

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: SB 62
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB062-DOR-TAX-2-26-15
Title: REGULATION OF MARIJUANA BUSINESSES;
BOARD
Sponsor: JUDICIARY
Requester: Governor

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			12,000.0	12,600.0	13,200.0	13,900.0	14,600.0
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 11/24/15

Why this fiscal note differs from previous version:

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Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax	Date:	02/25/2015 03:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	02/26/15
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. SB62

Analysis

With the passage of Ballot Measure 2, "Production, Sales, and Use of Marijuana," a tax of \$50 per ounce is created. Per AS 43.61.010(a), The tax will be collected on the first sale of marijuana "from a marijuana cultivation facility to a retail marijuana store or a marijuana product manufacturing facility."

The Department of Revenue has conducted preliminary modeling based on Alaska Department of Labor population estimates and the 2009-2010 National Survey on Drug Use and Health. Based on these statistics, we were able to estimate the approximate number of adult marijuana consumers in Alaska and the average annual consumption of those individuals. Other than the inherent inexactness of survey data (due to some people being reluctant to admit taking part in an illegal activity), the most significant variable is the proportion of current consumers who will transition from the current market to the licensed and taxed market being created in Alaska.

Based on this data, we estimated annual volume of taxed consumption between roughly 100,000 and 380,000 ounces in the first full year. At the tax rate of \$50 per ounce, this led to an estimate between \$5 and \$19 million per year. For the purposes of this fiscal note, we have chosen the midpoint number of \$12 million, with expected growth of 5% per year.

According to the expected timeline, the first commercial marijuana licenses will be offered in May of 2016. If the first commercial operations therefore begin in June, it would mean that the first monthly tax payments to the state will be filed in July, 2016. Based on this information, we expect zero revenue in FY16 and consider FY17 to be the "year 1" in the above referenced analysis.

Currently the Tax Division is not estimating additional operating expenditures to collect, administer, and audit marijuana tax filings. A separate taxpayer module is already funded within the Division's "Gentax" Tax Revenue Management System and will be ready in time for the expected first tax payments in July 2017. In the short term, we will absorb this new tax within the existing authorized staff within our Excise Tax group. Likewise, the writing of necessary regulations to implement the tax will also be handled with existing staff resources. Depending on the eventual number of taxpayers and the complexity of the eventual returns, we may need to revisit this decision in a future budget year.