

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: 6  
 Bill Version: HCS CSSB 84(FIN)  
 (H) Publish Date: 5/12/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue 04  
 Title TESTING & PACKAGING OF CIGARETTES RDU Taxation and Treasury  
 Component Tax Division

Sponsor Senators Olson, Elton, Ellis, Davis, Dyson, McGuire, Thomas, Representative Gardner  
 Requester House Finance Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	31.4	31.4	31.4	31.4	31.4	31.4
Travel						
Contractual	2.2	4.4	4.4	4.4	4.4	4.4
Supplies						
Equipment	8.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>41.6</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Receipt Supported Services	41.6	35.8	35.8	35.8	35.8	35.8
<b>TOTAL</b>	<b>41.6</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>	<b>35.8</b>

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time	1					
Part-time		1	1	1	1	1
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached.

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 Approved by: Jerry Burnett  
 Agency: Department of Revenue

Phone: (907) 465-5636  
 Date/Time: 10 May 2007 / 11:30  
 Date: 5/10/2007

**ANALYSIS CONTINUATION**

**Bill Language:** This bill will give the Department of Revenue authority to seize and destroy cigarettes sold in the state that do not meet new fire safety requirements. It would also require the Department of Revenue to develop and maintain a directory of cigarettes that meet fire safe standards and educate cigarette distributors and retailers about the new law.

**Program Summary:** Currently, DOR maintains a directory of cigarettes approved for sale in the state. Cigarettes on this directory are compliant with the nationwide tobacco Master Settlement Agreement (MSA) and escrow statutes under AS 45.53. As such, it is legal to sell these cigarettes in Alaska and place a cigarette tax stamp on the cigarettes as proof that the cigarette tax was paid. Cigarette distributors and retailers rely on this list to ensure that cigarettes they stamp are approved for sale in Alaska. SB 84 would impose another restriction, outside the MSA, on what brands of cigarettes can be legally stamped and sold in Alaska. DOR would be required to maintain a separate directory and conduct an education campaign to ensure that cigarette distributors and retailers are aware that the cigarettes must be on both directories before they can be stamped and sold in the state.

**Expenditures:**

**Positions:** DOR expects that it will need 1 additional part-time position, a Tax Technician II, to perform the additional functions required by this bill. DOR expects the total cost of this additional position to be \$31,400 each year. In the first year of implementation, DOR expects that a full-time position will be utilized to develop the directory and educate tobacco businesses, but that position will only be needed for the second half of the fiscal year. In FY 2009 and all subsequent years, DOR expects that it will need a part-time position to maintain the directory.

**Other Operating Expenditures:** (1) Contractual - Contractual costs include leasing office space and providing phone service for 1 additional employee each year. DOR expects the total contractual costs to be \$4,400 each year. (2) Equipment - DOR expects equipment expense of \$8,000 per FTE in the first year for a computer, telephone, cubicle parts, software, and other one-time purchases of office equipment needed to perform the duties of the position.