



Alaska Department of Revenue

Marijuana Taxation

Presentation to Senate State Affairs Committee

January 27, 2015

Alaska Department of Revenue



Taxation in the Marijuana Initiative

- The bulk of the initiative language dealt with legalization and licensing. Tax is a relatively small and simple section.
- We have been working with the Department of Commerce and ABC since the initiative passed to ensure seamless administration.

Initiative Language

Sec. 43.61.010 Marijuana Tax

- (a) An excise tax is imposed on the sale or transfer of marijuana from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility. Every marijuana cultivation facility shall pay an excise tax at the rate of \$50 per ounce, or proportionate part thereof, on marijuana that is sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility.

What it means for the Tax Division

- The Tax Division currently collects several excise taxes, including alcohol, tobacco, motor fuels, vehicle rentals, mining, and tires. It is well within our ability to add an additional one.
- Alcohol and Tobacco are currently taxed at the wholesale level. Since marijuana will not be imported into the state, taxing “cultivation facilities” (i.e. growers) at their first point of sale is the most comparable to what we are already doing. It is also by far the easiest to administer.

Preliminary Revenue Estimates

- Based on the best available data, our Economic Research Group estimated first year revenues between \$5 and \$20 million
 - Data on current users, both quantity and volume, is understandably inexact
 - The wide range is largely driven by what proportion of existing users will transition from the illegal to the legal market
 - Data from Colorado and Washington is hard to compare, due to the widespread medical distribution industries that existed in those states prior to legalization

Enforcement

- Tax enforcement could also be an additional tool to pursue and shut down unlicensed / black market growers
- Tax enforcement is in many ways easier to prosecute than other crimes
- (Al Capone went to jail for tax evasion)
- The Department of Revenue, Criminal Investigations Unit (CIU) will continue to work with state and local law enforcement in the effort to bring businesses into compliance

Regulations

- Because we are anticipating legislation this year, we will not begin writing regulations until the end of the session
- We are confident that we can complete any necessary tax regulations before the November, 2015 deadline

THANK YOU

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