



April 23, 2023

To: Honorable Representative Jesse Sumner
Chair, House Labor & Commerce Committee

From: Nicholas Gelinas
King Street Cannabis Co & Quintessence Farms
8430 Laviento Dr. Anchorage, Alaska 99515

Dear Representative Sumner,

My name is Nicholas Gelinas, and I own a cultivation and a retail company called King Street Cannabis Co and Quintessence Farms, located in Anchorage, Alaska. I employ 12 employees with competitive wages. I am in danger of shutting my doors if this current tax burden isn't corrected. I am writing today to request a committee hearing for HB 119 this legislative session. I strongly urge your support of HB 119. This is a responsible change in tax policy that will benefit all Alaskans and ensure that our homegrown Alaskan industry is positioned to survive and thrive in the years to come.

I started this business in 2019 and have been active in the industry since 2016. We Alaskans have put our heart and souls into building this industry and our businesses. With no business loans offered to our nature of business most of us put our life savings into these start ups. Let's keep Alaska local and do what is right for the families and friends that put everything into making Alaska safe and thrive. Otherwise we lose everything we stand for. Big outside money will take it all and leave Alaska with little or nothing. Please stand with us.

General points:

- We have requested tax relief for six years, and the situation is becoming dire. Ten cultivators closed last year, and many more will close this year if the tax burden isn't resolved. Reduced competition drives up the price of flower, but it's hard for retailers to increase their prices directly to the end consumer, which will put the squeeze on them, again, making the industry fragile.
- The tax reduction will be reflected in the flower wholesale costs, driving consumer's prices down providing greater competition to eliminate the black market.
- We are the only state with a punitive flat tax. When the industry was created, wholesale flower sold for over \$6000/ lb with a tax of \$800/ lb (13.3% tax rate). That current \$800/ lb still stands when we can only sell the same flower for about \$1800-2500/ lb (32-44% tax rate). It needs to be shifted to a percent tax.

- Taxes are collected at the retail for every other good sold across the state. The tax needs to be shifted from the producer to the point of sale to come in line with all other industries.
- We have one of the highest tax rates in the nation.
- It's more expensive to grow in Alaska than any other state in the country due to our high energy costs.
- Delinquency rates are between 30-35% because we can't use the usual banking system, putting a greater cost on paying taxes because we have to travel to Anchorage to pay in cash.

Cultivators:

- Share your average growing costs compared to the \$800/ lb tax, emphasizing the small net profits you have and why this isn't sustainable.
- Stand alone cultivators and limited grows will go out of business because they can't afford the overhead and this burdensome tax. This will likely push them back into the black market, undermining the health of the industry.
- I am only one person, and I can't leave my plants to travel to Anchorage to pay taxes monthly.
- Delinquency rates are at 30-35% for the industry because we can't take usual federal business tax breaks, costing us more money, leaving less money to pay state taxes.
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Retailers:

- Retail taxes should be collected quarterly to reduce the travel burden.
- Taxes are collected at the retail for every other good sold across the state. The tax needs to be shifted from the producer to the point of sale to come in line with all other industries.
- I already pay local sales tax monthly, so it isn't a big deal to pull the state tax to send to Anchorage quarterly. This would eliminate a whole process for cultivators, allowing them to tend to their plants more efficiently.

Kind Regards,

Nicholas Gelinas
Owner