

ALASKA STATE LEGISLATURE

House Labor & Commerce Committee



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House Bill 119 Sponsor Statement

Since the 2014 legalization of recreational marijuana by citizen initiative, the industry has provided new revenue streams for the state and its municipalities. Marijuana has become Alaska's number one agricultural crop. However, after several years of steady growth the industry has experienced a significant leveling off, due in large part to the state's tax structure, which is the highest in the nation. The structure creates an artificial and immovable floor excise tax and a price bubble that provides the black market with an avenue for competition.

House Bill 119 proposes an immediate tax rate relief to the Alaska marijuana industry.

Governor Dunleavy convened the Advisory Task Force on Recreational Marijuana. The number one recommendation from the task force was an adjustment to the Marijuana tax structure. The Alaska Marijuana Control Board (AMCO) voted four to one in support of the reduced tax structure proposed in House Bill 119, from \$50 per ounce of product to \$12.50 per ounce levied on the cultivator. This is a short-term fix to stabilize the industry. AMCO unanimously agreed that a long-term tax solution better places the taxable transaction at the retail level. This sales tax of 6% is proposed to replace cultivation tax over a period.

While a reduced tax structure will, in the short term, lower the state's revenue stream, it will also help prevent the decline of industry which would ultimately drive tax revenue downward. This change in tax structure will not only stabilize the industry while providing areas for Alaskan businesses to grow, but it will also allow the state to capture revenue from value-ad products which will increase the tax base. The continued growth and success of this young and emerging industry has promise and hope for the future, and that is the Alaskan way.

Please join us in supporting House Bill 119