

**CS FOR SENATE BILL NO. 168(FIN) am H**  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - FIRST SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Amended: 5/19/03**

**Offered: 5/5/03**

**Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to issuance and revocation of licenses for the importation, sale,**  
2 **distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund**  
3 **or credit for unsaleable, returned, or destroyed tobacco products; relating to restrictions**  
4 **on and penalties for shipping or transporting cigarettes; relating to records concerning**  
5 **the sale of cigarettes; amending and adding definitions relating to cigarette taxes;**  
6 **relating to the payment of cigarette taxes; relating to penalties applicable to cigarette**  
7 **taxes; relating to the definition of the wholesale price of tobacco products; relating to**  
8 **payment of cigarette taxes through the use of cigarette tax stamps; relating to provisions**  
9 **making certain cigarettes contraband and subject to seizure and forfeiture; relating to**  
10 **certain crimes, penalties, and interest concerning tobacco taxes and stamps; relating to**  
11 **cigarette sales; and providing for an effective date."**

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

1     \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
2 to read:

3             SHORT TITLE. AS 43.50.710 - 43.50.849, enacted in sec. 19 of this Act, may be  
4 known as the Unfair Cigarette Sales Act.

5     \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7             INTENT OF AS 43.50.710 - 43.50.849. It is the intent of AS 43.50.710 - 43.50.849,  
8 enacted in sec. 19 of this Act, to

9                     (1) encourage fair and honest competition and to safeguard the public against  
10 unfair, dishonest, deceptive, destructive, and fraudulent business practices existing in  
11 transactions involving the sale of, offer to sell, or inducement to sell cigarettes in the  
12 wholesale and retail trades in the state;

13                    (2) prohibit the advertising, offering for sale, or sale of cigarettes below cost  
14 in the wholesale or retail trades with the intent of injuring competitors or destroying or  
15 substantially lessening competition as an unfair and deceptive trade practice; and

16                    (3) promote the general welfare and public interest through the prohibition of  
17 unfair cigarette sales.

18     \* **Sec. 3.** AS 43.50.035 is amended to read:

19             **Sec. 43.50.035. Wholesaler-distributor license.** A person **outside of this**  
20 **state who sells cigarettes into this state and is not required to be licensed under**  
21 **AS 43.50.010** may **apply** [QUALIFY] for a wholesaler-distributor license [BY  
22 FURNISHING A GOOD AND SUFFICIENT SURETY BOND IN AN AMOUNT  
23 EQUAL TO TWICE THE AVERAGE MONTHLY RETURN AND IN NO CASE  
24 LESS THAN \$5,000, PAYABLE TO THE DEPARTMENT AND APPROVED BY  
25 THE DEPARTMENT OF LAW. IF A WHOLESALER-DISTRIBUTOR FAILS TO  
26 PAY THE CIGARETTE TAX WHEN DUE, THE BOND MAY BE FORFEITED  
27 AND THE LICENSE REVOKED]. The department **shall adopt reasonable**  
28 **regulations necessary for the collection of cigarette taxes on cigarette sales made**  
29 **by the** [MAY ISSUE PERMITS IN PLACE OF BONDS TO RESIDENT HOLDERS  
30 OF] wholesaler-distributor **licensee into this state and standards for**

31                             **(1) application and issuance of the license; and**

1                   **(2) refusal to issue the license** [LICENSES DOING BUSINESS  
2                   WHOLLY IN THE STATE WHO PAY THE TAX BEFORE SHIPMENT].

3                   \* **Sec. 4.** AS 43.50.040 is amended to read:

4                   **Sec. 43.50.040. Expiration of licenses.** A license issued under AS 43.50.010  
5                   **or 43.50.035** expires on June 30 [,] following the date of issue. If a license is revoked,  
6                   or the business for which the license is issued changes ownership or the licensee  
7                   changes the place of business from the premises covered by the license, the licensee  
8                   shall immediately return the license to the department. If the licensee moves the  
9                   business to another location in the state, the license shall, upon the payment of a fee of  
10                  50 cents, be reissued for the new location for the balance of the unexpired term.  
11                 **Before a license issued under AS 43.50.010 or 43.50.035 expires, the** [THE]  
12                 licensee **may apply to** [, ON APPLICATION TO THE DEPARTMENT  
13                 ACCOMPANIED BY THE RENEWAL FEE, MAY, BEFORE THE EXPIRATION  
14                 OF THE LICENSE,] renew the license for one year from the expiration date of the  
15                 license. **The renewal fee required by AS 43.50.030 must accompany the**  
16                 **application. The department shall adopt reasonable regulations that it considers**  
17                 **necessary regarding the renewal of licenses.**

18                 \* **Sec. 5.** AS 43.50.070 is amended to read:

19                 **Sec. 43.50.070. Suspension or revocation of or refusal to renew a license**  
20                 **[REVOCAION OF LICENSES].** The department may suspend, [OR] revoke, **or**  
21                 **refuse to renew** a license issued under **this chapter** [AS 43.50.010 - 43.50.180] (1)  
22                 for a negligent violation of AS 11.76.100, 11.76.106, 11.76.107, or a violation of **this**  
23                 **chapter** [AS 43.50.010 - 43.50.180] or a regulation of the department adopted under  
24                 **this chapter** [AS 43.50.010 - 43.50.180]; (2) if a licensee ceases to act in the capacity  
25                 for which the license was issued; or (3) if a **licensee** [MANUFACTURER,  
26                 DISTRIBUTOR, OR WHOLESALE DISTRIBUTOR] negligently sells tobacco or  
27                 products containing tobacco to a **person who is required to, but does not, hold a**  
28                 **license endorsement under AS 43.70.075 or** [NONLICENSED RETAILER OR A  
29                 RETAILER] whose license endorsement under AS 43.70.075 has been suspended. A  
30                 person whose license is suspended or revoked may not sell cigarettes **or tobacco**  
31                 **products,** or permit cigarettes **or tobacco products** to be sold, during the period of

