

Thank you for your consideration of HB119 regarding marijuana excise tax. I currently own a small standard cultivation facility and have been impacted greatly by the current tax structure over the last 7 years. My limited Cultivation facility opened in 2016, paid hundreds of thousands to the state of Alaska for excise tax, and went out of business last year at a loss. We operated a clean, well run facility for years, paid all taxes to the state on time, and supported 2 full time employees. What happened? These are some facts that are being experienced by cultivators statewide....

-The current flat tax structure is much too high-

\$800 tax per pound of bud, \$400 per pound of immature bud, \$240 per pound of trim.

-Wholesale prices have been consistently falling, increasing the excise tax percentage per pound. Current tax paid by cultivators ranges between 25%-60% of the wholesale price. The little bit left over does not leave enough to pay the cost to produce the product and make a profit.

-Many Retailers are constantly driving down the price they are willing to pay for wholesale product, without passing these lower prices on to the consumer. The cultivator is left with the \$800/lb tax regardless if a pound sold wholesale for \$3000 or \$1000.

-Cultivators are subjected to a very short outdoor growing season, not very sustainable in Alaska with cooler weather and daylight hour changes. This forces most grows indoors, paying an extremely high cost for power. Some Alaskans like myself pay 27 cents/kwh, let's compare this to Oregon where the cost is 9 cents/kwh and there is a lengthy outdoor growing season to take advantage of.

-Due to the highest excise tax in the country, one of the highest energy rates in the country, and the generally higher price of everything including shipping, Alaskan cultivators are being strangled out of business. Our per pound wholesale price cannot be expected to fall to prices seen in other states.

The passage of HB119 is crucial to the overall health of the industry as it will relieve cultivators of the extremely high tax burden while increasing revenue from new taxable products. 3% tax at retail is a fair tax to pass on to the consumer and will capture tax on all products sold at retail, not just the raw product. Some retailers will not support a sales tax at retail, but something needs to change and it makes sense as all other products that are subject to a sales tax are taxed at the retail level.

Great care must also be given to not increasing the retail tax too high, as this will drive consumers back to unregulated, untaxed sources. The original proposal of 3% was solid, and I do not believe this will work if lawmakers push too high. I heard a disturbing comment at the last hearing on 4/26/23, something to the effect of "how much can we

squeeze out of them”? Can you imagine someone speaking about you and your livelihood like this? Well, the squeeze we are feeling right now is closing the doors on many businesses across the state, impacting many lives and increasing the unemployment rate. Cultivators need help NOW.

I strongly urge you to support immediate tax relief as proposed in HB119. Thank you for your time and consideration on this matter.

Jeff Phelps

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