

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

February 12, 2007

3:06 p.m.

**MEMBERS PRESENT**

Representative Mark Neuman, Vice Chair  
Representative Carl Gatto  
Representative Gabrielle LeDoux  
Representative Jay Ramras  
Representative Robert L. "Bob" Buch  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative Kurt Olson, Chair

**COMMITTEE CALENDAR**

HOUSE BILL NO. 83

"An Act relating to the amount and payment of the state business license fee and to a civil fine for not having a current business license; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 111

"An Act decreasing the fee for a business license; and providing for an effective date."

- MOVED CSHB 111(L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 83

SHORT TITLE: BUSINESS LICENSE FEE

SPONSOR(s): REPRESENTATIVE(s) RAMRAS, STOLTZE, DAHLSTROM, NEUMAN

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS
01/16/07	(H)	L&C, FIN
02/12/07	(H)	L&C AT 3:00 PM CAPITOL 17

BILL: HB 111

SHORT TITLE: BUSINESS LICENSE FEE

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/30/07 (H) READ THE FIRST TIME - REFERRALS  
01/30/07 (H) L&C, FIN  
02/05/07 (H) L&C AT 3:00 PM CAPITOL 17  
02/05/07 (H) -- Meeting Canceled --  
02/12/07 (H) L&C AT 3:00 PM CAPITOL 17

**WITNESS REGISTER**

EMILY STANCLIFF, Staff  
to Representative Jay Ramras  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented HB 83 on behalf of Representative Ramras, joint prime sponsor of HB 83.

REPRESENTATIVE BILL STOLTZE  
Alaska State Legislature  
Juneau, AK

POSITION STATEMENT: Testified as a joint prime sponsor of HB 83.

RICK URION, Director  
Division of Corporations, Business, and Professional Licensing  
Juneau Office  
Department of Community & Economic Development  
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 83 and during the hearing on HB 111.

JOHN BITNEY, Legislative Liaison  
Governor's Legislative Office  
Office of the Governor  
Juneau, Alaska

POSITION STATEMENT: Presented HB 111 on behalf of the Governor.

**ACTION NARRATIVE**

**VICE-CHAIR MARK NEUMAN** called the House Labor and Commerce Standing Committee meeting to order at 3:06:50 PM. Representatives Gatto, Ramras, Buch, Gardner, and Neuman were present at the call to order. Representative LeDoux arrived as the meeting was in progress.

HB 83-BUSINESS LICENSE FEE

[Contains discussion of HB 111]

VICE-CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 83, "An Act relating to the amount and payment of the state business license fee and to a civil fine for not having a current business license; and providing for an effective date."

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REPRESENTATIVE RAMRAS moved to adopt CSHB 83, Version 25-LS0371\C, Bannister, 1/18/07, as the working document. There being no objection, Version C was before the committee.

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EMILY STANCLIFF, Staff to Representative Jay Ramras, Alaska State Legislature, joint prime sponsor of HB 83, explained that [Version C] lowers the current business license fee from \$100 to \$25 per year. According to the Department of Commerce, Community, & Economic Development, there are approximately 74,000 business licenses statewide. Current statute requires that all persons engaging in business activity in Alaska hold a current business license. She stated that lowering the business license fee would help promote growth and development of small businesses across the state. In addition, [Version C] allows for a civil fine of up to \$100, to be imposed on those who "knowingly engage in business without a license."

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REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, joint prime sponsor of HB 83, explained that HB 83 is "unfinished business" from the previous legislative session. He expressed appreciation of the changes made in Version C, noting that these are a reflection of changes requested by the Governor.

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REPRESENTATIVE RAMRAS, speaking as a joint prime sponsor of HB 83, said:

We thought it was remarkable that we were offering up to \$1 billion worth of concessions to the oil company, to get them to promote business within the ... very profitable and robust oil and gas industry, and that we wouldn't offer the same concessions to ... small and medium sized businesses across the state.

VICE-CHAIR NEUMAN, speaking as a joint prime sponsor of HB 83, pointed out that the original version of HB 83 contains a business license fee of \$50, which Version C lowers to \$25. In response to a question from Representative Buch, he explained that HB 83 allows for a civil fine of up to \$100, while HB 111 does not. He offered his understanding that there would be an amendment to add this language to HB 111.

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REPRESENTATIVE GATTO inquired as to whether the \$100 fine is the current statutory requirement.

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RICK URION, Director, Division of Corporations, Business, and Professional Licensing, Juneau Office, Department of Community & Economic Development (DCED), explained that currently, there is a maximum fine of \$2000, in addition to a two month jail sentence. He agreed that this is classified as a criminal offense. In response to additional questions, he offered his understanding that the aforementioned language would be replaced by the language contained in Version C, thus reducing the penalties for operating without a license.

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REPRESENTATIVE GARDNER inquired as to how often the current fine has been collected.

MR. URION replied that [the current fine has never been collected]. In response to an additional question, he stated that a \$100 fine would be more enforceable.

VICE-CHAIR NEUMAN opined that a penalty that is more likely to be enforced is more appropriate, adding that lack of enforcement is unfair to those businesses operating with a license.

