

From: [Mindy Millhouse](#)
To: [Sen. Matt Claman](#)
Subject: Letter in Support of SB73
Date: Saturday, February 1, 2025 10:25:47 AM

Dear Honorable Senator Claman: This letter is in support of SB73

My name is Mindy Millhouse. My husband and I have been active in the industry since 2016.

I am writing you today in support of SB73 because I feel like operating circumstances and conditions are so dire and have been for a very long time. I believe that without the implementation of this bill we have no future. We can't operate in this manner sustainably.

The relief that this bill would bring myself and everyone else in the industry would be deeply appreciated. It's our only chance at survival. We have invested our whole lives and worked tirelessly to meet the never ending demands and challenges that come with owning and operating a marijuana business. We are tired. We feel defeated. One step forward then it feels like we are pushed back into a corner. We love and believe in what we are doing so we keep persevering, but it just feels like we are all swimming upstream.

I listened in to the AMIA meeting last week, and I wanted to speak up and share my point of view, but as another business owner pointed out, we are used to "living in the dark". There is so much red tape in what we do everyday that speaking up can feel very cumbersome. The rules, restrictions, regulations, make an individual feel like they are walking on eggshells. Because of marijuana's federal status, we are already extremely restricted and limited more so than any other business. Banking isn't accessible, advertising is limited, everything. We have adapted to these challenges and kept working hard with the desperate hope for change.

A topic that was brought up at the meeting was the need for owners to speak up, I believe we have, and that we have been met with resistance at every corner. The brunt of the challenges are absorbed by the owner already. Owning and operating a business requires your full time attention.

We have spoken up, we have shared our concerns, we have come together, we have adapted, we have overcome, and our industry has evolved, so I believe it's unfair to continually push the weight and brunt of this overdue change onto the owners who are already struggling just to pay their taxes. The cultivation tax is killing us. Literally. We are in desperate need of relief. Not only do I believe in the relief that it would bring owners but the relief that it would bring the state in revenue long term. I believe that with the tax relief good things will come to all parties. We will be able to pay our taxes timely, operate efficiently, upgrade our equipment, and enjoy what we are doing again.

I want our industry to survive. I'm grateful for any and all relief. Please consider my voice. Thank you for your time.

Sincerely,

Mindy Millhouse

Dear Honorable Senator Claman:

This letter is in support of SB73.

I have been involved with the Cannabis Industry since 2016. I've helped over 50 licenses with their bookkeeping. I have seen the financial records of the biggest and smallest licenses, of every type. Alaska is unique in having small batch craft growers, but also a very vertically integrated market. I have only a small amount of companies that are able to pay off their debts and expand.

Watching these last 8 years I've sadly had to watch many businesses go under from the burden of the large excise tax, and even more recently allowing the exemption of the corporate income tax to lapse for retailers. Pricing continues to trend downward, costs continuously increase, the amount of profit needed to keep the doors open is going to the state in larger proportions. Most still have to pay IRS taxes with not having made any money. I've helped many companies dissolve their businesses, citing the tax burden being unbearable.

The industry brings in a lot of money to the state, as well as municipalities. and is the most valuable agriculture crop. Growers need relief desperately. Intoxicating hemp is proliferating, there's been an increase of cannabis being brought up here from out of state, energy prices keep rising. With looming changes with tariffs there's not much more these companies can withstand.

I read SB 73 and it is a good start to getting relief to these businesses. It will allow them to keep more of their income to invest in their businesses. It will help keep many Alaskans Employed. Allow the industry to grow and eliminate the unregulated product coming up here. These businesses just want a fair shot at making it. They are a great bunch of people to work with, and I think after 8 years we can make some changes to help them out. They do so much for the community and provide many jobs. It can be fair for everyone involved.

