize the amendments made by chs. 21 and 71, SLA 1991, the words "by an Alaska" were inserted before "university foundation" in (a) of this section.

Cross References -

For statement of legislative purpose in connection with the enactment of this section, see sec. 1, ch. 58, SLA 1987, in the Temporary and Special Acts.

For legislative findings, intent, and purpose relating to the amendment of subsection (d) by ch. 81, SLA 1996, see sec. 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Amendment Notes -

The first 1991 amendment, effective June 11, 1991, in subsection (a), added "or university foundation" to the first sentence and made a stylistic change.

The second 1991 amendment, effective January 1, 1992, rewrote subsection (a), repealed subsection (b), and added subsection (d).

The first 1994 amendment, effective May 6, 1994, inserted a section reference in paragraph (d)(3).

The second 1994 amendment, effective July 1, 1994, deleted the former first sentence in subsection (c), relating to the annual departmental report on the credits taken under this section.

The 1996 amendment, effective June 21, 1996, in subsection (d), inserted a section reference in paragraph (3) and made minor stylistic changes throughout.

Editors Notes -

Section 13, ch. 71, SLA 1991 provides that the amendments made by the Act apply "to tax years beginning after December 31, 1991."

Section 9, ch. 21, SLA 1994 makes the 1994 amendment to (d)(3) of this section retroactive to January 1, 1994.

Section 29, ch. 81, SLA 1996 makes the 1996 amendment of subsection (d) retroactive to

January 1, 1994.

AG Opinions -

Contributions to a private nonprofit corporation that is raising money for a William A. Egan Instructional Program and Memorial at the University of Alaska are not eligible for the education tax credit, but contributions made directly to the University of Alaska for the memorial portion of the planned project would qualify for a credit if they were accepted for "library and museum acquisitions." February 10, 1989 Op. Att'y Gen.

Sec. 43.55.019. Oil or gas producer education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a producer of oil or gas is allowed as a credit against the tax due under this chapter

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

(2) 100 percent of the next \$100,000 of contributions.

(b) [Repealed, sec. 12 ch 71 SLA 1991].

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

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

History -

(sec. 4 ch 58 SLA 1987; am sec. 49 ch 21 SLA 1991; am sec. 4, 5, 12 ch 71 SLA 1991; am sec. 5 ch 21 SLA 1994; am sec. 18 ch 126 SLA 1994; am sec. 17 ch 81 SLA 1996)

Revisors Notes -

References to "AS 43.55.011 - 43.55.150" were substituted for "this chapter" in (a) of this section in 1989 to reflect the enactment of AS 43.55.200 - 43.55.240.

In 1991, to harmonize the amendments made by chs. 21 and 71, SLA 1991, the words "by an Alaska" were inserted before "university foundation" in (a) of this section.

Cross References -

For statement of legislative purpose in connection with the enactment of this section, see sec. 1, ch. 58, SLA 1987 in the Temporary and Special Acts.

For legislative findings, intent, and purpose relating to the amendment of subsection (d) by ch. 81, SLA 1996, see sec. 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Amendment Notes -

The first 1991 amendment, effective June 11, 1991, in subsection (a), added "or university foundation" to the end of the first sentence.

The second 1991 amendment, effective January 1, 1992, rewrote subsection (a), repealed subsection (b), and added subsections (d) and (e).

The first 1994 amendment, effective May 6, 1994, inserted a section reference in paragraph (d)(2).

The second 1994 amendment, effective July 1, 1994, deleted the former first sentence in subsection (c), relating to the annual departmental report on the credits taken under this section.

The 1996 amendment, effective June 21, 1996, in paragraph (d)(2), inserted a section reference and made related stylistic changes.

Editors Notes -

Section 9, ch. 21, SLA 1994 makes the 1994 amendment to (d) of this section retroactive to January 1, 1994.

Section 29, ch. 81, SLA 1996 makes the 1996 amendment of subsection (d) retroactive to January 1, 1994.

Sec. 43.56.018. Oil or gas property education credit.

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

- (1) 50 percent of contributions of not more than \$100,000; and
- (2) 100 percent of the next \$100,000 of contributions.

(b) [Repealed, sec. 12 ch 71 SLA 1991].

