

HOUSE FINANCE COMMITTEE  
June 24, 2004  
2:05 P.M.

TAPE HFC 04 - 2, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:05 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

None

ALSO PRESENT

Representative Ethan Berkowitz; Representative Les Gara;  
Representative Carl Gatto; Representative Kelly Wolf;  
Representative Ralph Samuels; Representative Nancy Dahlstrom;  
Representative Paul Seaton; Representative David Guttenberg;  
Cheryl Frasca, Director, Division of Management & Budget,  
Office of the Governor; Karleen Jackson, Deputy Commissioner,  
Department of Health and Social Services; Johana Bales,  
Revenue Auditor, Tax Division, Department of Revenue;  
Joel Gilbertson, Commissioner, Department of Health & Social Services;

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 1001 An Act relating to taxes on cigarettes and tobacco products, to tax stamps on cigarettes, to forfeiture of cigarettes and of property used in the manufacture, transportation, possession, or sale of unstamped cigarettes, to accounting for and use of part of the proceeds of the additional

cigarette tax, and to licenses and licensees under the Cigarette Tax Act; relating to unfair cigarette sales; and providing for an effective date.

HCS CS SB 1001 (FIN) was REPORTED out of Committee with a "no recommendation" and with a zero fiscal note by the House Finance Committee.

#sb1001

SENATE BILL NO. 1001

An Act relating to taxes on cigarettes and tobacco products, to tax stamps on cigarettes, to forfeiture of cigarettes and of property used in the manufacture, transportation, possession, or sale of unstamped cigarettes, to accounting for and use of part of the proceeds of the additional cigarette tax, and to licenses and licensees under the Cigarette Tax Act; relating to unfair cigarette sales; and providing for an effective date.

Co-Chair Harris MOVED to ADOPT SB 1001 as the working document. There being NO OBJECTION, it was so ordered.

Co-Chair Harris MOVED to ADOPT 23-GS2116\W [HCS CSSB 368 (FIN)] as a committee substitute for SB 1001. There being NO OBJECTION, it was so ordered.

Representative Chenault MOVED to ADOPT Amendment 1: 23-GS2115\IA.1, dated 5/9/04. He explained that adoption of the tobacco stamp legislation, adopted in 2002, inadvertently disallowed the sellers to ship cigarettes to an individual in rural Alaska or other areas in Alaska. The amendment would allow these businesses to continue to ship taxed cigarettes to individuals in rural and other areas.

Representative Joule noted the need to assure that the individual [receiving the cigarettes] is an adult.

Representative Chenault agreed and MOVED to AMEND Amendment 1: insert "19 years of age or older" after "individual" on page 1, line 15; and on line 3, page 3, change the effective date to July 1, 2004. He explained that the 2004 effective date would allow business, which have not been allowed to continue the business of shipping cigarettes, to resume their business.

JOHANA BALES, PROGRAM MANAGER, CIGARETTE AND TOBACCO TAX, TAX DIVISION, DEPARTMENT OF REVENUE, explained that section 35 would provide for an immediate effective date and noted that section 36 would not apply.

In response to a question by Representative Croft, Ms. Bales felt that a delayed date of January 1, 2005 [for implementation of the tax increase] would be appropriate.

Representative Chenault MOVED to AMEND the Amendment-to-Amendment 1 to delete section 36. There being NO OBJECTION, it was so ordered.

There being NO OBJECTION, the amendment to Amendment 1 was adopted as amended: insert "19 years of age or older" after "individual" on page 1, line 15; and delete section 36 on page 3, line 3. There being NO OBJECTION, the main motion to adopt Amendment 1 was carried.

Representative Croft questioned the appropriate effective date and suggested that it should be January 1, 2005. Ms. Bales agreed.

Co-Chair Harris MOVED to ADOPT Amendment 2: change the effective date on page 15, line 3 of the previously adopted committee substitute to January 1, 2005. There being NO OBJECTION, it was so ordered.

Representative Foster MOVED to ADOPT Amendment 3. Co-Chair Williams OBJECTED.

REPRESENTATIVE NORM ROKEBERG, spoke to Amendment 3. He explained that Amendment 3 would prohibit municipal governments and other political subdivisions from enacting additional taxes on tobacco products. Communities that currently have a tobacco tax (Anchorage, Juneau and Fairbanks) could retain the tax. State government would have the sole authority to make adjustments in the taxation of tobacco products. Representative Rokeberg maintained that this would leave the authority for taxation within state government and discourage differences in pricing between political subdivisions.

Co-Chair Williams spoke against the amendment.

Vice-Chair Meyer spoke against the amendment. He did not think the amendment would be beneficial to Anchorage and noted that it would be a state mandate.

A roll call vote was taken on the motion.

IN FAVOR: Foster

OPPOSED: Hawker, Joule, Meyer, Moses, Stoltze, Croft,  
Harris, Williams

Representative Chenault was absent from the vote.

The MOTION FAILED (1-9).

Representative Foster MOVED to report CSSB 1001 out of Committee with the accompanying zero fiscal notes.

HCS CS SB 1001 (FIN) was REPORTED out of Committee with "no recommendation" and with a zero fiscal note by the House Finance Committee.

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ADJOURNMENT

The meeting was adjourned at 2:36 PM