

SENATE BILL NO. 44

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/13/97

Referred: HESS, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the disposition and use of the proceeds of excise taxes on
2 cigarettes and tobacco products; increasing the rates on certain of those excise
3 taxes; and providing for an effective date."

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

5 * **Section 1. FINDINGS.** The legislature finds that

6 (1) tobacco use is the number one cause of preventable death and disease in
7 the United States, accounting for more than 419,000 deaths each year;

8 (2) the most recent estimates of the impact of smoking on Alaska concluded
9 that 23 percent of deaths of persons 35 years of age and older in 1991 were attributable to
10 smoking;

11 (3) in 1991, the direct health costs of smoking in Alaska were estimated at
12 \$45.6 million, while indirect mortality and morbidity costs associated with smoking amounted
13 to another \$82.0 million, with a total estimated attributable costs for Alaskans aged 35 years
14 or older in 1991 of \$127.6 million;

1 (4) the United States Food and Drug Administration has classified nicotine as
2 an addictive drug;

3 (5) over 83 percent of adult smokers report that they started smoking before
4 the age of 20;

5 (6) in 1995, 21.1 percent of Alaskan students attending grades 9 - 12 reported
6 smoking cigarettes on at least 20 of the 30 days before the survey and 24.8 percent of students
7 attending grades 7 and 8 reported smoking on at least one of the 30 days before the survey;

8 (7) the affordability of tobacco appears to be the most important determinant
9 of the number of youth who will start smoking; based on 1995 population data and the
10 prevalence of current smokers among Alaskan adults aged 18 - 30 years being 29.7 percent,
11 it is projected that 17,900 Alaskan children now in the age range from 0 - 17 years will
12 become smokers and die prematurely because of a smoking-related illness;

13 (8) the data compiled in the United States, Canada, and the United Kingdom
14 indicate that for every 10 percent increase in the inflation-adjusted price of tobacco, general
15 consumption will fall by approximately four percent but will drop by approximately 10 percent
16 among youth;

17 (9) the increase in the excise tax on cigarette and tobacco products provided
18 for by this Act will significantly reduce the number of youth who would otherwise begin using
19 tobacco, contribute to a long-term improvement of the health status of Alaskans, and reduce
20 future health care costs to public and private employers and individuals.

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

22 (a) There is levied an excise tax of two and one-half mills on each cigarette
23 imported or acquired in the state. Each licensee shall, at the time of filing the return
24 required by AS 43.50.080, pay to the department the excise for the calendar month
25 covered by the return, deducting **three-tenths of** one percent of the total tax due,
26 which the licensee shall retain to cover the expense of accounting and filing returns.
27 Cigarettes upon which the excise is imposed are not again subject to the excise when
28 acquired by another person.

29 * **Sec. 3.** AS 43.50.190(a) is amended to read:

30 (a) There is levied an excise tax of **62** [12] mills on each cigarette imported
31 or acquired in this state.

1 * **Sec. 4.** AS 43.50.190 is amended by adding a new subsection to read:

2 (c) Under the authority granted in AS 37.05.142, the commissioner of
3 administration shall establish a separate education and children's health programs
4 account for all proceeds deposited into the general fund under (a) of this section. The
5 annual estimated balance in the account established under this subsection, and any
6 interest accrued on that balance, may be used by the legislature to make appropriations
7 for education or for children's health programs.

8 * **Sec. 5.** AS 43.50.300 is amended to read:

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

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

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

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

18 * **Sec. 6.** AS 43.50.300 is amended by adding a new subsection to read:

19 (b) The proceeds of the tax collected by the department under (a) of this
20 section shall be deposited in the general fund in the separate education and children's
21 health programs account established under AS 43.50.190(c). The annual estimated
22 balance in the account, and any interest accrued on the balance, may be used as
23 provided in AS 43.50.190(c).

24 * **Sec. 7.** AS 43.50.330(b) is amended to read:

25 (b) The licensee shall remit with the return the tax due under AS 43.50.300
26 for the month covered by the return, after deducting three-tenths of one percent of the
27 tax due, which the licensee shall retain to cover the expense of accounting and filing
28 the return.

29 * **Sec. 8.** AS 43.50.350 is repealed.

30 * **Sec. 9.** This Act takes effect July 1, 1997.