1 the suspension or revocation on the premises occupied or controlled by that person. A  
 2 disciplinary proceeding or action is not barred or abated by the expiration, transfer,  
 3 surrender, renewal, or extension of a license issued under **this chapter** [AS 43.50.010  
 4 - 43.50.180]. The department shall comply with the provisions of **AS 44.62 ( [THE]**  
 5 **Administrative Procedure Act), except that a hearing officer of the department,**  
 6 **rather than a hearing officer assigned under AS 44.62.350, may conduct hearings**  
 7 [(AS 44.62)].

8 \* **Sec. 6.** AS 43.50.070 is amended by adding a new subsection to read:

9 (b) In this section, "licensee" means a person licensed under AS 43.50.010 -  
 10 43.50.180 or 43.50.300 - 43.50.390.

11 \* **Sec. 7.** AS 43.50.090(a) is amended to read:

12 (a) There is levied an excise tax of 38 mills on each cigarette imported or  
 13 acquired in the state. **The tax shall be paid through the use of stamps as provided**  
 14 **in AS 43.50.500 - 43.50.700. The failure to pay the tax through the use of stamps**  
 15 **does not relieve a person of the obligation to pay taxes due under this chapter.**  
 16 **The person shall still pay the tax, and the tax is due on or before the end of the**  
 17 **month following the month in which cigarettes were manufactured, imported,**  
 18 **acquired, or sold in this state** [EACH LICENSEE SHALL, AT THE TIME OF  
 19 FILING THE RETURN REQUIRED BY AS 43.50.080, PAY TO THE  
 20 DEPARTMENT THE EXCISE FOR THE CALENDAR MONTH COVERED BY  
 21 THE RETURN, DEDUCTING FOUR-TENTHS OF ONE PERCENT OF THE  
 22 TOTAL TAX DUE, WHICH THE LICENSEE SHALL RETAIN TO COVER THE  
 23 EXPENSE OF ACCOUNTING AND FILING RETURNS]. Cigarettes upon which  
 24 the excise is imposed are not again subject to the excise when acquired by another  
 25 person.

26 \* **Sec. 8.** AS 43.50.090 is amended by adding a new subsection to read:

27 (d) The tax imposed under (a) of this section does not apply to the first 100  
 28 cigarettes imported by an individual for personal consumption during the calendar  
 29 month.

30 \* **Sec. 9.** AS 43.50.100(d) is amended to read:

31 (d) A person or licensee who is in control or possession of cigarettes contrary

1 to **this chapter** [AS 43.50.010 - 43.50.180,] or who offers to sell or dispose of  
 2 cigarettes to others for the purpose of resale without being licensed to do so is  
 3 considered to have possession of the cigarettes as a consumer and is personally liable  
 4 for the **cigarette taxes imposed by this chapter** [TAX], plus a penalty of 100 **percent**  
 5 [PER CENT].

6 \* **Sec. 10.** AS 43.50 is amended by adding a new section to read:

7 **Sec. 43.50.105. Restrictions on shipping or transporting cigarettes.** (a) A  
 8 person who is not licensed under this chapter may not ship or cause to be shipped  
 9 cigarettes to a person in this state unless the person receiving the cigarettes is

10 (1) licensed under this chapter;

11 (2) an operator of a customs bonded warehouse under 19 U.S.C. 1311  
 12 or 19 U.S.C. 1555; or

13 (3) an instrumentality of the federal government or an Indian tribal  
 14 organization authorized by law to possess cigarettes not taxed under this chapter.

15 (b) A person who is licensed under this chapter may not ship or cause to be  
 16 shipped cigarettes to a person in this state unless the person receiving the cigarettes

17 (1) is licensed under this chapter;

18 (2) holds a tobacco endorsement under AS 43.70.075;

19 (3) is an operator of a customs bonded warehouse under 19 U.S.C.  
 20 1311 or 19 U.S.C. 1555; or

21 (4) is an instrumentality of the federal government or an Indian tribal  
 22 organization authorized by law to possess cigarettes not taxed under this chapter.

23 (c) A common or contract carrier may not knowingly transport cigarettes to a  
 24 person in this state unless the person

25 (1) shipping the cigarettes is licensed under this chapter and provides  
 26 the common or contract carrier with a copy of the person's current license issued by  
 27 the department and the person receiving the cigarettes is a person described under  
 28 (b)(1) - (4) of this section; or

29 (2) receiving the cigarettes is a person described under (a)(2) or (3) of  
 30 this section or is licensed under this chapter and provides the common or contract  
 31 carrier with a copy of the person's current license issued by the department.

1 (d) If the cigarettes are transported by a common or contract carrier to a home  
 2 or residence, it is rebuttably presumed that the common or contract carrier knew that  
 3 the person receiving the cigarettes was not a person described under (b)(1) - (4) of this  
 4 section.

5 (e) A person, other than a common or contract carrier, may not knowingly  
 6 transport cigarettes to a person in this state, unless the person receiving the cigarettes  
 7 is a person described under (b)(1) - (4) of this section.

8 (f) A person who ships or causes to be shipped cigarettes to a person in this  
 9 state shall plainly and visibly mark the container or wrapping with the word  
 10 "cigarettes" if the cigarettes are shipped in a container or wrapping other than the  
 11 cigarette manufacturer's original container or wrapping.