Chris Jacques
Alaska Bookkeeping Services
Accounts@alaskabookkeeping.com



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,
and Economic Development

ALCOHOL & MARIJUANA CONTROL OFFICE

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Anchorage, Alaska 99501
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Transmitted via email
Senate.Labor.And.Commerce@akleg.gov

February 10, 2025

The Honorable Jesse Bjorkman
And members of the Senate Labor and Commerce Committee
Alaska State Senate
Alaska State Capitol
120 4th Street Juneau, Alaska 99801

Re: Advisory Opinion SB 73

Dear Senators:

I am writing to convey the Marijuana Control Board's ("MCB" or "Board") resolution in support of SB 73, which addresses the registration frequency of marijuana establishments, provides a tax exemption for small businesses, and reduces marijuana taxes. We reached this opinion by a unanimous vote at our most recent board meeting on February 6, 2025, in Juneau, Alaska.

First, we thank Senator Claman for sponsoring this bill. The Board regularly discusses the challenges facing marijuana licensees, especially the cost of maintaining a small business in this industry. Licensees have dutifully paid the excise tax required when the program was implemented. Since that time, the program has repaid the state loan it received to cover startup costs through its annual renewal fees and has since found that such a high long-term tax rate is not viable for Alaska businesses. The Governor's Task Force on Recreational Marijuana recommended in 2023 that a reasonable reduction in the tax rate would continue to support Alaska's tax base without jeopardizing the industry as a whole. This bill makes significant progress toward this goal by amending AS 43.61.010(a) from a \$50 per ounce tax to a \$12 per ounce rate.

Additionally, the bill creates a tax exemption for qualified small businesses under U.S. Code.

The MCB also values streamlined and efficient government operations. Moving from an annual to a biennial registration period will relieve businesses from unnecessary paperwork, freeing staff to work on time-sensitive license applications while maintaining appropriate oversight of the program.

Thank you for the opportunity to express both our support and suggestions for amendments to SB 73. On behalf of the Board, I look forward to further dialogue with this Committee and to answering any questions you might have.

Respectfully,

A handwritten signature in black ink, appearing to read "Bailey Stuart", written in a cursive style.

/s. Bailey Stuart/
Bailey Stuart
Marijuana Control Board Chair

cc: Kevin Richard, AMCO Director
Lizzie Kubitz, Special Assistant and Legislative Liaison
Julie Sande, Commissioner, Department of Commerce, Community, and Economic
Development

Konrad Jackson

From: Denali Gold <denaligoldllc@gmail.com>
Sent: Thursday, January 30, 2025 9:54 PM
To: Senate Labor and Commerce; Sen. Jesse Bjorkman; Sen. Kelly Merrick; Sen. Elvi Gray-Jackson; Sen. Forrest Dunbar; Sen. Robert Yundt
Subject: SB73

Greetings ladies and gentlemen,

I'm reaching out to you concerning Senate Bill 73 regarding taxation, registration, and additional corporate taxation on the cannabis industry. I was notified earlier this evening that your committee is meeting on Monday afternoon. Hence the purpose of this email.

Our industry has been overtaxed since day one. I believe in an over zealous effort to pass cannabis in the state of Alaska the proponents of the original bill agreed to anything in order to get Cannabis approved. These fees were supposed to be reviewed and they never were.

However, we are now into year 9 of this industry's childhood and taxation is killing it.

As a small family owned cultivator any excess money we have at the end of the month is eaten up by the taxes we pay. We have taken barely any income from this and have been hoping for the last few years that the situation would change. Just last year we thought it would, but in the 11th hour the bill was killed in May 2024.

We truly believe that the proposed taxes of \$12.50 per ounce is a much more reasonable amount versus the \$50 per ounce currently in place. The time to do something is now.

This past year, many cultivators went out of business because they could no longer afford the excessive taxation of the industry. This is further verified by the amount of money that is due to the department of revenue by cultivation facilities that are no longer in business. This amount exceeds the millions which the state has no hopes of getting. But continuing with this excessive taxation and penalizing the companies that are paying is inherently wrong.

Another aspect of this proposed bill is the registration fees paid annually. Alcohol registration fees are due bi-annually. They are about \$1200 per license. Cannabis registration/renewal fees are \$7000 annually. There is a massive disparity here. Cannabis registration fees should be similar to those of the alcohol side of AMCO's office.

