

HOUSE FINANCE COMMITTEE
May 02, 2002
9:20 A.M.

TAPE HFC 02 - 101, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 9:20 A.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Lisa Murkowski

SUMMARY

HB 225 An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

CS HB 225 (FIN) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by Department of Revenue.

#HB225

HOUSE BILL NO. 225

An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

Vice-Chair Bunde MOVED to RETURN to the table HB 225. There being NO OBJECTION, it was so moved.

Vice-Chair Bunde MOVED to ADOPT the committee substitute #22-LS0806\R, Kurtz, 5/01/02, as the working document before the Committee. There being NO OBJECTION, it was adopted.

Representative Harris MOVED to AMEND the bill by adopting Amendment #1, #22-LS0806\0.4, Kurtz, 5/2/02. The amendment would phase the ten cents per drink in over a three-year period. Co-Chair Williams OBJECTED.

REPRESENTATIVE LISA MURKOWSKI opposed the proposed amendment. She noted that it would make the most sense to implement the legislation and get the tax "in place" and not have to work it through a three-year period. The adopted committee substitute addresses stockpiling. Representative Murkowski commented that she did not understand how the transition provision would work if there were a three year phase in.

Vice-Chair Bunde inquired if the costs to the Department of Revenue would triple if the tax were put in place over a three-year period.

Representative Murkowski explained the excise tax is assessed at the bonding warehouse when the product leaves. A simple process is used to increase the tax. At this time, the tax on spirits is \$5.60 a gallon and if HB 225 is adopted, it would be \$12.80 per gallon.

Representative Croft referenced the inventory floor tax. He remembered that there was stockpiling happening when the cigarette tax was passed. He asked if that would occur if the amendment passed.

Representative Murkowski replied that she did not know how that would work. If the increased tax was implemented on the effective date, it is clear how the floor stock tax would happen. When doing the inventory, that number would be provided to the Department of Revenue. She did not know how the tax would affect it and if the Department of Revenue had considered that.

Vice-Chair Bunde commented that if there were a stockpiling and a warehouse inventory tax, some warehouses would need to go through that process three times, which would cost money.

Representative Murkowski agreed.

Representative Harris argued that for those distributors that stockpile, that was the least of their concerns. Those merchants would rather absorb any added costs rather than what they anticipate they will lose with the sales to the responsible drinkers. He emphasized that the merchants would rather see the tax phased in. Representative Harris

added that it would not be absorbed at the wholesale level and would be passed on to the consumer.

Representative Whitaker questioned the intent of the amendment.

Representative Harris explained that it was his intent to minimize the impact of the tax increase happening all at one time and the amendment would provide for businesses and the public to phase into the change.

Representative Whitaker recommended that the effect of the phase should be determined and how it will affect each drink. Representative Whitaker spoke against the amendment, claiming that it would prolong the inevitable. The bill creates a tax and someone must pay it sooner or later.

Vice-Chair Bunde asked Representative Moses if a tax to the retailer would have a greater impact if implemented in one year or in three years.

Representative Moses advised that it would not be that much trouble to change the prices each year. He pointed out that most businesses would increase their retail price.

Vice-Chair Bunde commented that was the intent of the tax, however, he did not want to see the tax become more burdensome for the retailers.

Representative Croft spoke to the phasing in question and asked Representative Murkowski's thoughts on enacting the proposal. He asked what position that would place Alaska in relationship to the rest of the states.

Representative Murkowski explained that the price would be ten cents per drink on beer, wine and spirits. That price compared to other state's taxes where the average per drink price is thirty cents, Alaska, at ten cents per drink, would be well below the national average. She reiterated that member's should keep in mind that Alaska does not have any other State tax on alcohol.

Representative Murkowski spoke to Amendment #1. She stated that it would appear that a phase in would assist the wholesalers at the time that they have to pay the excise tax. However, the net effect to the consuming public, who ultimately pay the tax, would be less of a hit if the tax were changed one time only.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Harris, Moses, Bunde, Mulder,
Williams
OPPOSED: Lancaster, Whitaker, Croft, Davies

Representative Hudson was not present for the vote.

The MOTION PASSED (6-4).

Co-Chair Mulder MOVED to DELETE Section #3. Representative Croft OBJECTED.

Co-Chair Mulder argued that section was punitive.

Representative Murkowski responded that Section #3 was introduced at the request of the Department of Revenue as a direct response to what they saw to the increase of tax. She noted that the Department knows that there is already stockpiling going on in anticipation of the legislation.

Representative Davies understood that when the tobacco tax was implemented, it took about six months before sales came back. Stockpiling did occur in most of the larger stores at a disadvantage. Removing Section #3 would place the smaller stores. He spoke against the amendment.

Representative Whitaker agreed with comments made by Co-Chair Mulder that the language was punitive.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Harris, Hudson, Lancaster, Moses,
Whitaker, Williams, Mulder
OPPOSED: Davies, Bunde, Croft

The MOTION PASSED (8-3).

Co-Chair Mulder MOVED to report CS HB 225 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note.

Representative Foster OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Davies, Harris, Hudson, Lancaster,
Moses, Whitaker, Bunde
OPPOSED: Foster, Mulder, Williams

The MOTION PASSED (8-3).

CS HB 225 (FIN) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by Department of Revenue.

ADJOURNMENT

The meeting was adjourned at 9:48 A.M.