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

- (1) be claimed as a credit under another provision of this title; and
- (2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

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

History -

(sec. 5 ch 58 SLA 1987; am sec. 50 ch 21 SLA 1991; am sec. 6, 7, 12 ch 71 SLA 1991; am sec. 6 ch 21 SLA 1994; am sec. 19 ch 126 SLA 1994; am sec. 18 ch 81 SLA 1996)

Revisors Notes -

In 1991, to harmonize the amendments made by chs. 21 and 71, SLA 1991, the words "by an Alaska" were inserted before "university foundation" in (a) of this section.

Cross References -

For statement of legislative purpose in connection with the enactment of this section, see sec. 1, ch. 58, SLA 1987 in the Temporary and Special Acts.

For legislative findings, intent, and purpose relating to the amendment of subsection (d) by ch. 81, SLA 1996, see sec. 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Amendment Notes -

The first 1991 amendment, effective June 11, 1991, in subsection (a), added "or university foundation" to the end of the first sentence.

The second 1991 amendment, effective January 1, 1992, rewrote subsection (a), repealed subsection (b), and added subsections (d) and (e).

The first 1994 amendment, effective May 6, 1994, inserted a section reference in paragraph (d)(2).

The second 1994 amendment, effective July 1, 1994, deleted the former first sentence in subsection (c), relating to the annual departmental report on the credits taken under this section.

The 1996 amendment, effective June 21, 1996, in paragraph (d)(2), inserted a section reference and made related stylistic changes.

Editors Notes -

Section 9, ch. 21, SLA 1994 makes the 1994 amendment to (d) of this section retroactive to January 1, 1994.

Section 29, ch. 81, SLA 1996 makes the 1996 amendment of subsection (d) retroactive to January 1, 1994.

Sec. 43.65.013. Mining business education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a person engaged in the business of mining in the state is allowed as a credit against the tax due under this chapter

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

(2) 100 percent of the next \$100,000 of contributions.

(b) [Repealed, sec. 12 ch 71 SLA 1991].

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

History -

(sec. 6 ch 58 SLA 1987; am sec. 51 ch 21 SLA 1991; am sec. 8, 9, 12 ch 71 SLA 1991; am sec. 7 ch 21 SLA 1994; am sec. 20 ch 126 SLA 1994; am sec. 19 ch 81 SLA 1996)

Revisors Notes -

In 1991, to harmonize the amendments made by chs. 21 and 71, SLA 1991, the words "by an Alaska" were inserted before "university foundation" in (a) of this section.

Cross References -

For statement of legislative purpose in connection with the enactment of this section, see sec. 1, ch. 58, SLA 1987 in the Temporary and Special Acts.

For legislative findings, intent, and purpose relating to the amendment of subsection (d) by ch. 81, SLA 1996, see sec. 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Amendment Notes -

The first 1991 amendment, effective June 11, 1991, in subsection (a), added "or university foundation" to the end of the first sentence.

The second 1991 amendment, effective January 1, 1992, rewrote subsection (a), repealed subsection (b), and added subsection (d).

The first 1994 amendment, effective May 6, 1994, inserted a section reference in paragraph (d)(2).

The second 1994 amendment, effective July 1, 1994, deleted the former first sentence in subsection (c), relating to the annual departmental report on the credits taken under this section.

The 1996 amendment, effective June 21, 1996, in paragraph (d)(2), inserted a section reference and made related stylistic changes.

Editors Notes -

Section 9, ch. 21, SLA 1994 makes the 1994 amendment to (d) of this section retroactive to January 1, 1994.

Section 29, ch. 81, SLA 1996 makes the 1996 amendment of subsection (d) retroactive to January 1, 1994.

Sec. 44.21.266. Duties of the commission.

The commission shall

(1) apply for federal and private funds for public broadcasting purposes and receive all federal, state, or private funds, property, or assistance that may be appropriated, granted, or otherwise made available to the commission for public broadcasting purposes, and use and disburse funds and property for purposes consistent with the terms of AS 44.21.256 - 44.21.290, subject to reasonable limitations imposed by the grantor;

(2) provide consultative services in all aspects of public broadcasting to all public or private agencies in the state that request them;

(3) serve as a library and clearinghouse for public broadcasting information;

(4) through grants to qualified entities, develop an integrated public broadcasting network for the state;

(5) through grants to qualified entities, develop and distribute public broadcasting programming in the state;

(6) prepare and submit to the governor and the legislature, in compliance with the state information systems plan adopted by the Telecommunications Information Council in the Office of the Governor, a long-term plan for the development of public broadcasting stations and systems in the state, and biennially update the plan; and

(7) perform all other functions necessary to ensure the orderly and coordinated development of public broadcasting in the state.

