

SB

241

SENATE COMMITTEE REFERRAL
First Committee of Referral

DATE: 1/15/98

FURTHER: Finance

Date of 5-Day Notice: 1/29/98
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 2/6/98

Health, Education and Social Services Committee considered

SENATE BILL NO. 241

"An Act relating to a tax credit program for postsecondary colleges or universities; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
 same title
 new title
House Bill:
 same title
 technical title
 new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John A. Quinn</i>	✓	<i>J. Sellers</i>	<i>A</i>		
<i>John Walsh</i>	✓				
<i>Lynne Green</i>	✓				
CHAIR:		CHAIR: <i>Gonzalez</i>			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

University	1/30/98	✓	
Revenue	2/3/98		(65.0)

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill



SENATOR LOREN LEMAN

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SPONSOR STATEMENT

SENATE BILL 241

In 1991, the Legislature expanded the tax credit program for contributions to post-secondary institutions. This program is applicable primarily to the state's largest taxpayers, such as, oil companies and banks.

The credit available is 50% of the first \$100,000 contributed and 100% of the next \$100,000. The maximum tax credit is therefore, \$150,000 per tax year.

In limiting the educational institutions eligible for the contributions, the Legislature stipulated that the institution must be regionally accredited, which is common among educational institutions. The regional association for Alaska is the Northwest Association of Schools & Colleges (NASC). The Alaska institutions accredited by this organization are the University of Alaska, Alaska Pacific University, and Sheldon Jackson College.

Unfortunately, the tax credit law excludes many potential donors and institutions from participation, due to the requirement of regional instead of national accreditation. Several institutions in Alaska have national but not regional accreditation. The Alaska Commission on Post-Secondary Education (ACPE) considers these institutions to be the same as regionally accredited institutions in the administration of the student loan program. Accrediting standards are comparable. However, the Department of Revenue will not allow the claim for tax credit for donations made to nationally accredited institutions unless existing law is changed.

According to the Department of Revenue, 29 taxpayers claimed the credit in 1996 and 28 in 1997. The filings have not been completed for 1998. The total credits allowed for 1996 and 1997 were \$3,249,812 and \$3,001,335, respectively.

Revising the restrictions on accreditation probably will not affect the total amount of the credit claimed against potential state revenues; it will simply allow additional institutions to qualify.

SB 241 creates greater equity in the tax credit program; encourages contributions by new contributors; and still protects legislative intent for limiting credits to qualifying institutions.

Revision Date: _____ Dept. Affected: Revenue
 Title: Postsecondary School Tax Credit BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Leman
 Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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						
CHANGE IN REVENUES ()	-65.0	-65.0	-65.0	-65.0	-65.0	-65.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

We assume that half of the contributions to the four new institutions that would qualify will come from new taxpayers and half from existing taxpayers (see scenario 2 on attached analysis). Total revenue loss will then be \$65,000 (at 50% credit level). See attached for more analysis.

Prepared by: Brett Fried
 Division: Income and Excise Audit
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-3682
 Date: February 3, 1998
 Date: February 3, 1998

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ALASKA DEPARTMENT OF REVENUE
Income and Excise Audit Division

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BILL ANALYSIS

Section 1 broadens qualifications for credits against the insurance premiums tax (AS 21.89.070) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 2 broadens qualifications for credits against the income tax (AS 43.20.014) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 3 broadens qualifications for credits against the oil or gas production tax (AS 43.55.019) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 4 broadens qualifications for credits against the oil and gas property tax (AS 43.56.018) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 5 broadens qualifications for credits against the mining license tax (AS 43.56.018) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 6 broadens statute qualifications for credits against the fisheries business tax (AS 43.75.018) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

Section 7 broadens qualifications for credits against the fishery resource landing tax (AS 43.77.018) to include contributions made to nationally accredited Alaska two-year or four-year colleges or universities. Currently, only contributions made to regionally accredited universities or colleges qualify.

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Section 8 provides for a July 1, 1998 effective date.

OPERATING EXPENDITURES

The Department of Revenue does not anticipate additional costs for administering the provisions of this bill.

REVENUE

The attached analysis details revenue reductions from credits taken under this bill.

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Analysis of SB 241

SB 241

Amends education tax credit statutes to expand credits for contributions to institutions that are nationally accredited. Current statutes restrict contributions to regionally accredited institutions.

Following are statistics for FY 1997 (YTD) and 1996 that relate to education tax credits claimed by taxpayers:

	FY 1997 YTD			FY 1996		
	Maximum * (\$150,000)	Less than Maximum	Total	Maximum * (\$150,000)	Less than Maximum	Total
Total Credits	\$1,650,000	\$525,288	\$2,175,288	\$2,100,000	\$223,067	\$2,323,067
Total Contributions	\$2,201,400	\$799,935	\$3,001,335	\$2,883,223	\$366,589	\$3,249,812
Number of Taxpayers	11	17	28	14	15	29

* Maximum qualifying contribution per taxpayer is \$200,000, maximum credit is \$150,000 (first \$100,000 contribution is 50% credit; next \$100,000 is 100% credit)

Current Credit Program

Regionally accredited institutions in Alaska

- University of Alaska
- Alaska Pacific University
- Sheldon Jackson College

Amended Credit Program would add the following institutions:

Nationally accredited institutions in Alaska

- Alaska Bible College
- Career Academy
- Charter College
- New Concepts Beauty School

Range of estimated revenue loss from expanded credit program is (\$0 to \$130,000) as follows:

	Contributions	Revenue Loss		
		Scenario 1	Scenario 2	Scenario 3
Alaska Bible College	\$200,000	\$100,000	\$50,000	0
Career Academy	20,000	10,000	5,000	0
Charter College	20,000	10,000	5,000	0
New Concepts Beauty	20,000	10,000	5,000	0
Total	\$260,000	\$130,000	\$65,000	0

Scenario 1 -All new taxpayers; 50% of contributions claimed as credits.

Scenario 2 - Half new taxpayers that claim 50% of contributions and half existing taxpayers that shift contributions from regional to national accredited institutions.

Scenario 3 - No new taxpayers; contributions come from existing taxpayers that shift contributions from regional to national accredited institutions.