

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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BULLETIN 94-10

TO: ALL INSURERS ADMITTED IN ALASKA

RE: NEW PREMIUM TAX CREDIT CALCULATION

The Alaska State Legislature has enacted new provisions establishing a premium tax credit for cash contributions made to Alaska colleges and universities. The premium tax credit applies to contributions made after December 31, 1993, by admitted property/casualty, life and title insurers. The premium tax credit is limited up to half the premium tax due or a calculated premium tax credit up to \$150,000, whichever is less, if the cash contributions are made to a recognized and accredited Alaska college, university, or their affiliates. This law does not apply to nonadmitted insurers. The following are the conditions that must be met.

1. Gifts must be made to a nonprofit, public or private Alaska two-year or four-year college or university accredited by a regional accreditation association or to an Alaska university foundation that supports a university or college.
2. Contributions must be cash and for direct instruction, research, and educational support purposes, including library and museum acquisitions and endowments.
- 3 The credit is the lesser of an amount equal to 50 percent of the first \$100,000 of contributions plus the balance of the contributions limited to the next \$100,000, or 50 percent of the premium tax due.
4. The contribution and applicable credit are effective for the tax year in which they are made.
5. Contributions claimed as a tax credit under the Insurance Statute cannot be claimed as a credit under more than one provision of the Insurance Statute. If a credit is combined under two or more Alaska Statutes, then the total tax credit claimed is limited to \$150,000 for the tax year.

The following are scenarios of how the premium tax credit could work:

ABC Insurance Company contributes \$200,000 to an accredited Alaska university. ABC's premium tax liability is \$200,000. The tax credit they can claim is \$100,000. The law states that it is the lesser of the calculated tax credit, which would be \$150,000, or half the premium tax liability, which is \$100,000.

ABC Insurance Company contributes \$75,000 to an accredited Alaska university. ABC's premium tax liability is \$200,000. The tax credit they can claim is \$37,500. The law states that only 50 percent of the first \$100,000 of contributions can be used as part of the premium tax credit. Consequently, the calculated tax credit is half of \$75,000 which is less than half the premium tax liability.

ABC Insurance Company contributes \$300,000 to an accredited Alaska university. ABC's premium tax liability is \$300,000. The tax credit allowed is \$150,000. The calculated credit is 50 percent of the first \$100,000 of contributions, plus 100 percent of the next \$100,000 of contributions. Coincidentally, 50 percent of the premium tax liability is also \$150,000. The maximum premium tax credit allowed annually is \$150,000.

ABC Insurance Company contributes \$300,000 to an accredited Alaska university. ABC's premium tax liability is \$375,000. The calculated tax credit is \$150,000, and half the premium tax liability is \$187,500. ABC can claim the maximum calculated tax credit.

The tax forms will be modified to reflect this new statutory provision.

If you have any questions please contact the Revenue Auditor at (907) 465-2584.

Date: October 26, 1994



David J. Walsh, Director
Division of Insurance