



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

TAX DIVISION

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February 26, 2016

The Honorable Gabrielle LeDoux
Alaska State Representative
State Capitol Room 118
Juneau AK 99801

Delivered electronically via email

Dear Representative LeDoux

Thank you for introducing HB 337, "An Act relating to taxes on marijuana."

The Tax Division strongly supports the goals and concepts proposed in this legislation.

The bill provides three essential tools that will enable the Department of Revenue to enforce and collect the new excise tax on marijuana, which is set to begin generating revenue with the start of commercial sales this summer. These tools include:

- 1) Establishment of a "tax penalty" for surplus possession of marijuana in excess of the allowable number of plants. Marijuana beyond the legal limit of plants would be subject to taxation by the Department of Revenue at the commercial rate of \$50 / oz, in addition to being seized. This will provide an important enforcement alternative to the criminal penalties that remain in statute. Our internal analysis shows that the recent arrest of a large marijuana growing operation in Homer, if we currently had this authority, could result in a quick and very enforceable civil penalty of \$250,000. We believe this would be an effective deterrent to large unlicensed grow operations which could impact the development of a legitimate, taxed, and regulated industry.
- 2) Adding a secondary tax liability to marijuana retailers, if they were found to be in possession of product for which they cannot provide proof of having obtained it from a licensed grower. In this circumstance, the retailer would be required to pay the \$50 / oz tax. In addition to any law enforcement remedies, we believe it would be good policy and a strong deterrent to make the purchaser / seller of unlicensed marijuana liable for all taxes that would have been paid had that product originated from a legitimate source. It should be noted that the Department currently has the identical authority regarding alcoholic beverages, per AS 43.60.040(c).

- 3) Establishment of a bonding requirement on marijuana taxpayers. This would be a requirement for awarding a license under Title 17. Should taxes not be paid, the bond could be forfeited to the State.

We also appreciate that the bill includes conforming language that will mandate the electronic filing of marijuana tax returns. This will help to implement general electronic filing language that we are hoping to add via other legislation this session.

We look forward to working with you and your staff in support of this important legislation. Please let us know if we can provide any information or assistance.

Sincerely,



Ken Alper
Director, Tax Division
Alaska Department of Revenue

cc: Commissioner Randall Hoffbeck, Department of Revenue
Brandon Spanos, Deputy Director, Tax Division
Cynthia Franklin, Alcoholic Beverage Control Board
Lacy Wilcox, Governor's Legislative Office