12 (g) A person who violates the provisions of this section is guilty of a

13 (1) class A misdemeanor if the person unlawfully ships, causes to be  
 14 shipped, or transports at least one but fewer than 1,000 cigarettes;

15 (2) class C felony if the person unlawfully ships, causes to be shipped,  
 16 or transports 1,000 or more cigarettes.

17 (h) In addition to the criminal penalty under (g) of this section, the department  
 18 may assess a civil fine of not more than \$5,000 for each violation of this section.

19 \* **Sec. 11.** AS 43.50.130(d) is amended to read:

20 (d) An invoice for the sale of cigarettes given or accepted by a licensee under  
 21 **this chapter** [AS 43.50.010 - 43.50.180] must state whether the **taxes** [TAX] imposed  
 22 by **this chapter have** [AS 43.50.010 - 43.50.180 HAS] been paid.

23 \* **Sec. 12.** AS 43.50.170(7) is amended to read:

24 (7) "person" includes an individual, company, partnership, **limited**  
 25 **liability partnership**, joint venture, joint agreement, **limited liability company**,  
 26 association, mutual or otherwise, corporation, estate, trust, business trust, receiver,  
 27 trustee, syndicate, or political subdivision of this state, or combination acting as a unit;

28 \* **Sec. 13.** AS 43.50.170 is amended by adding new paragraphs to read:

29 (11) "tobacco product" has the meaning given in AS 43.50.390;

30 (12) "wholesaler-distributor" means a person outside this state who  
 31 sells or distributes cigarettes into this state and who is not required to be licensed

1 under AS 43.50.010.

2 \* **Sec. 14.** AS 43.50.190(b) is amended to read:

3 (b) The tax levied by this section is in addition to the tax levied by  
4 AS 43.50.010 - 43.50.180. The tax shall be administered and collected in the same  
5 manner as the tax levied by AS 43.50.010 - 43.50.180, except that receipts from the  
6 tax shall be deposited in the general fund. The penalties provided in AS 43.05 **and**  
7 **this chapter** apply to the tax levied in this section.

8 \* **Sec. 15.** AS 43.50.190 is amended by adding a new subsection to read:

9 (c) The tax imposed under (a) of this section does not apply to the first 100  
10 cigarettes imported by an individual for personal consumption during the calendar  
11 month.

12 \* **Sec. 16.** AS 43.50.320(f) is amended to read:

13 (f) The department may suspend, [OR] revoke, **or refuse to renew** a license  
14 issued under this section **as provided in AS 43.50.070** [IF THE LICENSEE  
15 VIOLATES A PROVISION OF AS 43.50.300 - 43.50.390 OR A REGULATION  
16 ADOPTED UNDER AS 43.50.370].

17 \* **Sec. 17.** AS 43.50 is amended by adding a new section to read:

18 **Sec. 43.50.335. Tax credits and refunds.** The department shall adopt  
19 procedures for a refund or credit to a licensee of the tax paid for tobacco products that  
20 have become unfit for sale, are destroyed, or are returned to the manufacturer for  
21 credit or replacement if the licensee provides proof acceptable to the department that  
22 the tobacco products have not been and will not be consumed in this state.

23 \* **Sec. 18.** AS 43.50.390(5) is repealed and reenacted to read:

24 (5) "wholesale price" means

25 (A) the established price for which a manufacturer sells a  
26 tobacco product to a distributor after deduction of a discount or other reduction  
27 received by the distributor for quantity or cash if the manufacturer's established  
28 price is adequately supported by bona fide arm's length sales as determined by  
29 the department; or

30 (B) the price, as determined by the department, for which  
31 tobacco products of comparable retail price are sold to distributors in the

1 ordinary course of trade if the manufacturer's established price does not meet  
2 the standards of (A) of this paragraph.

3 \* **Sec. 19.** AS 43.50 is amended by adding new sections to read:

4 **Article 5. Cigarette Tax Stamps.**

5 **Sec. 43.50.500. Tax payment by use of stamps.** A licensee shall pay the tax  
6 imposed under AS 43.50.090(a) and 43.50.190(a) through the use of stamps issued  
7 under AS 43.50.500 - 43.50.700.

8 **Sec. 43.50.510. Stamp design; manner of affixing.** (a) The department shall  
9 design and furnish stamps of sizes and denominations as determined by the  
10 department.

11 (b) Notwithstanding the packaging requirements of AS 43.70.075(g)(1), a  
12 stamp required under AS 43.50.500 - 43.50.700 must be affixed

13 (1) on the smallest package that will be handled, sold, used, consumed,  
14 or distributed in this state; and

15 (2) in a denomination equal to the amount of tax due under this chapter  
16 on the cigarettes in the package.

17 (c) A stamp required under AS 43.50.500 - 43.50.700 shall be affixed to the  
18 bottom of each individual package of cigarettes in a manner so that the stamp cannot  
19 be removed from the package without being mutilated or destroyed.

20 (d) For purposes of this section, a stamp is considered affixed only if more  
21 than 80 percent of the stamp is attached to the individual package in accordance with  
22 (c) of this section and regulations adopted by the department.

23 **Sec. 43.50.520. Stamp required before sale, distribution, or consumption.**

24 (a) Except as provided in AS 43.50.580, a licensee or the authorized agent or designee  
25 of the licensee shall affix a stamp, in the manner required by AS 43.50.510, to each  
26 package of cigarettes immediately upon the opening of the shipping container  
27 containing the package and before sale, distribution, or consumption in this state.

