



Creating Opportunities for Alaska's Children

Alaska's Education Tax Credit Program

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Department of Revenue

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Deputy Commissioner

Alaska's Education Tax Credit Program

Alaska's Education Tax Credit program was first established in 1987.

The Legislature intended to encourage private businesses to make charitable contributions to support schools in the state.

The program was amended in 2014 to expand the list of those eligible to receive a donation from a private business.



House Bill 278 – Governor Parnell's Education Opportunity Act, was adopted by the Legislature during the recent legislative session and signed by Governor Parnell.

Agenda

- 1. Understanding the Education Tax Credit:*
 - *High level review of the program and relevant statutes.*
 - 2. Responsibilities and Considerations:*
 - *What potential programs, donors and the department must consider.*
 - 3. Additional Resources:*
 - *Online resources and contacts*
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Understanding the Education Tax Credit

- The Education Credit Program is defined in statutes enacted by the Legislature.
- General Concept:
 - A taxpayer may claim a credit against several tax types for cash contributions to eligible organizations or programs.
 - Eligible organizations or programs may receive cash contributions for certain purposes.
 - The Department of Revenue reviews tax returns and audits taxpayers.

Eligible Tax Types

- Alaska Net Income Tax (Corporate Income)
- Mining License Tax
- Fisheries Business Tax
- Fisheries Resource Landing Tax

- Insurance Tax
- Oil and Gas Production Tax
- Oil and Gas Property Tax

*Credits may **only** be claimed against State of Alaska taxes **not** municipal or federal taxes.*

Note: eligible organizations and programs may vary for tax types. Limits are across all tax types.

Credit Schedule & Annual Limits

50% of the first \$100,000
100% of the next \$200,000
50% of the amount that
exceeds \$300,000

Aggregate limit: \$5,000,000

Credits are not transferable or refundable.

Example:

Company A has a tax liabilities in the State of Alaska for:

1. The Alaska Net Income Tax (Corporate Income).
2. The Fisheries Business Tax.

Company A makes a donation of \$175,000 to a coastal ecosystem learning center to support salmon research.

Company A may claim a credit of \$125,000 [\$50,000 + \$75,000] when filing their taxes under the Alaska Net Income Tax (Corporate Income) or Fisheries Business Tax.

Note: eligible organizations and programs may vary for tax types. Limits are across all tax types.

Eligible Organizations

- Nonprofit agency
- Nonprofit, public or private, accredited Alaska two-year or four-year colleges
- AK public and private nonprofit elementary or secondary schools and school districts
- State-operated vocational technical education and training schools
- Nonprofit regional vocational training centers
- An apprenticeship program
- A coastal ecosystem learning center
- The Alaska higher education investment fund
- A postsecondary institution in the state providing dual-credit courses
- A residential school in the state
- Tribal entity
- Department of Education and Early Development

“Nonprofit Organization” is defined in AS 43.20.014(f)(4), AS 43.65.018(f)(4), AS 43.75.018(f)(4) and AS 43.77.045(f)(4) as “a charitable or educational organization in the state that is exempt from taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code).”

Note: eligible organizations and programs may vary for tax types. Limits are across all tax types.

Eligible Expenditures

What the donated funds may be used for depends on the tax against which the credit is applied. Credits claimed against (1) the Alaska Net Income Tax (2) Mining License Tax (3) Fisheries Business Tax (4) Fishery Resource Landing Tax have one set of eligible expenditures.

The relevant statutes are:

- Alaska Net Income Tax – AS 43.20.014
- Mining License Tax – AS 43.65.018
- Fisheries Business Tax – AS 43.75.018
- Fisheries Resource Landing Tax – AS 43.77.045

Example:

A non-public school that is a 501(c)(3) wishes to start a STEM (science, technology, engineering and math) program to increase opportunities for their K-12 students.

Company B pays taxes under the Alaska Net Income Tax and Mining License Tax and would like to support the program with a \$1,000,000 donation.

The non-public school must ensure that donated funds are spent on the STEM program and Company B may claim up to \$600,000 in credits (\$50k + \$200k + \$350k) on their tax returns.

Note: eligible organizations and programs may vary for tax types. Limits are across all tax types.

Eligible Expenditures

Credits claimed against (1) the Oil and Gas Production Tax (2) Oil and Gas Property Tax and (3) Insurance Tax have different sets of eligible expenditures or organizations.

The relevant statutes are:

- Insurance Tax – AS 21.96.070
- Oil and Gas Production Tax – AS 43.55.019
- Oil and Gas Property Tax – AS 43.56.018

Example:

An apprenticeship program registered with the United States Department of Labor under 29 U.S.C. 50 – 50b (National Apprenticeship Act) is expanding by building a new welding training facility.

Company C pays taxes under the Oil and Gas Production Tax and Oil and Gas Property Tax and would like to support the program with a \$750,000 donation.

Company C may claim a credit up to \$475,000 (\$50k + \$200k + \$225k) against the Production Tax **but not** the Property Tax because the eligible organizations are different in the statutes.

Note: eligible organizations and programs may vary for tax types. Limits are across all tax types.

Recent Legislative Changes to the Education Tax Credit

Senate Bill 138

- Authorized and enabled progress on a large scale Liquefied Natural Gas Project.
- Amended the Education Credit for the Oil and Gas Production Tax to include programs approved by the U.S. Department of Veterans Affairs and the Alaska Commission on Postsecondary Education, non-profit regional training centers operated by the AK Department of Labor and Workforce Development or apprenticeship programs that are registered with the U.S. Department of Labor.

House Bill 278

- Comprehensive Education Reform and Funding Bill
- Amended the Education Credit for the (1) the Alaska Net Income Tax (2) Mining License Tax (3) Fisheries Business Tax (4) Fishery Resource Landing Tax to include:
 - Public or Private nonprofit elementary or secondary schools as eligible organizations for the general credit for “direct instruction, research, and educational support purposes...”
 - Funding for a scholarship awarded by a non-profit organization to a dual-credit student to defray the cost of a dual credit course.
 - Constructing, operating or maintaining a residential housing facility by a residential school approved by the State DEED.
 - Childhood early learning programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity or a school district in the State, by the Department of Education and Early Development, or through a state grant.
 - Operation of a nonprofit organization dedicated to providing education opportunities that promote a legacy of public service contributions to the State.

Example:

A nonprofit organization wants to create a scholarship program for students pursuing dual-credit courses by covering the students' tuition or textbooks.

Company D has a modest tax liability (~\$25,000) under the Alaska Net Income Tax and wishes to support establishing the program with an initial \$100,000 donation and \$10,000 annually thereafter.

Company D could use a credit of \$25,000 (even though the initial \$100,000 donation is eligible for up to \$50,000 in credit) in year 1 and \$5,000 annually.



“Dual-Credit student means a secondary level student in the state who simultaneously earns college and high school credit for a course.”

AS 43.20.014(f)

Responsibilities and Considerations

- Everyone should familiarize themselves with the relevant statutes.
- Organizations should pay special attention to:
 - Their eligibility.
 - Valid uses of cash contributions.
- Taxpayers should pay special attention to:
 - Their various tax types and varying eligible contributions.
 - Potential federal tax implications of receiving a state credit.

Resources

Statutes:

- Available through the Legislature's website www.legis.state.ak.us
- Look for link to "infobases" and call your legislator's office for help.

Revenue:

- Tax Division Annual Report is available on the Tax Division's website: www.tax.alaska.gov
- Contains descriptions of tax types and valuable information.

Questions?



THANK YOU

Please find our contact information below:

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