

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 10, 2016

3:18 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson
Representative Sam Kito

MEMBERS ABSENT

Representative Mike Chenault (alternate)

OTHER LEGISLATORS PRESENT

Representative Dan Ortiz

COMMITTEE CALENDAR

HOUSE BILL NO. 248

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the excise tax on alcoholic beverages; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 252

"An Act requiring electronic submission of a tax return or report with the Department of Revenue; repealing the tax reduction for local levies for the commercial vessel passenger excise tax; amending the definition of 'voyage'; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 194

"An Act repealing and reenacting the Alaska Securities Act, including provisions relating to exempt securities and transactions; relating to registration of securities, firms, and agents that offer or sell securities and investment advice;

relating to administrative, civil, and criminal enforcement provisions, including restitution and civil penalties for violations; allowing certain civil penalties to be used for an investor training fund; establishing increased civil penalties for harming older Alaskans; retaining provisions concerning corporations organized under the Alaska Native Claims Settlement Act; amending Rules 4, 5, 54, 65, and 90, Alaska Rules of Civil Procedure; and providing for an effective date."

- BILL HEARING CANCELED

HOUSE BILL NO. 263

"An Act relating to reporting of workplace injuries to the division of labor standards and safety."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 248

SHORT TITLE: ELECTRONIC TAX RETURNS & ALCOHOL TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	L&C, FIN
02/10/16	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 252

SHORT TITLE: ELCTRNC TAX RETURNS; VESSEL PASSENGER TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	L&C, FIN
02/10/16	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

BRANDON SPANOS, Deputy Director

Tax Division

Department of Revenue

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Alcoholic Beverage Tax HB248," dated 2/10/16.

CHRIS HLADICK, Commissioner

Department of Commerce, Community & Economic Development

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 248.

CHRIS HLADICK, Commissioner

Department of Commerce, Community & Economic Development

Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Commercial Passenger Vessel Tax HB252," dated 2/10/16.

CHRIS PELOSO, Assistant Attorney General

Environmental Section

Civil Division (Juneau)

Department of Law

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 252.

KEN ALPER, Director

Tax Division

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 252.

ACTION NARRATIVE

[3:18:48 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Olson, Josephson, Hughes, LeDoux, Tilton, and Kito were present at the call to order. Representative Colver arrived as the meeting was in progress. Representative Ortiz also was present.

HB 248-ELECTRONIC TAX RETURNS & ALCOHOL TAX

[3:19:17 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 248, "An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the excise tax on alcoholic beverages; and providing for an effective date."

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BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, provided a PowerPoint presentation entitled, "Alcoholic Beverage Tax HB 248," dated 2/10/16. He informed the committee HB 248 is an act requiring the electronic submission of a tax return or report with the Department of Revenue (DOR), relating to the excise tax on alcoholic beverages, and providing for an effective date [slide 2]. Mr. Spanos said the alcoholic beverage tax was first imposed in 1933, and the basic structure has remained unchanged since 1937. The tax is charged and collected monthly at the wholesale level. The tax rate has increased along with inflation and with the rates of other states; the last major change was in 2002, when the tax was raised to \$0.10 per drink by legislation that also created the Alcohol and Other Drug Treatment & Prevention Authority fund which is funded by 50 percent of the tax collected. Currently, revenue is about \$40 million per year and \$20 million is deposited to the drug abuse treatment and prevention fund [slides 3 and 4]. For current tax rates, one drink portion is considered one ounce of distilled spirits, five ounces of wine, and twelve ounces of beer, which is taxed about \$0.10 per drink, with the exception of small-rate breweries - by federal definition - which are taxed \$0.35 cents per drink for their first 60,000 barrels [slide 5].

CHAIR OLSON asked how many breweries in Alaska produce over 60,000 barrels of beer.

MR. SPANOS pointed out that the tax applies also to breweries importing into Alaska; however, none of the breweries in Alaska produce enough to meet the federal definition for the full tax, nor do many that import beer into the state [slide 5]. He further explained that small-brewery beer is taxed at \$0.35 cents for the first 60,000 barrels, distilled spirits are taxed at \$12.80, and the proposed bill would double the existing taxes. The bill also includes an electronic filing requirement, and a change to the minimum bond requirement [slide 6].