28 (b) Except as provided in AS 43.50.580 and 43.50.610, a person may not  
29 engage in the following activities in this state unless the package containing the  
30 cigarettes is affixed with the required stamp:

31 (1) sell or distribute cigarettes to a person who is a consumer in this

1 state;

2 (2) acquire, hold, own, possess, or transport cigarettes for sale or  
3 distribution in this state;

4 (3) import or cause to be imported cigarettes into this state for sale,  
5 distribution, or consumption; or

6 (4) place or store cigarette packages in a vending machine in this state.

7 **Sec. 43.50.530. Sale of stamps.** (a) The department shall furnish stamps for  
8 sale to licensees.

9 (b) The department may enter into agreements with financial institutions to  
10 permit the sale of stamps by those institutions. The department shall make a list of  
11 financial institutions authorized to sell stamps under this section available to the  
12 public.

13 **Sec. 43.50.540. Purchase of and payment for stamps.** (a) A licensee shall  
14 apply to the department or a financial institution authorized under AS 43.50.530(b) to  
15 purchase stamps required by AS 43.50.500 - 43.50.700.

16 (b) A licensee may authorize an agent or designee to purchase stamps for the  
17 licensee at a location where stamps are sold. The licensee's authorization of an agent  
18 or designee must be in writing and must be signed by the licensee. The licensee shall  
19 provide a copy of the authorization to the department. The authorization continues in  
20 effect until the department receives the licensee's written notice of revocation of the  
21 authorization.

22 (c) Except as otherwise provided in this subsection, each stamp shall be sold  
23 to a licensee at its denominated value less the discount provided in this subsection.  
24 The discount under this subsection is provided as compensation for affixing stamps to  
25 packages as required by AS 43.50.500 - 43.50.700. The department may reduce or  
26 eliminate the discount to a licensee under this subsection if the licensee fails to meet  
27 the requirements of AS 43.50.500 - 43.50.700. The discount under this subsection is  
28 equal to the sum of the amounts calculated using the following percentages of  
29 denominated value of stamps purchased by a licensee under this section in a calendar  
30 year:

31 (1) \$1,000,000 or less, three percent;

1                   (2) the amount that is more than \$1,000,000 but not more than  
2 \$2,000,000, two percent;

3                   (3) the amount that is over \$2,000,000, zero percent.

4                   (d) Payment for stamps shall be made at the time of purchase, except that the  
5 department may permit a licensee to defer payments as provided in AS 43.50.550.

6                   (e) The licensee or the licensee's agent or designee must obtain the stamps in  
7 person from the department or a financial institution authorized to sell stamps under  
8 AS 43.50.530(b). Alternatively, the licensee may request in writing that the stamps be  
9 shipped or transported in a manner specified by the licensee that is acceptable to the  
10 department. The department may accept only United States mail or common or  
11 private carrier as a shipping or transportation method.

12                   (f) Title to the stamps passes immediately to the licensee at the time the  
13 stamps are obtained in person or, if the stamps are shipped or transported, at the time  
14 the stamps are placed in the United States mail or received by the common or private  
15 carrier. The licensee bears all costs associated with shipping or transporting the  
16 stamps and all risks of possible loss or damage while in transit.

17                   (g) Loss, destruction, or theft of stamps does not absolve the licensee of its  
18 obligation to make payment for the stamps, including payment on a deferred-payment  
19 basis under AS 43.50.550.

20                   (h) For purposes of the discount provided in (c) of this section, "stamps  
21 purchased by a licensee" includes stamps purchased by affiliated licensees.

22                   **Sec. 43.50.550. Deferred-payment basis for stamps.** (a) A licensee may  
23 apply to the department to purchase stamps on a deferred-payment basis. Upon  
24 receipt of the application and the bond required under (b) of this section, the  
25 department may set the maximum dollar amount of stamps that the licensee is  
26 authorized to purchase on a deferred-payment basis in a calendar month.

27                   (b) A licensee who submits an application for the purchase of stamps on a  
28 deferred-payment basis shall post a bond acceptable to the department in an amount  
29 equal to 200 percent of the maximum dollar amount of allowed monthly purchases  
30 under this section as a condition of approval of the application.

31                   (c) Amounts owing for stamps purchased on a deferred-payment basis in a

1 calendar month are due on or before the last day of the next calendar month. Payment  
 2 shall be made by a remittance acceptable to the department that is made payable to the  
 3 department.

4 (d) The department may designate the sales locations where the licensee may  
 5 make purchases of stamps on a deferred-payment basis and fix the dollar amount of  
 6 purchases that the licensee may make under this section at each designated sales  
 7 location each month.

8 **Sec. 43.50.560. Suspension of deferred-payment basis privilege.** The  
 9 department may suspend, without prior notice, a licensee's privilege to purchase  
 10 stamps on a deferred-payment basis or may reduce the monthly dollar amount of  
 11 purchases the licensee may make under AS 43.50.550 if

12 (1) the licensee fails to pay for stamps when payment is due;

13 (2) the licensee's bond is cancelled or becomes void, impaired, or  
 14 unenforceable;

15 (3) the department determines that the collection of an amount unpaid  
 16 or due from the licensee under this chapter is jeopardized; or

17 (4) the licensee violates a state statute or regulation related to the  
 18 collection of taxes under this chapter.

19 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
 20 purchase of stamps within the time required

21 (1) is considered to have failed to pay the cigarette taxes due under this  
 22 chapter; and

23 (2) shall pay interest at the rate established under AS 43.05.225 from  
 24 the date on which the amount became due until the date of payment.

25 **Sec. 43.50.580. Possession of unstamped cigarettes.** (a) Except as provided  
 26 in (b) of this section and in AS 43.50.610, a person may not possess unstamped  
 27 cigarettes in this state.

