

**CS FOR HOUSE BILL NO. 1(STA)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTIETH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

**Offered: 2/5/97**

**Referred: Health, Education and Social Services, Finance**

**Sponsor(s): REPRESENTATIVES BUNDE, Ivan, Croft, Porter, Hudson**

**A BILL**

**FOR AN ACT ENTITLED**

**1 "An Act relating to taxes on cigarettes and tobacco products; and providing for**  
**2 an effective date."**

**3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**4 \* Section 1.** AS 43.50.090(a) is amended to read:

**5 (a)** There is levied an excise tax [OF TWO AND ONE-HALF MILLS] on each  
**6** cigarette imported or acquired in the state. Each licensee shall, at the time of filing  
**7** the return required by AS 43.50.080, pay to the department the excise for the calendar  
**8** month covered by the return, deducting one percent of the total tax due, which the  
**9** licensee shall retain to cover the expense of accounting and filing returns. Cigarettes  
**10** upon which the excise is imposed are not again subject to the excise when acquired  
**11** by another person. **The excise tax is levied at the following rates:**

**12 (1) on and after the effective date of this bill section and through**  
**13 June 30, 2000 - 52 1/2 mills;**

**14 (2) after June 30, 2000, and through June 30, 2003 - 64 1/2 mills;**

1                                    (3) after June 30, 2003, and through June 30, 2006 - 76 1/2 mills;  
 2                    and

3                                    (4) after June 30, 2006 - 76 1/2 mills plus an additional 12 mills  
 4                    during each succeeding three-year period, the increase to be effective on the first  
 5                    day of the succeeding three-year period.

6 \* **Sec. 2.** AS 43.50.090(a) is amended to read:

7                    (a) There is levied an excise tax of two and one-half mills on each cigarette  
 8                    imported or acquired in the state. Each licensee shall, at the time of filing the return  
 9                    required by AS 43.50.080, pay to the department the excise for the calendar month  
 10                    covered by the return, deducting one percent of the total tax due, which the licensee  
 11                    shall retain to cover the expense of accounting and filing returns. Cigarettes upon  
 12                    which the excise is imposed are not again subject to the excise when acquired by  
 13                    another person. [THE EXCISE TAX IS LEVIED AT THE FOLLOWING RATES:

14                                    (1) ON AND AFTER THE EFFECTIVE DATE OF THIS BILL  
 15                    SECTION AND THROUGH JUNE 30, 2000 - 52 1/2 MILLS;

16                                    (2) AFTER JUNE 30, 2000, AND THROUGH JUNE 30, 2003 - 64 1/2  
 17                    MILLS;

18                                    (3) AFTER JUNE 30, 2003, AND THROUGH JUNE 30, 2006 - 76 1/2  
 19                    MILLS; AND

20                                    (4) AFTER JUNE 30, 2006 - 76 1/2 MILLS PLUS AN ADDITIONAL  
 21                    12 MILLS DURING EACH SUCCEEDING THREE-YEAR PERIOD, THE  
 22                    INCREASE TO BE EFFECTIVE ON THE FIRST DAY OF THE SUCCEEDING  
 23                    THREE-YEAR PERIOD.]

24 \* **Sec. 3.** AS 43.50.090 is amended by adding a new subsection to read:

25                    (d) At the time of a change in the amount of tax under (a) of this section, the  
 26                    department shall give public notice of the change. The department shall also provide  
 27                    notification of the change to all persons licensed under this chapter.

28 \* **Sec. 4.** AS 43.50.190(a) is amended to read:

29                    (a) On [THERE IS LEVIED AN EXCISE TAX OF 12 MILLS ON] each  
 30                    cigarette imported or acquired in this state, there is levied an excise tax at the  
 31                    following rates:

1                   (1) on and after the effective date of this bill section and through  
 2                   June 30, 2000 - 62 mills;

3                   (2) after June 30, 2000, and through June 30, 2003 - 74 mills;

4                   (3) after June 30, 2003, and through June 30, 2006 - 86 mills; and

5                   (4) after June 30, 2006 - 86 mills plus an additional 12 mills during  
 6                   each succeeding three-year period, the increase to be effective on the first day of  
 7                   the succeeding three-year period.

