

# House Bill 233

## Education Tax Credits



# Education Tax Credit

- ✧ 1987: Education Tax Credit (ETC) established to encourage private businesses to make charitable contributions to Alaska educational institutions and facilities
- ✧ 2010: Credit increased from 50% to 100% on contributions between \$101-\$300k; maximum annual credit expanded from \$150k to \$5 million (SB236)
- ✧ 2011 and 2014: List of institutions and programs eligible for donation were expanded; eligibility varies by tax-type (SB84 & HB278)
- ✧ 2014: ETC sunset established for Dec 2018 as part of newly established Indirect Expenditure Report (HB306)

# House Bill 233

- ✧ HB233 extends the effective date for the repeal of the education tax credits from December 31, 2018 to January 1, 2025.
- ✧ Ensures that the credit that exists in statute today will be maintained until January 1, 2025, instead of narrowing in scope and decreasing in value on January 1, 2021.

# Education Tax Credit

- ✧ Today, there are many opportunities to make private donations to a variety of educational institutions, facilities and programs
- ✧ However, there are specific eligibility requirements for both organizations and tax type
- ✧ Selection of eligible entities:
  - ✧ Non-profit, public or private accredited Alaska two-year or four-year colleges
  - ✧ Non-profit elementary or secondary schools and school districts
  - ✧ State operated vocational education and training schools
  - ✧ Non-profit regional vocational training centers
  - ✧ Apprenticeship programs
  - ✧ Alaska higher education investment fund
  - ✧ Postsecondary institutions providing dual-credit courses

# Education Tax Credit

- ✧ Non-transferable, non-refundable credit that a donor can apply against the following categories of State of Alaska taxes. The use and deductibility of contributions varies by tax type:
  - ✧ Corporate Income Tax
  - ✧ Fisheries Business Tax / Fisheries Resource Landing Tax
  - ✧ Insurance Premium Tax / Title Insurance Premium Tax
  - ✧ Mining License Tax
  - ✧ Oil and Gas Production Tax
  - ✧ Oil and Gas Property Tax
- ✧ General Credit Provisions:
  - ✧ 50% of annual contributions up to \$100,000
  - ✧ 100% of the next \$200,000
  - ✧ 50% of annual contributions beyond \$300,000
  - ✧ Total annual credit per taxpayer, across all tax types not-to-exceed \$5 million

# Why are ETC Important?

- ✧ ETC allows a need to be filled directly.
- ✧ Encourages private industry to partner with education institutions, creating more opportunity in our state.
- ✧ Expanding our educational programs to provide more opportunities for our students.
- ✧ Training our future workforce for Alaskan jobs.

# Benefits to Education

Alaska Department of Revenue  
Tax Division

## Summary of 2015

Tax Program	Credits Claimed	Total of Contributions	Beneficiary			
			U of A	APU	Secondary Vocational	Other
Corporation Net Income	\$3,720,856	\$5,766,002	\$2,848,112	\$200,100	\$691,325	\$2,026,465
Insurance Premiums	151,000	202,000	202,000	-	-	-
Fishery Resource Landing	925,000	1,150,000	727,778	346,222	76,000	-
Mining License	2,098,668	3,397,891	997,891	-	2,400,000	-
Fisheries Business	535,000	700,000	396,667	109,333	194,000	-
Oil and Gas Production (No credits claimed)	-	-	-	-	-	-
Oil and Gas Property (No credits claimed)	-	-	-	-	-	-
<b>Total - All Tax Types</b>	<b>\$7,430,524</b>	<b>\$11,215,893</b>	<b>\$5,172,448</b>	<b>\$655,655</b>	<b>\$3,361,325</b>	<b>\$2,026,465</b>

To be eligible for the Education Tax Credit, a contribution to the University of Alaska must be used for:

- ☞ Direct instruction
- ☞ Research
- ☞ Education support including libraries, museums and contributions to a UA Foundation Endowment
- ☞ Facilities
- ☞ Intercollegiate Sports

# Benefits to Education

Alaska Department of Revenue  
Tax Division

Summary of CY 2017  
Alaska Education Credits

Tax Program	Credits Claimed	Total of Contributions	Beneficiary			
			U of A	APU	Secondary Vocational	Other
Corporation Net Income	\$2,179,531	\$3,296,329	\$1,605,017	\$162,437	\$483,075	\$1,045,800
Insurance Premiums	975	1,950	1,950	-	-	-
Fishery Resource Landing	1,628,042	2,003,042	323,354	1,304,688	375,000	-
Mining License	1,828,267	3,062,836	647,490	-	2,413,346	2,000
Fisheries Business	475,149	653,771	240,789	150,313	221,500	41,169
Oil and Gas Production (No credits claimed)	-	-	-	-	-	-
Oil and Gas Property	178,000	228,000	116,000	-	100,000	12,000
<b>Total - All Tax Types</b>	<b>\$6,289,964</b>	<b>\$9,245,928</b>	<b>\$2,934,599</b>	<b>\$1,617,438</b>	<b>\$3,592,921</b>	<b>\$1,100,969</b>

Through the existing ETC program contributions brought in over \$9 million in CY2017 for education that we may not have seen otherwise.

# Industry Investment in Education

- ✦ In 2000, members of the At-Sea Processors Association began making private contributions to support student fellowships and to fund sustainable oceans and fisheries research
- ✦ Association members established the Ted Stevens Professorship of Marine Policy
- ✦ UA and the At-Sea Processors created the Pollock Conservation Cooperative Research Center (PCCRC) within the College of Fisheries and Ocean Sciences at UAF
- ✦ The PCCRC has put over \$20 million into marine research and education since 2000, the largest single contributor to marine research at the University of Alaska.
- ✦ The work done over the years has had an impact far beyond what the University could have accomplished alone.
- ✦ Participating companies have included Trident, American, Starbound, Glacier Fish, Arctic Storm, and the Coastal Villages Region Fund

Thank you.

Any questions?