28 (b) A licensee may possess unstamped cigarettes in this state if

29 (1) the licensee posts a surety bond in an amount satisfactory to the  
 30 department to ensure performance of its duties under this chapter; and

31 (2) unstamped cigarettes are necessary for the conduct of the licensee's

1 business in making sales or distributions to an instrumentality of the federal  
 2 government or an Indian tribal organization authorized by law to possess cigarettes not  
 3 taxed under this chapter.

4 (c) At the time of shipping or delivering cigarettes to an instrumentality of the  
 5 federal government or an Indian tribal organization authorized by law to possess  
 6 cigarettes not taxed under this chapter, a licensee shall make a duplicate invoice  
 7 showing complete details of the shipment or other distribution and a statement  
 8 indicating whether stamps were affixed to each cigarette package in accordance with  
 9 AS 43.50.500 - 43.50.700. The licensee shall transmit the duplicate invoice to the  
 10 department as an attachment to the monthly report required under AS 43.50.630.

11 (d) If a licensee who is authorized to possess unstamped cigarettes under (b)  
 12 of this section fails to comply with the requirements of this section, the licensee is no  
 13 longer authorized to and may not possess unstamped cigarettes under this section and  
 14 is subject to the imposition of any applicable penalty under this title or other law.

15 (e) For purposes of (a) of this section, "person" does not include entities to  
 16 whom sales or distributions are made as described in (b)(2) of this section.

17 **Sec. 43.50.590. Refunds or credits for unused stamps and for unsalable,**  
 18 **destroyed, or certain returned cigarette packages.** (a) The department shall adopt  
 19 procedures for a refund or credit to a licensee in the amount of the denominated value,  
 20 less the discount given under AS 43.50.540, for

21 (1) unused or damaged stamps; or

22 (2) stamps affixed to cigarette packages that have become unfit for use  
 23 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if  
 24 the licensee provides proof acceptable to the department that the cigarettes have not  
 25 been and will not be consumed in this state.

26 (b) A refund or credit under (a) of this section may not be allowed for stamps  
 27 affixed to cigarette packages in violation of this chapter or AS 45.53.

28 **Sec. 43.50.600. Stamps prohibited on cigarette packages not complying**  
 29 **with federal and state laws.** A licensee or the licensee's authorized agent or designee  
 30 may not affix a stamp to a cigarette package if the cigarettes

31 (1) may not be acquired, held, owned, imported, possessed, sold, or

1 distributed in this state under AS 43.50.400; or

2 (2) are not in compliance with other state or federal laws.

3 **Sec. 43.50.610. Unstamped cigarettes as contraband; seizure.** Unstamped  
4 cigarettes found in this state are contraband and may be seized by the commissioner or  
5 an agent or employee of the commissioner or by any peace officer of the state, unless

6 (1) the cigarettes are

7 (A) in the possession of a licensee or are in transit from outside  
8 the state and are consigned to a licensee; and

9 (B) in the original and unopened shipping container; or

10 (2) possession of the unstamped cigarettes is not a violation of this  
11 chapter.

12 **Sec. 43.50.620. Forfeiture and destruction of seized cigarettes.** Cigarettes  
13 seized under AS 43.50.500 - 43.50.700 are forfeited to the state. After notice and an  
14 opportunity for a hearing, the commissioner shall destroy the cigarettes forfeited under  
15 this section.

16 **Sec. 43.50.630. Monthly reports; records retention; inspection of records.**

17 (a) On or before the last day of each calendar month, a licensee shall file the  
18 following information for each place of business with the department, on a form or in  
19 a format prescribed by the department:

20 (1) the quantity and brands of cigarettes manufactured, imported,  
21 acquired, or sold in the state during the preceding calendar month;

22 (2) the number and dollar amount of stamps

23 (A) purchased during the preceding calendar month;

24 (B) affixed to cigarette packages during the preceding calendar  
25 month;

26 (C) not affixed to cigarette packages and on hand at the end of  
27 the preceding calendar month; and

28 (D) refunded or credited to a licensee under AS 43.50.590; and

29 (3) any other information that the department requires to carry out its  
30 duties under this chapter.

31 (b) If a licensee ceases to manufacture, import, acquire, or sell cigarettes in

1 this state, the licensee shall immediately file the form required under (a) of this section  
2 with the department, for the period ending with the cessation.

3 (c) All statements and other records required by AS 43.50.500 - 43.50.700  
4 must be

5 (1) in a form or format prescribed by the department;

6 (2) preserved by a licensee for a period of three years; and

7 (3) available for inspection at any time upon oral or written demand by  
8 the department or its authorized agent.

9 (d) A summary of information filed under (a) of this section shall be prepared  
10 by the department and released to the public upon request.

11 **Sec. 43.50.640. Misconduct involving unstamped cigarettes or stamps in**  
12 **the first degree.** (a) A person commits the crime of misconduct involving unstamped  
13 cigarettes or stamps in the first degree if the person

14 (1) with reckless disregard that the cigarettes are unstamped

15 (A) sells or distributes 1,000 or more unstamped cigarettes in a  
16 single transaction;

17 (B) owns or possesses 1,000 or more unstamped cigarettes with  
18 the intent to sell; or

19 (C) acquires, holds, transports, imports, or possesses 10,000 or  
20 more unstamped cigarettes; or

21 (2) with reckless disregard that the stamp was previously affixed to  
22 another cigarette package;

23 (A) affixes a previously used stamp to a cigarette package; or

24 (B) possesses, sells, or distributes a previously used stamp.

25 (b) Misconduct involving unstamped cigarettes or stamps in the first degree is  
26 a class C felony.

