

# Fiscal Note

State of Alaska  
2025 Legislative Session

Bill Version: SB 73  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB073-DOR-TAX-1-31-25  
Title: MARIJUANA: TAX/REGISTRATION; INCOME TAX  
Sponsor: CLAMAN  
Requester: (S) Labor & Commerce

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>OPERATING EXPENDITURES</b>	<b>FY 2026</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

1004 Gen Fund (UGF)	(5,689.0)		(5,579.0)	(5,539.0)	(5,549.0)	(5,559.0)	(5,569.0)
1252 DGF Temp (DGF)	(8,770.0)		(8,450.0)	(8,340.0)	(8,370.0)	(8,400.0)	(8,430.0)
<b>Total</b>	<b>(14,459.0)</b>	<b>0.0</b>	<b>(14,029.0)</b>	<b>(13,879.0)</b>	<b>(13,919.0)</b>	<b>(13,959.0)</b>	<b>(13,999.0)</b>

**Estimated SUPPLEMENTAL (FY2025) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2026) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**  
If yes, by what date are the regulations to be adopted, amended or repealed? **07/01/25**

**Why this fiscal note differs from previous version/comments:**

Not applicable, initial version.

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Division: <u>Tax Division</u>	Date: <u>01/30/2025</u>
Approved By: <u>Janelle Earls, Administrative Services Director</u>	Date: <u>01/31/25</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2025 LEGISLATIVE SESSION

BILL NO. SB 73

Analysis

**Background and Summary**

This bill would do four things:

First (1), this bill would change the cultivation license issued by the Marijuana Control Board (MCB) from an annual to a biennial license.

Second (2), this bill would bring back the small corporation exemption for Alaska’s corporate net income tax for qualifying small corporations as that term is defined in Internal Revenue Code 1202(e). The exemption sunset on July 1, 2023.

Third (3), this bill would change the tax rate from \$50 per ounce to \$12 per ounce for all parts of the plant.

Fourth (4), this bill would tax the sale or transfer of illegally grown marijuana by the person who cultivates the product.

The bill has a July 1, 2025 effective date.

Under current statutes, Alaska levies a tax on marijuana sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility. The tax rate is \$50 per ounce for bud/flower. The tax was created through voter initiative in 2014. The voter initiative granted the Department of Revenue (Department) authority to set a rate lower than \$50 per ounce for “certain parts of the marijuana plant.” The Department adopted a regulation that set the tax as \$50 per ounce for bud/flower, \$25 per ounce for immature, seedy, or failed bud/flower, \$15 per ounce for trim, and \$1 per plant for clones. As mentioned in (3) above, this bill would tax all parts of the plant at the new rate of \$12 per ounce.

**Revenue Impact**

There is no tax effect to the change in the frequency of the MCB issuing a license.

The change to bring back the small corporation exemption would have an estimated negative tax effect of \$2.65 million in each year. The estimate computed the three-year average of tax returns that claimed the exemption in past years as published in the Indirect Expenditures Report. This estimate is included in the amount shown on the Changes in Revenue, 1004 Gen Fund (UGF) line on page one. Also included in that line is the estimated change in revenue from the tax rate change discussed further on in the analysis. The standalone estimated change in revenues for the small corporation exemption is as follows:

CHANGE IN REVENUES		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1004	Gen Fund (UGF)		(2,649.0)	(2,649.0)	(2,649.0)	(2,649.0)	(2,649.0)	(2,649.0)
<b>TOTAL CHANGE IN REVENUES</b>		<b>0.0</b>	<b>(2,649.0)</b>	<b>(2,649.0)</b>	<b>(2,649.0)</b>	<b>(2,649.0)</b>	<b>(2,649.0)</b>	<b>(2,649.0)</b>

Changing the rate for marijuana from \$50 per ounce to \$12 per ounce would reduce projected revenue in FY2026 by an estimated \$11.8 million.

The revenue estimates are based on a series of assumptions. The baseline revenue projections are taken from the Fall 2024 revenue forecast which assumes relatively slow demand growth of 1% annually for FY2026 and beyond coupled with an assumption that the percentage of marijuana taxed as bud/flower, which has been declining for several years, will stabilize at 15% by the end of FY2026. An elasticity adjustment has been incorporated into this analysis to account for an increase in demand for legal marijuana associated with a decrease in price. A number of price elasticity estimates for marijuana exist, this analysis uses a midpoint estimate of 1. For every 1% change in price there is a 1% change in demand. Uncertainty exists around each of these assumptions and different assumptions for the variables in this analysis would yield materially different results.

**FISCAL NOTE ANALYSIS**

**STATE OF ALASKA  
2025 LEGISLATIVE SESSION**

**BILL NO. SB 73** \_\_\_\_\_

**Analysis**

The projected revenue reductions of the rate change are allocated between three funds, per the current statute, at the following percentages:

Recidivism Fund	50%
Marijuana Education and Treatment Fund	25%
Unrestricted General Fund	25%

In addition, all penalties and interest are allocated to Unrestricted General Fund.

Due to limitations of the Fiscal Note system, the Change in Revenues on page one can only be shown on two lines, therefore, DGF Temp (DGF) is the combination of Recidivism Fund (1246) and Marijuana Education and Treatment Fund (1254) as shown below:

CHANGE IN REVENUES		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1246	RcdvsmFund (DGF)		(5,850.0)	(5,630.0)	(5,560.0)	(5,580.0)	(5,600.0)	(5,620.0)
1254	MET Fund (DGF)		(2,920.0)	(2,820.0)	(2,780.0)	(2,790.0)	(2,800.0)	(2,810.0)
1004	Gen Fund (UGF)		(3,040.0)	(2,930.0)	(2,890.0)	(2,900.0)	(2,910.0)	(2,920.0)
<b>TOTAL CHANGE IN REVENUES</b>		<b>0.0</b>	<b>(11,810.0)</b>	<b>(11,380.0)</b>	<b>(11,230.0)</b>	<b>(11,270.0)</b>	<b>(11,310.0)</b>	<b>(11,350.0)</b>

The change to tax the sale or transfer of illegally grown marijuana is indeterminate.

**Implementation Cost**

This bill would require the Department to make only minor changes to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file, pay, view their status, and communicate with the Division online. Resources required to implement the change of the tax rate would include staff time to update tax forms, TRMS, ROL, and other miscellaneous costs. These costs would be absorbed by the Tax Division using existing resources.