8 \* **Sec. 5.** AS 43.50.190 is amended by adding a new subsection to read:

9                   (c) At the time of a change in the amount of tax under (a) of this section, the  
 10                   department shall give public notice of the change. The department shall also provide  
 11                   notification of the change to all persons licensed under this chapter.

12 \* **Sec. 6.** AS 43.50.300 is amended to read:

13                   **Sec. 43.50.300. Excise tax levied.** An excise tax is levied on tobacco products  
 14                   in the state at the rate of 100 [25] percent of the wholesale price of the tobacco  
 15                   products. The tax is levied when a person

16                   (1) brings, or causes to be brought, a tobacco product into the state  
 17                   from outside the state for sale;

18                   (2) makes, manufactures, or fabricates a tobacco product in the state  
 19                   for sale in the state; or

20                   (3) ships or transports a tobacco product to a retailer in the state for  
 21                   sale by the retailer.

22 \* **Sec. 7.** AS 43.50.300 is amended by adding new subsections to read:

23                   (b) The amount in (a) of this section changes, as provided in (b) - (d) of this  
 24                   section, according to and to the extent of changes in the Consumer Price Index for all  
 25                   urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of  
 26                   Labor Statistics, United States Department of Labor. The index for January of 1998  
 27                   is the reference base index.

28                   (c) The amount changes on July 1 of each even-numbered year in an amount  
 29                   equal to the percentage of change, calculated to the nearest whole percentage point,  
 30                   between the index for January of that year and the most recent index used to change  
 31                   the amount in (a) of this section. However, the amount does not change if the amount

1 required by (b) - (d) of this section is that currently in effect as a result of earlier  
2 application of (b) - (d) of this section.

3 (d) If the index is revised, the percentage of change is calculated on the basis  
4 of the revised index. If a revision of the index changes the reference base index, a  
5 revised reference base index is determined by multiplying the reference base index  
6 applicable by the rebasing factor furnished by the Bureau of Labor Statistics, United  
7 States Department of Labor. If the index is superseded, the index referred to in (b) -  
8 (d) of this section is the one represented by the Bureau of Labor Statistics as reflecting  
9 most accurately changes in the purchasing power of the dollar for Alaska consumers.

10 (e) At the time of a change in the amount of the tax under this section, the  
11 department shall promptly give public notice of the change. The department shall also  
12 provide notification of a change to all persons licensed under this chapter.

13 \* **Sec. 8.** AS 43.50.090(d), added by sec. 3 of this Act, is repealed.

14 \* **Sec. 9.** CONDITIONAL EFFECT OF CERTAIN SECTIONS. Sections 2, 4, 5, and 8  
15 of this Act take effect only if

16 (1) a court enters a final judgment that the amendment made to  
17 AS 43.50.090(a) by sec. 1 of this Act changing the rate of taxation on cigarettes violates the  
18 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication of  
19 the proceeds of a state tax or license; and

20 (2) either the time for appeal of that judgment expires or, if an appeal is taken,  
21 the court enters a final order on appeal that AS 43.50.090(a), as amended by sec. 1 of this  
22 Act, violates art. IX, sec. 7, Constitution of the State of Alaska.

23 \* **Sec. 10.** Sections 1, 3, 6, and 7 of this Act take effect October 1, 1997.

24 \* **Sec. 11.** If secs. 2, 4, 5, and 8 of this Act take effect under sec. 9 of this Act, they take  
25 effect on the later of (1) the date a court enters a final judgment that the amendment made to  
26 AS 43.50.090(a) by sec. 1 of this Act changing the rate of taxation on cigarettes violates the  
27 prohibition set out in art. IX, sec. 7, Constitution of the State of Alaska, against dedication of  
28 the proceeds of a state tax or license, and (2) the expiration of any time for appeal of that  
29 judgment, or, if an appeal is taken, upon entry of a final order on the appeal that  
30 AS 43.50.090(a), as amended by sec. 1 of this Act, violates art. IX, sec. 7, Constitution of the  
31 State of Alaska. The attorney general shall promptly notify the lieutenant governor and the

**1** revisor of statutes of a judgment described in this section.