

# REPRESENTATIVE SARA HANNAN

## ALASKA STATE LEGISLATURE

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## Sectional Summary

### HB 94

#### Electronic Smoking Products Excise Tax

HB 94 would enact an excise tax of 75 percent of the wholesale price on electronic smoking products.

**Section 1** amends AS 43.50.150(c) so that the state can enter into agreements with municipalities that also tax electronic smoking products (ESPs). Such agreements would be to jointly audit a person (a business) responsible for paying the excise tax the bill addresses. Essentially, this is an enforcement tool both the state and local governments can use to their mutual benefit.

**Section 2** amends AS 43.50.300 to include “electronic smoking products” among the other tobacco products already taxed by the state at 75 percent of the wholesale price. This section also describes what types of transactions make a business liable for the tax.

**Section 3** amends AS 43.50.310(b) to describe exemptions from the excise tax for electronic smoking products. These exemptions include

- electronic smoking products that are subject to taxation under AS 43.61.010 - 43.61.030, meaning marijuana-related products;
- or electronic smoking products that don’t contain nicotine;
- or an ESP approved for sale by the U.S. Food and Drug Administration as a drug or product used to treat tobacco dependence;
- or if the U.S. Constitution or other federal laws prohibit the state from taxing the product.

**Section 4** amends AS 43.50.320(a) to require a person who engages in business as a distributor of ESPs subject to the tax to be licensed by the state.

**Section 5** amends existing licensed distributor reporting requirements (AS 43.50.330(a)) to include sales reporting of electronic smoking products.

**Section 6** adds ESPs to provisions in 43.50.335, which addresses procedures for receiving refunds or credits for taxes paid on products that have become unfit for sale, are destroyed, or are returned to the manufacturer.

**Section 7** amends AS 43.50.340 record keeping requirements for licensed businesses selling tobacco products to include businesses selling ESPs. Such records include tracking sales and product information on ESPs being sold.

**Sections 8 and 9** perform “housekeeping,” in that they update the definitions of “distributor” and “wholesale price” under this chapter to include ESPs as among products related to them.

**Section 10** adds to AS 43.50.390 to provide a definition of “electronic smoking product” consistent with use of the phrase elsewhere in statute. It specifies that an ESP means a:

“(A) component, solution, vapor product, or other related product that is manufactured and sold for use in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or other similar device for the purpose of delivering nicotine or other substances to the person inhaling;

“(B) product under (A) of this paragraph that is sold as part of a disposable integrated unit containing a power source and delivery system or as a kit containing a refillable electronic smoking system and power source.”

**Section 11** specifies dates of applicability of various sections of the bill, in order to preempt any confusion about when these measures become effective.

**Section 12** provides an effective date of January 1<sup>st</sup>, 2021 for the act.