

**2017 SESSION OPERATING BUDGET STATUTORY CHANGE PROPOSAL**

**OFFERED IN:** The House Finance Subcommittee – Department of Revenue

**TO:** AS43.60.010(c)

**OFFERED BY:** Representative Seaton

**RECOMMENDED STATUTE CHANGE:**

The House Finance Subcommittee for the Department of Revenue recommends that the Labor and Commerce Committee consider a bill that would repeal or amend the following indirect expenditure.

Alcoholic Beverage Tax – Small Brewery Reduced Rate

**EXPLANATION:** Explain the purpose/impact of the proposed statutory change.

This reduced tax rate for small breweries was established in 2002 and results in loss revenue to the state of \$2.6 million annually. The intent was to foster the development of breweries and brewpubs in Alaska. Recommend review of the level of the exemption to ensure that the intent of the program is being met.

## Revenue

**Applicable Program**  
Alcoholic Beverages Tax

**Indirect Expenditure Name**  
Small Brewery Reduced Rate

### Department of Revenue Submission per AS 43.05.095

**(1) Description of Provision**

Brewers who have qualified with the federal government per 26 U.S.C. 5051(a)(2) and have been approved fiscally by DOR, pay a reduced rate of tax of 35 cents per us gallon on beer and malt beverages instead of the full tax rate of \$1.07 per us gallon.

**(2) Authorizing Statute Regulation or Other Authority**

AS 43.60.010 (c)

**(3) Year Enacted**

2002

**(4) Sunset or Repeal Date**

None

**(5) Legislative Intent**

The intent was to foster the development of breweries and brewpubs in Alaska.

**(6) Public Purpose**

To support in-state small breweries and brewpubs.

**(7) Estimated Revenue Impact**

FY 2009 - \$1,745,356

FY 2010 - \$2,045,142

FY 2011 - \$2,278,933

FY 2012 - \$2,451,673

FY 2013 - \$2,602,999

**(8) Cost to Administer**

None

**(9) Number of Beneficiaries**

39

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### Legislative Finance Analysis per AS 24.20.235

**(1) Estimate of Annual Revenue Foregone by the State**

\$2,602,999

**(2) Estimate of Annual Benefit to Recipients**

\$66,744

**(3) Legislative Intent Met?**

Yes

**(4) Should it be Continued, Modified or Terminated?**

Recommend continuation based on meeting legislative intent. However, the rate could be revisited.