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REPRESENTATIVE LEDOUX asked how the Division is made aware of businesses which are operating without a license.

MR. URION replied that the Division has an investigator who focuses on business licenses. In the past two years, there have been 581 cases, 93 of which were filed the previous week. He

explained that the investigator may read through the yellow pages, or receive specific complaints regarding businesses operating without a license. In response to additional questions, he stated that the Division receives complaints often. If the business in question does not have a current business license, a formal letter is sent, suggesting that a license be obtained.

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REPRESENTATIVE GARDNER offered her understanding that a current business license must be shown for insurance coverage and business loans.

VICE-CHAIR NEUMAN inquired as to whether the proposed civil fine would be a "good tool" for enforcement.

MR. URION replied that oftentimes, businesses practicing without a license do not take the Division investigator seriously, as they are aware that no penalty will be imposed. He opined that a civil fine would provide the investigator with a better law enforcement tool.

REPRESENTATIVE LEDOUX inquired as to the maximum amount allowed for a civil fine.

MR. URION replied that he does not have this information. He stated that the intent of the Division is not to impose a large fine, but to encourage compliance with the law while allowing businesses to remain open. However, if businesses refuse to comply, the Division would be able to impose the aforementioned civil fine. In response to a question from Vice-Chair Neuman, he explained that the state business license was implemented in 1949, and was intended to produce revenue. He gave a brief history of business licenses in Alaska, along with information regarding municipality concerns. It is helpful to be aware of the various types of businesses, as well as the number of businesses across the state.

REPRESENTATIVE GATTO pointed out that a new fiscal note is needed for Version C.

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REPRESENTATIVE GARDNER questioned whether a \$100 fine is adequate.

MR. URION replied that this is a "step in the right direction." In response to additional questions, he reiterated that the intent is compliance, rather than punishment.

REPRESENTATIVE GARDNER inquired as to whether municipalities use the business license database for municipal business tax purposes.

MR. URION replied yes.

REPRESENTATIVE LEDOUX questioned whether the \$25 fee is a revenue measure.

MR. URION replied that the licensing fee would simply cover the administrative costs, and does not generate any excess revenue. He explained that by legislative mandate, the Division charges each profession the cost of regulating it. In response to an additional question, he commented that the legislature has the authority to completely remove the business license fee.

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REPRESENTATIVE RAMRAS commented that the \$25 fee is "what the Governor wishes." He expressed agreement with maintaining a fee which is not "an exorbitant sum," in addition to the state's ability to keep track of businesses. He commented that individuals who maintain multiple business licenses would be positively affected by lowering the business license fee. In response to a comment from Representative Gatto regarding the effective date, he explained that the intent is to allow current licenses to "run through their durable life."

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REPRESENTATIVE GARDNER pointed out the difference in fiscal notes [for HB 83 and HB 111], and surmised that this may be due to different effective dates.

[HB 83 was held over.]

#### HB 111-BUSINESS LICENSE FEE

[Contains discussion of HB 83]

VICE-CHAIR NEUMAN announced that the final order of business would be HOUSE BILL NO. 111, "An Act decreasing the fee for a business license; and providing for an effective date."

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JOHN BITNEY, Legislative Liaison, Governor's Legislative Office, Office of the Governor, explained that HB 111 returns the business license fee to its original rate of \$25. In regard to the effective date, he stated that the intent is to allow the current cycle of business licenses "run their course." He stated that language "stair-stepping" the fee to \$25 has been considered as a way to avoid requiring a rebate on licenses purchased prior to the October 1, 2008 effective date. He commented that the enforcement provisions [included in HB 83] are "good provisions."

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REPRESENTATIVE RAMRAS made a motion to adopt Amendment 1, as follows [original punctuation provided]:

Section 2. AS 43.70.020 is amended by adding a new subsection to read:

(e) If a person knowingly engages in a business in the state without having a current license issued under (a) of this section, the department may impose a civil fine of up to \$100. In this subsection, "knowingly" has the meaning given in AS 11.81.900.

Re-number section accordingly.

REPRESENTATIVE GARDNER objected for discussion purposes. She then stated that it may be necessary to clarify that this language would replace that which is currently in statute.

MR. BITNEY agreed that the intent of the amendment is to replace language in existing statute, adding that clarifying language may be necessary.

REPRESENTATIVE GARDNER commented that it may be easier to remove the "criminal intent" language from current statute, as it applies to the business license fee.

REPRESENTATIVE GARDNER removed her objection. There being no further objection, Amendment 1 was adopted.

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REPRESENTATIVE RAMRAS inquired as to whether this bill is important to the Governor.

MR. BITNEY replied that HB 111 is "very important" for the Governor.

VICE-CHAIR NEUMAN inquired as to whether the fees for other professional licenses will increase as a result of decreasing the business license fee.

MR. URION reiterated that the fees charged by the Division are based solely on the cost of managing the program, and HB 111 will have no affect on other types of licenses.

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REPRESENTATIVE GARDNER moved to report HB 111, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 111(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took a brief at ease.

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:45 PM.