27 **Sec. 43.50.650. Misconduct involving unstamped cigarettes or stamps in**  
28 **the second degree.** (a) A person commits the crime of misconduct involving  
29 unstamped cigarettes or stamps in the second degree if the person

30 (1) with reckless disregard that the cigarettes are unstamped

31 (A) sells or distributes at least one but less than 1,000

1 unstamped cigarettes in a single transaction;

2 (B) owns or possesses at least one but less than 1,000  
3 unstamped cigarettes, with intent to sell; or

4 (C) acquires, holds, transports, imports, or possesses at least  
5 one but less than 10,000 unstamped cigarettes; or

6 (2) is not licensed under this chapter or otherwise authorized by the  
7 department to possess stamps and possesses a stamp that is not affixed to a cigarette  
8 package.

9 (b) Misconduct involving unstamped cigarettes or stamps in the second degree  
10 is a class A misdemeanor.

11 **Sec. 43.50.660. Construction of criminal statutes.** (a) The provisions of  
12 AS 11.16, AS 11.81.600, 11.81.610, and 11.81.900 apply to AS 43.50.640 and  
13 43.50.650.

14 (b) For purposes of AS 43.50.640 and 43.50.650, display of cigarettes by a  
15 person, or possession other than in the original and unopened shipping container of  
16 cigarettes by a person who holds a business license endorsement under AS 43.70.075,  
17 is prima facie evidence of possession with intent to sell cigarettes. In this subsection,  
18 "display" means to openly exhibit.

19 **Sec. 43.50.670. Unauthorized transfer of unaffixed stamps.** (a) A licensee  
20 may not sell, exchange, or otherwise transfer stamps not affixed to a package of  
21 cigarettes in accordance with this chapter to another person without the prior written  
22 approval of the department.

23 (b) After notice and opportunity for a hearing, the department may assess a  
24 civil fine of not less than \$1,000 nor more than \$10,000 for a violation of (a) of this  
25 section. The fine assessed is in addition to any other penalty available under the law.

26 **Sec. 43.50.700. Definitions.** In AS 43.50.500 - 43.50.700, unless the context  
27 otherwise requires,

28 (1) "affiliated licensees" means two or more licensees in which the  
29 same person holds, directly or indirectly, at least a 50 percent ownership interest;

30 (2) "carton" means a box or container originating from the  
31 manufacturer that contains packages of that manufacturer's cigarettes;

1 (3) "cigarette" has the meaning given in AS 43.50.170;

2 (4) "licensee" means a person licensed by the department under  
3 AS 43.50.010 or 43.50.035 to sell, distribute, purchase, possess, or acquire cigarettes;

4 (5) "package" means the individual packet, box, or other container,  
5 originating from the manufacturer, in which retail sales of cigarettes are normally  
6 made or intended to be made; "package" does not include containers that are cartons,  
7 cases, bales, or boxes that contain packages of cigarettes;

8 (6) "person" has the meaning given in AS 43.50.170;

9 (7) "shipping container" means the case, box, parcel, or other container  
10 in which cartons or packages of cigarettes are placed for shipment or transportation  
11 from one place to another; "shipping container" does not include a package in which  
12 retail sales of cigarettes are normally made or intended to be made;

13 (8) "stamp" means a stamp or other indicium that is

14 (A) printed, manufactured, or made under authorization of the  
15 department under this chapter;

16 (B) issued, sold, or circulated by the department; and

17 (C) used to pay the cigarette taxes levied under this chapter;

18 (9) "unstamped cigarettes" means a package containing cigarettes that  
19 is not affixed with the stamp required by AS 43.50.500 - 43.50.700.

20 **Article 6. Unfair Cigarette Sales.**

21 **Sec. 43.50.710. Sale at less than cost; rebate in price.** (a) A wholesaler or  
22 retailer may not, with intent to injure competitors or destroy or substantially lessen  
23 competition,

24 (1) advertise, offer to sell, or sell, at retail or wholesale, cigarettes at  
25 less than actual cost to the wholesaler or retailer; or

26 (2) offer a rebate in price, give a rebate in price, offer a concession of  
27 any kind, or give a concession of any kind or nature in connection with the sale of  
28 cigarettes.

29 (b) A retailer may not induce or attempt to induce or procure or attempt to  
30 procure

31 (1) the purchase of cigarettes at a price less than the actual cost to a

1 wholesaler;

2 (2) a rebate or concession of any kind or nature in connection with the  
3 purchase of cigarettes.

4 (c) Evidence of advertisement, offering to sell, or sale of cigarettes by a  
5 wholesaler or retailer at less than actual cost, or evidence of an offer of a rebate in the  
6 price, the giving of a rebate in price, offer of a concession, or the giving of a  
7 concession of any kind or nature in connection with the sale of cigarettes, or the  
8 inducing, attempt to induce, the procuring, or the attempt to procure the purchase of  
9 cigarettes at a price less than actual cost to a wholesaler or retailer is prima facie  
10 evidence of intent to injure competitors and to destroy or substantially lessen  
11 competition.

12 (d) A wholesaler or retailer who violates the provisions of this section is guilty  
13 of a class B misdemeanor.

14 **Sec. 43.50.720. Sale at less than cost; with gift or concession.** In all  
15 advertisements, offers for sale, or sales involving two or more items when at least one  
16 of the items is cigarettes at a combined price, and in all advertisements, offers for sale,  
17 or sales involving the giving of any gift, concession, or coupon of any kind in  
18 conjunction with the sale of cigarettes, the wholesaler's or retailer's combined selling  
19 price may not be below the actual cost to the wholesaler or the actual cost to the  
20 retailer, respectively, of the total of all articles, products, commodities, gifts, and  
21 concessions included in the transactions, except that, if any articles, products,  
22 commodities, gifts, or concessions are not cigarettes, the basic cost shall be  
23 determined as provided under AS 43.50.800.