History -

(sec. 1 ch 153 SLA 1970; am sec. 4, 7 ch 87 SLA 1976; am E.O. No. 50, sec. 4 (1981); am sec. 8 ch 53 SLA 1987; am sec. 7 ch 134 SLA 1990)

Revisors Notes -

Formerly AS 14.58.060. Renumbered in 1981.

Amendment Notes -

The 1990 amendment substituted "biennially" for "annually" near the end of paragraph (6) and made grammatical and punctuation changes.

Alaska State House of Representatives
House District 39

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Representative Ivan M. Ivan

MEMORANDUM

TO: Representative Jeannette James, Chair
House State Affairs Committee

FROM: Representative Ivan M. Ivan *I.M.I.*

DATE: January 14, 1997

RE: Request for Scheduling of House Bill 21

I respectfully request the scheduling of House Bill 21: Tax Credit: Gifts to Public Broadcasting, before the House State Affairs Committee at your earliest possible convenience.

This bill would provide for a tax credit for contributions made to instate public educational radio and television networks and stations. The credit is limited to 50% of \$300,000.

With cuts to public broadcasting, I believe it is imperative we present options to entities such as public broadcasting to make up for any general fund reductions. The tax credit provides one of those options.

Thank you for your consideration of my request. Please contact my aide, Tom Wright, if you require further information or if you have any questions.

IMI/tw

Revision Date: _____ Dept. Affected: Revenue
 Title: Tax Credit: Gifts to Public Broadcasting BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: REP IVAN, Grussendorf
 Requestor: (H) STA 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						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF)	0.0	(650.0) - (1,300.0)	(650.0) - (1,300.0)	(650.0) - (1,300.0)	(650.0) - (1,300.0)	(650.0) - (1,300.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1005 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 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: Paul E. Dick
 Division: Income and Excise Audit Division
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-3691
 Date: January 15, 1997
 Date: January 15, 1997

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

HB 21

Tax Credit: Gifts to Public Broadcasting

January 15, 1997

Page 2 of 3

BILL ANALYSIS

Section 1 states that the purpose of this bill is to extend credits, against state taxes listed below, for contributions made to the Alaska public broadcasting trust fund established under AS 37.14.

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)

Sections 2, 5, 7, 9 and 11 amend education tax credit statutes under the above tax programs to authorize a credit for contributions made to the public broadcasting trust fund. Credits would be limited to 50% of annual contributions of not more than \$300,000. The public broadcasting credit would sunset December 31, 2002.

Section 3, 6, 8, 10 and 12 amend education tax credit statutes to prohibit taxpayers from taking contributions as deductions against a tax under AS 43. Total credits, when combined with credits under other tax programs, may not exceed \$300,000 through December 31, 2002 and \$150,000 after December 31, 2002.

Section 4 establishes the Alaska Public Broadcasting Trust Fund under AS 37.14. The fund, a separate endowment trust fund, would be administered by the Alaska Public Broadcasting Commission. The commissioner of the Department of Revenue would act as treasurer of the fund and oversee fund investment.

Section 13 amends AS 44.21.266 (duties of the Alaska Public Broadcasting Commission) to include responsibility for administration of the public broadcasting fund.

Section 14 authorizes that the public broadcasting tax credit provisions apply to tax years beginning after the December 31 that precedes the effective date of this bill.

Section 16 provides for a January 1, 1998 effective date.

HB 21

Tax Credit: Gifts to Public Broadcasting

January 15, 1997

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Operating Costs

Department of Revenue does not anticipate any additional costs for administering the public broadcasting tax credit program. The department would update its tax forms to allow taxpayers to claim a credit for qualified contributions to the public broadcasting trust fund.

Revenue

According to most recent data compiled from reports submitted to the Department of Administration's Public Broadcasting Commission, corporation contributions to public broadcasting during FY 94 were approximately \$1.3 million. Contributions were individually less than \$100,000. Assuming that tax liabilities are greater than the 50% of qualified contributions and taxpayers claim the full 50% credit amount, the minimum range of total credits claimed under the public broadcasting tax credit program would be \$650,000 (50% of \$1.3 million).

In calculating the maximum range of credits claimed under this program, the department assumed that contributions, from both current and new donors, would double the contributions received (due to added incentive of credit). This would result in potential contributions of \$2.6 million to the trust fund. Accordingly, the maximum range of public broadcasting tax credits would be \$1.3 million (50% of \$2.6 million).

