Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version: HB 91
Fiscal Note Number:
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Identifier: HB091-DOR-TAX-2-14-25
Title: MARIJUANA: TAX/RETAIL STORES/REGISTRATION
Sponsor: CARRICK
Requester: (H) STA

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)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2026**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Personal Services	471.2		471.2	471.2	471.2	471.2	471.2
Travel	20.5		41.0	41.0	41.0	41.0	41.0
Services	1,000.1		1,000.1	1,000.1	1,000.1	1,000.1	1,000.1
Commodities	59.0		10.0	10.0	10.0	10.0	10.0
Capital Outlay	1,965.2						
Grants & Benefits							
Miscellaneous							
Total Operating	**3,516.0**	**0.0**	**1,522.3**	**1,522.3**	**1,522.3**	**1,522.3**	**1,522.3**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	3,516.0		1,522.3	1,522.3	1,522.3	1,522.3	1,522.3
Total	**3,516.0**	**0.0**	**1,522.3**	**1,522.3**	**1,522.3**	**1,522.3**	**1,522.3**

Positions

Full-time	5.0		5.0	5.0	5.0	5.0	5.0
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	(2,540.0)		(1,950.0)	(1,790.0)	(1,670.0)	(1,550.0)	(1,430.0)
1252 DGF Temp (DGF)	(7,320.0)		(5,610.0)	(5,160.0)	(4,820.0)	(4,470.0)	(4,110.0)
Total	**(9,860.0)**	**0.0**	**(7,560.0)**	**(6,950.0)**	**(6,490.0)**	**(6,020.0)**	**(5,540.0)**

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) cost: 2,000.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - 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If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/25

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division: Tax Director | Date: 02/14/2025 03:00 PM
Approved By: Janelle Earls, Administrative Services Director | Date: 02/14/25
Agency: Department of Revenue

STATE OF ALASKA
2025 LEGISLATIVE SESSION

BILL NO. HB91

Analysis

Background Tax Division
Under current statutes, Alaska levies a tax on marijuana sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility. The tax rate is $50 per ounce for bud/flower. The tax was created through voter initiative in 2014. The voter initiative granted the Department of Revenue (Department) authority to set a rate lower than $50 per ounce for "certain parts of the marijuana plant." The Department adopted a regulation that set the tax as $50 per ounce for bud/flower, $25 per ounce for immature, seedy, or failed bud/flower, $15 per ounce for trim, and $1 per plant for clones.

This bill would initially change the current cultivator tax rate in statute from $50 per ounce to $12.50 per ounce. The effective date for this change is July 1, 2025. On January 1, 2026, this bill would completely replace the current cultivator tax with a retail sales tax of six percent of the sales price of marijuana products at a retail store.

The bill also requires the Department to establish facilities in each judicial district to collect monthly statements and payments from retail marijuana stores. The Department currently operates a facility in Anchorage, requiring the department to make facilities available in districts one, two, and four.

Revenue Impact
Changing the rate from $50 per ounce to $12.50 per ounce would reduce projected revenue in FY2026. Combining that change with the change to a 6 percent retail sales tax mid-way through the fiscal year would create an estimated reduction in revenue of $9.86 million in FY2026.

The Department estimates that the revenue reduction will decrease slightly in future years due to inflation and market growth. The revenue estimates are based on a series of assumptions. The baseline revenue projections are taken from the Fall 2024 revenue forecast which assumes demand growth in line with expected age 21+ population coupled with an assumption that the percentage of marijuana taxed as bud/ flower, which has been declining for several years, will stabilize at 9.5 percent by the end of FY2027. An elasticity adjustment has been incorporated into this analysis to account for an increase in demand for legal marijuana associated with a decrease in prices paid by consumers after accounting for taxes. This analysis assumes that each 1% reduction in prices paid by consumers will translate to a 1% increase in demand for legal product. Uncertainty exists around each of these assumptions and different assumptions for the variables in this analysis would yield materially different results.

