



Alaska State Legislature

Senator Matt Claman

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Senate Bill 73

Sponsor Statement — Version G

“An Act relating to the registration of marijuana establishments; relating to a tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date.”

Senate Bill 73 will bring Alaska’s marijuana taxes in line with the rest of the country and provide relief to a struggling industry.

In 2022, the Governor convened the Advisory Task Force on Recreational Marijuana. The first recommendation from the task force was an adjustment to the marijuana tax structure. The current marijuana excise tax places an undue burden on an industry that is overwhelmingly comprised of small, Alaskan-owned businesses. Alaska’s marijuana industry is currently taxed at \$50 per ounce at the wholesale level. This represents the highest effective tax on marijuana in the country. As a result, many businesses are struggling to survive, and many consumers are turning to the illegal black market, which is widely available and offers significantly lower prices.

Currently, the \$50 tax rate applies only to the highest-grade product. The statute applies lower rates to lower grades of the plant: immature or abnormal bud is taxed at \$25, and all other parts are taxed at \$15. There is currently no enforcement mechanism to determine which tax rate applies to different parts of the plant. As a result, marijuana tax revenue peaked at about \$30 million in 2022, but has declined since then.

Senate Bill 73 eliminates the multiple tiers of taxation and establishes a single tax rate at \$12 per ounce. The bill maintains the current language allowing the Department of Revenue to exempt parts of the marijuana plant from taxation, including clones. This bill closes a loophole and ensures that all product is taxed equally and fairly. It also amends marijuana registration from annual to biennial, aligning the marijuana industry with the standard for other business.

Finally, Senate Bill 73 re-establishes the Alaska Small Business C-Corporation Income Tax Exemption that expired in 2023. This tax exemption applies to all small businesses with less than \$50 million in gross assets.