24 **Sec. 43.50.730. Sale to another wholesaler.** When one wholesaler sells  
25 cigarettes to another wholesaler, the seller is not required to include the actual cost of  
26 the selling wholesaler. Upon resale to a retailer, the purchasing wholesaler is required  
27 to include the actual cost of the purchasing wholesaler or the actual cost of the selling  
28 wholesaler, whichever is greater, in the selling price.

29 **Sec. 43.50.740. Sales at price to meet competition.** (a) A wholesaler may  
30 advertise, offer to sell, or sell cigarettes at a price made in good faith to meet the price  
31 of a competitor who is rendering the same type of service and is selling the same

1 article at cost to a competing wholesaler. A retailer may advertise, offer to sell, or sell  
 2 cigarettes at a price made in good faith to meet the price of a competitor who is selling  
 3 the same article at cost to a competing retailer.

4 (b) In the absence of proof of the actual cost to a competing wholesaler or the  
 5 competing retailer, actual cost may be presumed to be the presumptive wholesale cost  
 6 to the wholesaler or the presumptive retail cost to the retailer as determined by the  
 7 department from the manufacturer's price list.

8 (c) A manufacturer whose product is sold in the state directly or through an  
 9 intermediary shall provide the department with a current price list for all brands of  
 10 cigarettes of the manufacturer and shall notify the department at least 10 days before a  
 11 price increase takes effect.

12 **Sec. 43.50.750. Contracts in violation of law are illegal.** A contract, express  
 13 or implied, made by a person in violation of the provisions of AS 43.50.710 -  
 14 43.50.849 is illegal and void.

15 **Sec. 43.50.760. Determination of cost.** (a) In determining actual cost to the  
 16 wholesaler or retailer, a court shall consider as establishing the cost evidence tending  
 17 to show that a wholesaler or retailer complained against under a provision of  
 18 AS 43.50.710 - 43.50.849 purchased the cigarettes involved in the complaint at a  
 19 fictitious price, or upon terms, in a manner, or under invoices, in a manner that  
 20 conceals the true cost, discounts, or terms of purchase. The court shall also consider  
 21 evidence of the normal, customary, and prevailing terms and discounts in connection  
 22 with other sales of a similar nature in the state.

23 (b) The presumptive wholesale and presumptive retail cost of cigarettes as  
 24 determined by the department from the manufacturer's price list is considered  
 25 competent evidence in a court action or proceeding as tending to prove actual cost to  
 26 the wholesaler or retailer complained against. A party against whom the presumptive  
 27 wholesale or presumptive retail cost as determined by the department is introduced in  
 28 evidence has the right to offer evidence tending to prove any inaccuracy of the  
 29 presumptive wholesale or presumptive retail cost or any statement of facts that would  
 30 impair its probative value.

31 **Sec. 43.50.770. Determination of cost of cigarettes purchased outside of**

1       **ordinary channels of trade.** In establishing the basic cost of cigarettes to a  
 2 wholesaler or retailer, the invoice cost or the actual cost of cigarettes purchased at a  
 3 forced, bankrupt, or closeout sale, or other sale outside the ordinary channels of trade  
 4 may not be used.

5           **Sec. 43.50.780. Injunction.** (a) The department or a person injured by a  
 6 violation or who would suffer from any threatened violation of AS 43.50.710 -  
 7 43.50.849 may maintain an action to prevent, restrain, or enjoin the violation or  
 8 threatened violation. If, in the action, a violation or threatened violation of  
 9 AS 43.50.710 - 43.50.849 is established, the court may enjoin and restrain or  
 10 otherwise prohibit the violation or threatened violation, and the court shall assess the  
 11 costs of reasonable attorney fees against the defendant. In the action, it is not  
 12 necessary that actual damages to the plaintiff be alleged or proved, but, if actual  
 13 damages are alleged and proved, the plaintiff, in addition to injunctive relief and costs,  
 14 including reasonable attorney fees, may recover actual damages.

15           (b) If injunctive relief is not requested or required, a person injured by a  
 16 violation of AS 43.50.710 - 43.50.849 may maintain an action for damages in the  
 17 appropriate court.

18           **Sec. 43.50.790. Administration of AS 43.50.710 - 43.50.849.** (a) The  
 19 department

20                   (1) shall administer AS 43.50.710 - 43.50.849;

21                   (2) may adopt regulations relating to the administration and  
 22 enforcement of AS 43.50.710 - 43.50.849;

23                   (3) may determine the basic cost of cigarettes to a wholesaler or  
 24 retailer from information obtained from a manufacturer;

25                   (4) may, after reasonable notice and hearing, revoke or suspend a  
 26 license issued under AS 43.50.010 or 43.50.035 to a person who refuses or neglects to  
 27 comply with a provision of AS 43.50.710 - 43.50.849.

28           (b) The Department of Community and Economic Development may, after  
 29 reasonable notice and hearing, revoke or suspend a license issued under AS 43.70.075  
 30 to a person who refuses or neglects to comply with a provision of AS 43.50.710 -  
 31 43.50.849.

