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To: House Labor and Commerce
Subject: HB304 testimony on tax form requirements

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This testimony goes along with the tax forms that have been submitted. They go hand in hand :)

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- > Good afternoon Chairman Olson and members of the House labor and commerce committee.
- > My name is Angela Carroll and I live in Wasilla. I am speaking on behalf of the members of the Smoke Free Alternation Trade Association.
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- > We have been studying the tax reporting requirements that would be applied to small vape shops in Alaska under HB 304. If this legislation passes as written, This bill would tax vape products at 100% of the Wholesale price and treat our alternative products just like cigarettes. From what we have been told by the Department of Revenue, these small operations will be required to carry tobacco license issued by the state of Alaska as if we were selling tobacco products, which we are not. We offer our customers an alternative to smoking tobacco. We believe that lumping vape products into the tobacco tax scheme is the wrong approach for our small business operations.
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- > There are several forms that that Vape shops will be required to file. Import, manufacturer certificate of compliance, monthly tax returns etc.
- > All of you should have a copy of these forms in your committee packet. I'd ask you to take a look at the multitude of forms required by the State of Alaska.
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- Let's start with form 510:
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- > Our Eliquid manufacturers in the state will have to file this form. The first problem is that this industry does not contribute to the master Settlement agreement. So parts 2-6 must be filled out. The problems start at section 3. There is no way that the current form can be applied to eliquid. Section 4... Well...this says cigarettes sold in Alaska. And then it goes into the escrow information. Will the vape industry be required to contribute to the MSA? Per this form, it appears the answer is, yes.
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- > The problems continue at section 5. There is no rule, statute or law that requires any vape products of any type to be registered with the Alcohol tobacco and firearms. Immediately, this puts the vape industry in non-compliance. With this one form alone.
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- > The next form is 520.
- > Under cigarettes and tobacco products the issue is, some shops all of this applies except vending machine operator. Which is fine. Check the appropriate boxes. The next section asks the nature of your business. None of these options apply to vape shops. Except for the business license and the tobacco endorsement if this bill passes.
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> The next form is 522:

> If I am looking at this correctly, there are credits for cigarette stamps and discounts in section A. None of which applies to the vape industry. Section B line 6 and line 10 are the only lines that can be applied.

> Page 3 of this same form is just all no. Out-of-state-sales of cigarettes. Many Eliquid manufacturers have a booming business in the lower 48. Which is fine. I'm sure these manufacturers can hire someone for paperwork when it comes to filling out some of these forms BUT the shipping information requested asks for # of packs or 20 or 25 cigarettes and total number of sticks and asks if a tax was paid or if a stamp was applied. None of this applies to the vape industry.

> Page 4. Does not apply. Nor does page 5, 6. One box on page 7 since under this bill, vape would be considered a tobacco product, which it is not.

> Pages 8, 9 and 10 can not be applied to any vape products. And those look like pretty important forms.

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> Form 529

> There are no members of SMOke free alternative trade association, that I know of that sells any Chinese manufactured eliquid. However, there are tobacco shops that carry eliquid and some electronic nicotine delivery systems. A lot of these tobacco shops sell Chinese manufactured eliquid. Form 529 will apply to them. However, the form itself doesn't make it possible for those tobacco shops to be in compliance. None of it applies.

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> These are the only forms that I printed out to go over with you this afternoon. But, all of the forms have the same problem. They can not be used in the vape industry.

> The members of the Smoke Free Trade Association understand that we will be taxed in the future. Currently the tax on vape products is 0. There is a reasonable level of tax that will allow both monitoring and enforcement of our growing industry. But we ask, If you require our hard earned money as a tax, at least require that the state prepare the proper forms that applies to our industry.

> Smoke free alternative trade association knows that some states already have electronic nicotine delivery system permits. We ask that the Dept of Revenue take the time to prepare tax compliance forms that are relevant to the industry and not use the same forms used to tax big tobacco.

> The Smoke free alternative trade association is concerned that the vape industry would immediately be in non compliance due to the tax forms outlined above and included in your packet. Since these forms do not apply to our industry, we are asking that electronic cigarettes be removed from this bill and that more work be done to make the transition to a tax and reporting system that works both for the industry and for the state of Alaska.

> Thank you for your time. I would be happy to answer any questions.