Revision Date: _____ Dept. Affected: Revenue
 Title: Tax Credit: Gifts to Public Broadcasting BRU: Revenue Operations
 Component: Treasury
 Sponsor: Rep. IVAN, Grussendorf
 Requestor: (H) STA COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	10.4	10.9	11.3	11.8	12.3	12.8
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.4	10.9	11.3	11.8	12.3	12.8

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(22.7)	(23.0)	(23.3)	(23.7)	(24.0)	(24.3)
1005 GF/Program Receipts						
Public Broadcasting Trust Fund	33.1	33.9	34.6	35.5	36.3	37.1
1048 University of AK receipts						
TOTAL	10.4	10.9	11.3	11.8	12.3	12.8

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The reduction in general funds represents a charge of 1% of the Division's total personal services budget. The Division allocates a percentage of personal services to cover the cost of internal portfolio management, accounting and data processing support, the external audit, and a share of other departmental costs (i.e. supplies, equipment, etc.). This allocation to the Trust Fund will result in a corresponding reduction in general fund funding.

Contractual costs include external equity investment management fees and custody fees. Equity fees are 1 bp (.01%) of assets managed. Custody costs include an annual minimum charge of \$10.0 for 2 separate accounts to hold principal assets and income assets physically separate as required by the legislation. There is an additional 1 bp point fee charged on total assets held in custody. *Custody costs could be reduced by \$5.0 if the legislation wording was changed to require the separate accounting only of the principal and income, not the actual physical separation of the amounts.*

Assumptions:

\$2.6 million/year in contributions (this is double the contributions received in FY94).
 Asset allocation = 60% equity and 40% fixed income.

Prepared by: Betty Martin, Comptroller Phone: 465-2350
 Division: Treasury Date: January 16, 1997
 Approved by Commissioner: Deborah Vogt, Deputy Commissioner Date: January 16, 1997
 Agency: Department of Revenue

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Treasury Division
HB 21 Backup

		FY98	FY99	FY00	FY01	FY02	FY03
Beginning balance, principal assets		-	2,699,840	5,503,354	8,414,523	11,437,480	14,576,520
Contributions	1)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Appreciation and realized gains and losses	2)	99,840	203,514	311,169	422,958	539,039	659,578
Ending balance, principal assets		<u>2,699,840</u>	<u>5,503,354</u>	<u>8,414,523</u>	<u>11,437,480</u>	<u>14,576,520</u>	<u>17,836,098</u>
Annual income distributed to income assets for use by Public Broadcast Commission	2)	<u>119,080</u>	<u>242,733</u>	<u>371,134</u>	<u>504,465</u>	<u>642,917</u>	<u>786,685</u>
Cumulative income distributed to income assets for use by PBC		<u>119,080</u>	<u>361,813</u>	<u>732,946</u>	<u>1,237,411</u>	<u>1,880,328</u>	<u>2,667,013</u>
Treasury Costs:							
Investment management fees	3)	162	330	505	686	875	1,070
Custody fees	4)	10,270	10,550	10,841	11,144	11,458	11,784
Personal services, audit, administrative	5)	22,700	23,018	23,340	23,667	23,998	24,334
		<u>33,132</u>	<u>33,898</u>	<u>34,686</u>	<u>35,497</u>	<u>36,330</u>	<u>37,188</u>

- 1) FY94 contributions to public broadcasting were approximately \$1.3 million. Department of Revenue, Income and Excise Tax staff estimates the maximum effect of this legislation would be to double these contributions. For purposes of this fiscal note we have assumed \$2.6 million in contributions per year.
- 2) Based upon an asset allocation of 60% equity and 40% fixed income, the total estimated return is 8.42%. This total return includes 3.84% appreciation and realized gains and losses plus 4.58% dividend and interest income to be distributed to for the use of the PBC. These calculations assume all contributions are received at the beginning of each year.
- 3) Calculated as each year's projected ending principal assets balance * 60% invested in equities * a 1 bp (.01%) management fee.
- 4) The suggested legislation requires that the principal and income amounts be deposited into separate accounts. There is a \$5,000 minimum annual charge for establishing new accounts with the custodial bank, plus a 1 bp (.01%) fee. This amount could be reduced by \$5,000/year if the wording of the legislation was changed to require separate accounting only, not the physical separation of the funds.
- 5) Treasury allocates 1% of personal services to endowment funds managed to cover the cost of portfolio management, accounting staff, the external audit, dp support and a share of other departmental costs (i.e., supplies, equipment, etc.)