1           **Sec. 43.50.800. Presumptions applicable to determination of cost.** (a) For  
2 purposes of AS 43.50.710 - 43.50.849,

3                   (1) the basic cost of cigarettes is equal to the lower of the two  
4 following amounts:

5                           (A) the invoice cost of cigarettes to the wholesaler or retailer  
6 less all trade discounts including customary discounts for cash actually taken,  
7 plus the full face value of any tax that may be required by this chapter if not  
8 already included in the invoice cost of the cigarettes to the wholesaler or  
9 retailer; or

10                           (B) the lowest replacement cost of cigarettes to the wholesaler  
11 or retailer, within 30 days before the date of sale, in the quantity last  
12 purchased, within or before the 30-day period, less all trade discounts  
13 including customary discounts for cash actually taken, plus the full face value  
14 of any tax that may be required by this chapter if not already included in the  
15 invoice cost of the cigarettes to the wholesaler or retailer;

16                   (2) the actual cost to the wholesaler is equal to the basic cost of the  
17 cigarettes acquired by the wholesaler plus the cost of doing business by the  
18 wholesaler, as evidenced by the standards and methods of accounting regularly  
19 employed by the wholesaler, and includes labor costs, rent, depreciation, selling costs,  
20 maintenance of equipment, delivery costs, all types of licenses, taxes, insurance, and  
21 advertising;

22                   (3) in the absence of proof of a lesser or higher cost of doing business  
23 by the wholesaler making the sale, the cost of doing business by the wholesaler is  
24 presumed to be four and one-half percent of the basic cost of the cigarettes to the  
25 wholesaler; a fraction of a cent used in computing the cost of doing business shall be  
26 rounded off to the next highest cent;

27                   (4) the actual cost to the retailer is equal to the basic cost of the  
28 cigarettes plus the cost of doing business by the retailer; the cost of doing business  
29 may be proven by the standards and methods of accounting regularly employed by the  
30 retailer and must include labor costs, rent, depreciation, selling costs, maintenance of  
31 equipment, delivery costs, all types of licenses, taxes, insurance, and advertising;

1 (5) in the absence of proof of a lesser or higher cost of doing business  
 2 by the retailer making the sale, the cost of doing business by the retailer is presumed to  
 3 be six percent of the basic cost of cigarettes to the retailer; a fraction of a cent used in  
 4 computing the cost of doing business shall be rounded off to the next highest cent.

5 (b) In the absence of proof of a lesser or higher actual cost to the

6 (1) wholesaler, the actual cost is presumed to be the presumptive  
 7 wholesale cost as determined by the department; and

8 (2) retailer, the actual cost is presumed to be the presumptive retail  
 9 cost as determined by the department.

10 (c) In the absence of the manufacturer's list price for a particular brand of  
 11 cigarettes, the department may determine the presumptive wholesale cost or the  
 12 presumptive retail cost of the cigarettes from the average price of cigarettes for other  
 13 similar brands for which the department has the manufacturer's list price.

14 **Sec. 43.50.849. Definitions.** In AS 43.50.710 - 43.50.849,

15 (1) "basic wholesale cost" means the manufacturer's list price less trade  
 16 discounts, plus the full face value of any tax required by this chapter;

17 (2) "cigarette" has the meaning given in AS 43.50.170;

18 (3) "department" means the Department of Revenue;

19 (4) "direct-buying retailer" has the meaning given in AS 43.50.170;

20 (5) "person" has the meaning given in AS 43.50.170;

21 (6) "presumptive retail cost" means the presumptive wholesale cost  
 22 plus six percent of the presumptive wholesale cost;

23 (7) "presumptive wholesale cost" means the basic wholesale cost plus  
 24 four and one-half percent of the basic wholesale cost;

25 (8) "retailer" has the meaning given in AS 43.50.170 and includes a  
 26 person licensed or required to be licensed as a direct-buying retailer under this chapter  
 27 and a person who holds or is required to hold a license endorsement under  
 28 AS 43.70.075;

29 (9) "sale" has the meaning given in AS 43.50.170;

30 (10) "sell at retail," "sale at retail," or "retail sales" means a sale for  
 31 consumption or use made in the ordinary course of trade or usual conduct of the

1 seller's business;

2 (11) "sell at wholesale," "sale at wholesale," or "wholesale sales"  
3 means a sale made in the ordinary course of trade or usual conduct by a wholesaler to  
4 a retailer for the purpose of resale;

5 (12) "trade discount" means a price reduction that is offered by a  
6 cigarette manufacturer on the date of sale, is reflected on the invoice as a deduction  
7 from the manufacturer's list price, and is fully earned and determinable on the date of  
8 sale;

9 (13) "wholesaler" means a person licensed or required to be licensed  
10 under AS 43.50.010 or AS 43.50.035 and who sells cigarettes to a retailer for the  
11 purpose of resale.

12 \* **Sec. 20.** AS 43.50.080 is repealed.

13 \* **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

15 TRANSITION: REGULATIONS. Notwithstanding sec. 24 of this Act, the  
16 Department of Revenue may immediately proceed to adopt regulations necessary to  
17 implement the changes made by this Act. The regulations take effect under AS 44.62  
18 (Administrative Procedure Act), but not before the effective date of the respective statutory  
19 changes.

20 \* **Sec. 22.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 TRANSITION: ACTIVITIES INVOLVING UNSTAMPED CIGARETTES  
23 THROUGH MARCH 31, 2004. (a) Notwithstanding the requirements of AS 43.50.500 -  
24 43.50.700, enacted by sec. 19 of this Act, a person may acquire, hold, own, import, possess,  
25 sell, distribute, or consume unstamped cigarettes in this state on or after January 1, 2004, and  
26 on or before March 31, 2004, if the cigarettes were in this state before January 1, 2004.

27 (b) In this section, "unstamped cigarettes" has the meaning given in AS 43.50.700,  
28 enacted by sec. 19 of this Act.

29 \* **Sec. 23.** Section 21 of this Act takes effect immediately under AS 01.10.070(c).

30 \* **Sec. 24.** Except as provided in sec. 23 of this Act, this Act takes effect January 1, 2004.