

April 17, 2023

Via email to: Honorable Representative Jesse Sumner
Chair, House Labor & Commerce Committee

From: Ben Wilcox – Owner/Founder
John Nemeth – Owner/Founder
THC Alaska, Top Hat Concentrates, Top Hat Cannabis



Re: Hearing Request & Support for HB119
An Act relation to marijuana taxes; and providing for an effective date

Dear Representative Sumner:

I am writing today on behalf of our companies located in Juneau, Alaska. We are partner owners in two licensed marijuana companies, a product manufacturing facility, and a standard cultivation company. Together our business offers full time employment to ten Alaskans, at a competitive wage, with retirement and health benefits. We have many hopes and dreams to grow this Alaskan business and innovate in this industry. However, too much rests on an unfair tax structure for us to make this investment without an investment from lawmakers to analyze and debate the merits of this bill. I am afraid that if nothing is done to fix the problematic tax scheme we operate under, our positive outlook will indeed negatively change.

It is not a secret that this is an issue, the immobile price floor of our current tax has been covered in the media, on social platforms, and has been brought to recent attention by the Governor's Task Force on Recreational Marijuana.

Our company THC Alaska is represented by the position of the AMIA, we are therefore attaching their concise statement on this matter as we don't need to repeat what has been so well presented by our trade association.

We stand ready to testify in committee this year, as kicking the can down the road to next session will no doubt see businesses close. We see that this bill has had an introductory hearing in House Labor and Commerce Committee, but indeed it seems to be stalled out with no public or expert testimony, no fiscal analysis, and no committee debate. The task force worked very hard and fast to make ready a proposal, and it is now upon the Legislature to take action to save this industry.


We along with many others are afraid that if nothing continues to be done, or if there is a delay in this legislation, for any reason, it could result in such non-sustainability and climbing delinquency that we may soon see a future where there are no taxes to appropriate.


If the plan is to punt to next year, please respond to us explaining why. The task force has modified their proposal to be less revenue offensive ([reducing effective date from 5 years to 18 months for a switch to retail, and making clear the short term reduction to \\$12.50 per ounce needs to apply to all parts of the plant](#)) but still no committee substitute bill has been seen, and no testimony has been heard.

Please act now. Please get this bill a committee hearing and let's have the debate.

Thank you for your attention and dedication.

Respectfully,


Ben Wilcox
THC Alaska


John Nemeth
THC Alaska

PLEASE SUPPORT CANNABIS TAX REFORM NOW!

[“HB 119 - An Act relating to marijuana taxes; and providing for an effective date”](#)

The recreational cannabis industry in Alaska is on the brink of failure. The weight based tax structure is driving sales back into the black market, growers are failing, jobs are being lost, and the State of Alaska is at risk of losing future revenue if a change is not made. We need your help! Now is the time to act!

The current weight based excise tax of \$50/oz is unreasonable, ineffective, and punitive. Immediate reduction of at least 75% is needed now for the cultivators and producers of Alaska's largest agricultural crop to survive. Farms and cultivation businesses are annually paying the State more in tax than they are able to net. Businesses are failing, and the workforce is dwindling rapidly.

Cultivations are delinquent to the State by nearly \$3M dollars in back taxes. Enforcement of delinquent taxpayers is not consistent and creates turmoil within the industry. Weight based accounting is being shamed by allowing lower rate categories of plant material to be taxed. The industry has voiced its desire to have a level playing field for businesses to be taxed fairly and consistently.

Hemp derived THC is severely undercutting Alaska's taxed cannabis market, allowing retailers to cut out the cultivation and production supply lines. Intoxicating Hemp is reducing the taxable revenue for both municipalities and the State alike. The black market is taking advantage of the current tax rate, which creates an artificially high price floor - and is subjecting Alaska's regulated cannabis market to arbitrage.

A 3% tax at the retail level is the correct change that should be implemented to create a fair market. A retail percentage tax is more effective to administer and enforce than a weight-based excise tax. Retailers already track sales and revenue, making it easier for them to collect and remit the tax. On the other hand, a weight-based tax requires monitoring and tracking at multiple stages of the supply chain, which can be more complicated and costly to administer.

The State has not made tax collection easy; with only one cash drop box currently in Anchorage; this requires cultivators to make a monthly trip to Anchorage. Retail sales collection could also happen for the State at the municipal level, on a quarterly basis - which would drastically reduce the burden on the State and the Taxpayer.

A change to taxation at the retail level would allow for prices to come down for consumers - this would stave off the black market, while also allowing value added products to be captured by the tax. A retail percentage tax ensures that the tax burden is distributed fairly and equitably based on the final sale price of the product. A weight-based tax unfairly penalizes producers who have lower yields and less potent products, while allowing producers with higher yields and higher potency to have lower effective tax rates per pound. The current tax structure rewards potency and quality, and craft cannabis growers are suffering. . A retail percentage tax is a more equitable and transparent way of taxing marijuana products.

Long-term a retail percentage tax will generate more revenue than a weight-based excise tax because it is based on the final sale price of the product, captures value-added products and a more competitive market will inhibit black market growth. . As the legal market matures, prices would stabilize and a retail percentage tax can provide a more reliable and predictable source of revenue to the state.

The original framers of the current tax structure have admitted that revisions would be necessary and now is the time. Overall, a retail percentage tax on marijuana provides a simpler, fairer, and more reliable way to generate revenue for the state while also providing stability and continued job growth for the marijuana industry.