

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



Governor Bill Walker
STATE OF ALASKA

550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax 907-269-7461
www.Gov.Alaska.Gov
Governor@Alaska.Gov

January 15, 2016

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the excise tax on alcoholic beverages.

The bill would increase the tax rates on alcoholic beverages under AS 43.60 (excise tax on alcoholic beverages). Alcoholic beverage excise taxes are levied on malt beverages, cider with at least 0.5 percent alcohol, wine, and other beverages with a higher alcohol content. The bill would double the tax rates on a gallon or fraction of a gallon. As a result, the excise tax on malt beverages or cider would be \$2.14 a gallon or fraction of a gallon; the tax on wine or other beverages would be \$5.00 a gallon or fraction of a gallon; and the tax on beverages containing more than 21 percent alcohol by volume would be \$25.60 a gallon.

The bill also would amend AS 43.60.040(a) related to surety bonds. Current law requires a \$25,000 surety bond before a license is issued. This amount is out of date as many wholesalers require a surety bond much greater than that; at the same time very small brewers and distillers require a smaller surety bond. The bill proposes to amend AS 43.603040(a) to delete the \$25,000 bond and instead add language that the surety bond amount would be determined by the department.

This legislation would generate approximately \$40,000,000 annually in increased revenue, with half of that unrestricted general funds. The alcoholic beverage tax rates have not been raised for many years. This proposed increase is reasonable, especially considering the high societal cost of alcoholic beverage consumption. The alcoholic beverage industry could continue to operate in this state but, under this bill, would bear a fairer share of industry costs to the state.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

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The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker". The signature is written in a cursive, flowing style.

Bill Walker
Governor

Enclosure