This disparity really needs to be fixed. They proposed bill reduces the annual registration fee for cultivators by \$2000. So instead of \$7000 per year it's \$5000 per year. This is still excessive. It should be no more than \$2500 per year, which is still 4 times what the alcohol registration renewal fees are. So, effectively as it stands now in a two year period an alcohol license costs \$2500 and a Cannabis cultivation license cost \$14,000. This doesn't even make any sense.

The previous AMCO Director Joan Wilson felt that alcohol and cannabis should have been treated and taxed comparatively. She spoke of this many times during zoom meetings we had over the course of the last few years before her departure.

In addition, at this point, additional corporate taxation on the cannabis industry is foolish to say the least. Taxing C Corps who are already paying a premium for their license as well as an exorbitant amount of monthly taxes is appalling.

Thank you for taking the time to read this rather lengthy email. I am just a small business owner that has invested a lot of time and money and wondering where it's going to end up at this point

My best to all of you.

Respectfully,

Marguerita
Denali Gold LLC
License #14136
denaligoldalaska.com
907-590-9160

Eden Management Group LLC
dba Uncle Herb's



To: Senate Labor & Commerce Committee

Concerning: Support of SB 73 & Reinstatement of the Exemption for Small Businesses in Alaska
for AS 43.20.012

January 31, 2025

Dear Chair Bjorkman:

Small businesses, considered the "backbone" of the Alaskan economy, contribute substantially to state economic growth, stability, and community investment. They employ almost 140,000 Alaskans, representing 52.3% of the state's workforce, and keep a much larger percentage of revenue within their communities than large national businesses. These businesses span a range of sectors, including tourism, food service, cannabis, galleries, and tech start-ups, and generate a substantial portion of Alaska's exports.

In 2013, the Legislature wisely initiated AS 43.20.012, exempting Alaskan small business Corporations (C-Corps) from state income tax. This tax exemption fueled growth and investment in multiple industries over the past decade, including the nascent licensed marijuana industry. Unfortunately, this exemption sunset in 2023 due to the provisions in ch55 SLA 2013.

Many small businesses operate as LLCs and remain unaffected by the expired exemption. However, many others operate as C-Corps, a change made in response to the Tax Cuts and Jobs Act (TCJA), which successfully stimulated corporate investment and job growth through reduced federal tax rates. The benefits of these reduced federal tax rates will now be mitigated by the addition of a State Corporate Income Tax. This is poor public policy, as Alaska needs incentives for continued economic growth, not new taxes that hinder it.

The small business tax exemption alone increased job growth in the state by 3,000 jobs and \$175 million of economic activity annually. Its expiration will force businesses to raise prices, postpone capital investment, freeze wages, reduce benefits, and lay off employees. This will take place at a time when businesses are already adjusting to new state minimum wage law requirements.

The new and developing cannabis industry will be particularly hard hit by the expired exemption. These businesses are already heavily taxed at the federal, state, and local levels, and are subject to IRS section 280e, which prohibits them from writing off significant costs toward taxable income or depreciating fixed assets. Adding a corporate tax will create immediate hardship as they struggle with a significant market decline and an influx of non-taxable "hemp" based derivatives that are operating outside the scope of a well-regulated, safe, and compliant framework. Many will revert to LLC status, resulting in increased federal tax revenue and decreased state economic growth.

Eden Management Group LLC
dba Uncle Herb's



Senate Bill 73 and HB 47 are a clear remedy for these negative economic outcomes. Alaska has always been progressive in its tax reform policies and has offered substantial concessions to the oil and gas industry for many years. The economic benefits of fair and equitable taxation are undeniable.

If members of the 34rd Alaska Legislature truly believe small businesses are the "backbone" of the state economy, they should make the Small Business C-Corp Tax Exemption of 2013 permanent and make this exemption retroactively effective on July 1, 2023.