The revenue projections for this bill are based on an FY2023 retail market size of $281 million provided by the Alaska Marijuana Control Office (AMCO), or $252 million excluding state taxes. It is assumed that the retail price, excluding state taxes, will remain stable in real terms, increasing with inflation and projected consumption growth.
The projected revenue reductions are allocated between three funds, per the current statute, at the following percentages:

Recidivism Fund	50%
Marijuana Education and Treatment Fund	25%
Unrestricted General Fund	25%

In addition, all penalties and interest are allocated to the Unrestricted General Fund.

Due to limitations of the Fiscal Note system, the Change in Revenues on page one can only be shown on two lines, therefore, DGF Temp (DGF) is the combination of Recidivism Fund (1246) and Marijuana Education and Treatment Fund (1254) as shown below:

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Analysis

CHANGE IN REVENUES		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1246	RcdvsmFund (DGF)		(4,880.0)	(3,740.0)	(3,440.0)	(3,210.0)	(2,980.0)	(2,740.0)
1254	MET Fund (DGF)		(2,440.0)	(1,870.0)	(1,720.0)	(1,610.0)	(1,490.0)	(1,370.0)
1004	Gen Fund (UGF)		(2,540.0)	(1,950.0)	(1,790.0)	(1,670.0)	(1,550.0)	(1,430.0)
TOTAL CHANGE IN REVENUES		**0.0**	**(9,860.0)**	**(7,560.0)**	**(6,950.0)**	**(6,490.0)**	**(6,020.0)**	**(5,540.0)**

Implementation Cost

This bill would initially require the Department to make only minor changes to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file, pay, view their status, and communicate with the Division online. Resources required to implement the initial change of the tax rate would include staff time to update tax forms, TRMS, ROL, and other miscellaneous costs. These initial costs would be absorbed by the Tax Division using existing resources.

The change to a retail sales tax on January 1, 2026, would require significant changes to TRMS, ROL, and tax forms and would come at a cost. This bill would create a new sales tax at the retail level. A new tax type requires significant programming and testing. Standing up a sales tax would require developing a completely new module in TRMS. This work would normally require a minimum of 12 months to complete. Shortening that timeline raises the cost significantly. The system would need to be in place and ready to accept taxpayer registration at least 30 days prior to the effective date of the tax.

The Department will need to engage FAST Enterprises, the Division's TRMS contractor, to develop a sales tax module, including a license function for a new taxpayer base, into TRMS and integrate the module with existing imaging, accounting, and collections modules.

The Division estimates a cost to expedite the rollout of the module so it would be ready in time at $2 million. Since the new sales tax would replace the current tax with no overlap, the Division would be able to use existing staff to manage the new program for licensing, return processing, auditing, and customer service functions. The staff would have an additional enforcement function requiring travel of $3.0 in the first year (because of the mid-year effective date) and $6.0 in each future year.

The costs to establish “at least one facility in each judicial district” for cash collection is estimated as follows:

Judicial District 1	
Proposed Location	Juneau
Outlay + Year 1 Exp.	$1,086.8
Total Annual Expenses	$507.1

Judicial District 2	
Proposed Location	Nome
Outlay + Year 1 Exp.	$1,026.8
Total Annual Expenses	$355.7

Judicial District 3	
Existing Location	Anchorage
Outlay + Year 1 Exp.	N/A
Total Annual Expenses	No Additional Exp.

Judicial District 4	
Proposed Location	Fairbanks
Outlay + Year 1 Exp.	$1,402.5
Total Annual Expenses	$659.5

Five new positions are required for cash processing—three positions in Fairbanks and two in Juneau. Currently, there are only nine marijuana retail stores registered in judicial district 3. Therefore, the division cannot justify hiring staff to process cash in that district. The above costs anticipate having a drop safe in a public building in Nome and having the funds collected from the site by Fairbanks or Anchorage staff on a regular basis.