

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: HB 337  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB337-DOR-TAX-3-9-16  
Title: MARIJUANA TAXES;EXCESS  
POSSESSION;BONDS  
Sponsor: LEDOUX  
Requester: House Labor and Commerce Committee

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)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>		***	***	***	***	***	***
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2017) 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If yes, by what date are the regulations to be adopted, amended or repealed? 09/01/16

## Why this fiscal note differs from previous version:

Initial version

Prepared By: Ken Alper, Director  
Division: Tax Division  
Approved By: Jerry Burnett, Deputy Commissioner  
Agency: Department of Revenue  
Phone: (907)465-8221  
Date: 03/08/2016 05:00 PM  
Date: 03/09/16

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. HB337

### Analysis

HB337 provides the Department of Revenue three additional tools 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 for personal use. 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. 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.

The bill also includes conforming language that will mandate the electronic filing of marijuana tax returns. This will help to implement the general electronic filing language that the Department hopes to add via other legislation this session.

#### Implementation Cost

The tax division can implement this legislation with existing resources, both within our Excise Audit group as well as the Department of Revenue's Criminal Investigations Unit (CIU). CIU works closely, and is co-located, with the investigations unit of the Alcoholic Beverage Control Board / Marijuana Control Board, within the Department of Commerce, Community and Economic Development.

#### Revenue Impact

The revenue brought in through these additional authorities is indeterminate. In practice, revenue will be gained in two ways. First, there will be certain tax penalties levied through the enforcement of these statutes. Second, we believe there will be substantial deterrent effect, which will result in a larger percentage of Alaska's marijuana growers to choose to seek legal status through the MCB's licensing process, and a larger percentage of retailers to purchase their product from licensed sources. Ultimately, the success of Alaska's legal marijuana industry will depend in large part on our ability to minimize or eliminate the illegal black market economy that has traditionally existed for this product.