Respectfully,

;

Lloyd Stiasny & Aaron Stiasny

Owners of Eden Management Group LLC



**THE ROOTS
COLLECTIVE**



Subject: In Strong Support of SENATE BILL NO. 73 – The Industry Relies On It

Dear Senate Members vs Assembly,

I am writing to express our strong support for Senate Bill No. 73. The current financial burdens imposed on Alaska's cannabis industry by our local government are overburdensome. Since its inception, Alaska's cannabis excise tax has generated significant state revenue, growing from \$1.7 million in 2017 to over \$28 million in 2023. However, the industry's rapid expansion has plateaued and declined, and the financial burdens imposed on legal operators are not only excessive, but unsustainable, threatening the very survival of the industry.

Unlike the alcohol industry, which benefits from years of maturity and a controlled licensing model that protects profitability, cannabis operators face unlimited competition while still being subjected to a rigid, flat-rate tax system that fails to account for declining wholesale prices. This lack of market maturity and disproportionate tax burden, coupled with lack of banking access, high operational costs and federal intervention, and Alaska's logistical challenges, puts legal businesses at a severe disadvantage, while the illicit market flourishes with zero regulatory oversight.

Key disparities include:

1. The annual license fees are over eight times that of alcohol.
2. The excise tax on cultivated cannabis is around three times more than alcohol as a percentage of the retail price.
3. Corporate income taxes, without agricultural exemptions, create a double taxation model for cannabis cultivation.
4. No enforcement on psychoactive hemp substances sold at convenience stores with no regulatory laws or fees.

The need for reform is long overdue. While Senate Bill No. 73 alone will not fully resolve all these inequities, it is a necessary first step toward a more sustainable, fair, and competitive industry. This bill provides much-needed relief and allows time to explore additional measures that will ensure the longevity of Alaska's legal cannabis market. I urge you to support this legislation immediately to protect jobs, strengthen the economy, and prevent the collapse of an industry that has provided immense value to our state.

Additionally, I understand that the annual license renewal process allows the DOR to hold licensees accountable for their taxes, ensuring fairness and compliance. This oversight is essential for maintaining a level playing field. It is also my understanding that license fees are governed by AMCO statutes and can be adjusted more easily to better align with the alcohol industry & departmental budgetary needs. If this is correct, and considering that alcohol licenses cost \$1,200 biennial, it would be equitable to reduce cannabis license fees to \$600–\$1,000 annually. We support maintaining the annual renewal process but strongly advocate for a significantly reduced fee to be more comparable with the alcohol regulations and provide further support for sustaining our industry.

Sincerely,

Jerry Workman

Founder, The Roots Collective

THEROOTSAK.COM

CANAMOAK.COM



February 4th, 2025

Freedom 49 Farms has been in business since July 2020 cultivating cannabis in the matsu-valley. We entered the cannabis industry and for the first year we hit the ground running and the future looked bright. At that time, it was common for a pound of our cannabis to sale for 4000\$ per pound, netting Freedom 49 Farms 3200\$ a pound after the 800\$ per lb tax. That first year we paid over 275K in state taxes to Alaska, not to mention Houston's excise tax. And at the end of that first year in business, we had nothing to show for it and owed the IRS 45K to top it off.

Gradually cannabis prices dropped and has continued to do so, at a rate of almost 50% at times. Our state tax bill each month is more than 3 months of utilities making it our biggest debt and the first to always be paid. To stay in business we haven't been able to hire employees to help in the day to day duties, and have no choice but to work ourselves 12-16+ hours a day, 7 days a week, 365 days a year. We are dedicated to our cultivation and take great pride in our product and business.

A tax revision would be life-changing for Freedom 49 Farms. It would allow us to essentially grow our business so that we could grow more, resulting in more revenue for the state and us eventually. We could possibly afford to have employees, lessening the burden we have on ourselves to make ends meet.

Sincerely,

Freedom 49 Farms
License 4a-17873



reason
FOUNDATION

Senate Bill 73: Lower Cannabis Taxes Can Bolster Alaska's Legal Market

Prepared for: Chairman Jesse Bjorkman
Alaska Senate Labor & Commerce Committee

Prepared by: Geoff Lawrence
Director of Drug Policy, Reason Foundation

Date: February 10, 2024

Senate Bill 73 Could Attract More Participants to Alaska's Legal Cannabis Market and Bolster Tax Revenues. Despite Lower Tax Rates

Dear Chairman Bjorkman and Members of the Committee:

On behalf of the Reason Foundation, thank you for accepting these comments and making them part of the public record. Reason Foundation is committed to ensuring that state-regulated marijuana markets are competitive, offer widespread opportunities for entrepreneurship, and can successfully transition commerce away from dangerous illicit markets and into the legal market.

One of the primary challenges in setting up a state marijuana market is to establish the correct tax structure. Taxes lay at the intersection of two competing goals of marijuana legalization. Many advocates for legalization are motivated by the desire to produce new public revenues by collecting excise and other taxes from the newly legal marijuana industry. At the same time, these levies can create a tax-induced price disparity between legal and illegal marijuana products that may dissuade consumers from transitioning to the legal market.

In a recent large-scale survey of respondents across the United States and Canada, marijuana consumers indicated they prefer legal marijuana products if the prices are comparable to those on the illicit market. However, as the price of legal products increases above that of illegal products, consumers indicate a preference for migrating back to the illicit market. Among the survey's 50,000 respondents, 17,000 said they had purchased marijuana within the past year. Among these respondents, 12,000 said they had purchased illegal marijuana. The top reason given for purchasing illegal products was the price.¹

In 2022, Reason Foundation examined the effect state and local cannabis taxes in California have on producer and consumer decisions to participate in the legal marijuana market. The analysis showed that the total effective tax per pound of cannabis ranged from \$677 to \$1,440, depending on the local jurisdiction. In both cases, the taxes exceeded the cost of wholesale production of marijuana, estimated at \$564 per pound. This price disparity resulted in two-thirds of marijuana transactions in California still occurring on the illegal market in 2021, and the state did not receive any tax revenue on illegal transactions. Reason modeled the effect removing California's statewide cultivation tax would have on market participation and determined that this change would result in faster market growth for legal cannabis retailers, causing more transactions

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to become subject to retail excise and sales taxes. By Dec. 2024, the study found that revenues from cannabis taxes were projected to grow to 223% of their March 2022 levels despite eliminating the cultivation tax. While a portion of this forecast growth was attributed to ongoing growth in the number of legal retailers, capturing a greater proportion of marijuana transactions on the legal market was a leading factor.² California adopted this change, eliminating its cultivation tax in June 2022.

Alaska's cultivation excise tax amounts to \$800 per pound, which is substantially higher than the per-pound equivalent of all state-level taxes (exclusive of local levies) was in California prior to the elimination of its cultivation tax. Alaska's effective per-pound tax on marijuana is the highest in the country. While Reason Foundation has not completed a deeper market analysis for Alaska, the tax reduction proposed in Senate Bill 73 could induce more marijuana transactions to shift to the legal market. A rate reduction from \$50 per ounce to \$12 per ounce should reduce revenues on existing transactions substantially but at least partially be offset by the additionally captured transactions.

This tax reduction would also likely produce benefits that are not purely fiscal by helping to eradicate illicit activity, which breeds violence and enforcement against it consumes resources. In short, reducing cannabis tax rates would help Alaska realize legalization's full promise.

Thank you,
Geoffrey Lawrence
Research Director and Director of Drug Policy, Reason Foundation

¹ Samantha Goodman, Elle Wadsworth and David Hammond, "Reasons for Purchasing Cannabis from Illegal Sources in Legal Markets: Findings Among Cannabis Consumers in Canada and U.S. States, 2019-2020," *Journal of Studies on Alcohol and Drugs*, Vol. 83, No. 3 (2022), pp. 392-401, <https://www.jsad.com/doi/full/10.15288/jsad.2022.83.392>.

² Geoffrey Lawrence, "The Impact of California's Cannabis Taxes on Participation within the Legal Cannabis Market," Reason Foundation policy study, May 2022, <https://reason.org/policy-study/the-impact-of-california-cannabis-taxes-on-participation-within-the-legal-market/>.

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