CHAIR OLSON asked whether DOR must take action on bonds occasionally.

MR. SPANOS said he is not aware of action taken on a bond in recent history, but to get a license from the tax division, a bond is necessary.

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REPRESENTATIVE LEDOUX asked what the bond protects against.

MR. SPANOS responded that the bond is to protect the state in case there is a default on taxes due. He returned to the presentation, noting that Alaska's alcohol taxes are among the highest in the country, however, many states with lower tax rates on alcohol collect sales taxes, and others have state-owned stores with hidden taxes and fees, and unknown revenue to the state. The proposed bill would raise Alaska's tax to the highest for wine, spirits, and beer [slide 7]. In response to Representative LeDoux, he said spirits are hard liquor. The department estimates that doubling the tax rate would nearly double collections, and double the amount designated for the Alcohol and Other Drug Treatment & Prevention Authority fund.

REPRESENTATIVE HUGHES has heard that raising taxes would reduce the consumption of alcohol, but pointed out that DOR is estimating that the same amount would be consumed. She asked whether the tax increase in 2002 affected consumption habits.

MR. SPANOS said DOR has not done an analysis. He said, "It seems that in the past, we've seen a dip initially, over that first year, and it does eventually come back up. But again, we've not done an analysis of that." The estimates were based on the fall 2015 forecast, which did not account for changes in alcohol demand or potential stockpiling [slide 8].

[3:29:24 PM](#)

REPRESENTATIVE HUGHES asked whether the amount diverted to the Alcohol and Other Drug Treatment & Prevention Authority fund is a statutory designation.

[3:29:44 PM](#)

MR. SPANOS confirmed that the 50 percent amount is established in statute for the special fund. In a manner similar to the other tax proposals from the administration, to implement HB 248, DOR must update its Tax Revenue Management System (TRMS) and its Revenue Online (ROL) component in order to manage the new tax rates, and update forms. These changes would be paid for by an implementation cost of \$50,000, and there are no additional costs to administer the tax program [slide 9]. Mr. Spanos advised that the alcohol tax fits into the administration's plan to close the budget gap by providing \$40,000 in new revenue [slides 10 and 11]. Impacts of HB 248 are that alcohol would be slightly more expensive, which could

decrease consumption, and there could be stockpiling, although DOR does not anticipate much of an effect overall [slide 12].

REPRESENTATIVE LEDOUX questioned how the administration could forecast a decrease in consumption but at the same time forecast double the amount of revenue.

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CHRIS HLADICK, Commissioner, Department of Commerce, Community & Economic Development, speaking from his experience as a city manager, said there may be a slight decrease initially, but the rate of consumption would return to normal levels.

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MR. SPANOS directed attention to the sectional analysis for HB 248 [slides 13 and 14]:

- Section 1 adds a \$25 or 1 percent tax penalty for failure to file electronically unless an exemption is issued by DOR
- Section 2 requires electronic submission of tax returns, license applications, and other documents submitted to DOR; this changes the general tax statutes, AS 43.05, and would apply to all tax types administered by the department; provides a process to request an exemption if a taxpayer does not have the technological capability to do so
- Section 3 changes the per-gallon tax rate for the three major categories of alcoholic beverages
- Section 4 changes the per-gallon tax rate for the first 60,000 barrels sold in the state from small craft breweries that meet the federal definition of a small brewer
- Section 5 changes statutes describing tax filing so that taxpayers must submit their statements electronically
- Section 6 changes the surety bond requirement
- Section 7 clarifies the effective date
- Section 8 is transitional language allowing for regulations
- Section 9 is the effective date for Section 8
- Section 10 is the effective date for the rest of the bill

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REPRESENTATIVE JOSEPHSON has been told the consumer would pay more than the estimated \$0.10 per drink, because there are additional costs that the bar owner or wholesaler would pass to the consumer.

MR. SPANOS suggested that the industry should respond to that question.

REPRESENTATIVE JOSEPHSON asked whether the percentage of revenue directed to the Alcohol and Other Drug Treatment & Prevention Authority fund is an exception to the prohibition on designated funds.

MR. SPANOS answered that the fund is a special fund subject to appropriation.

REPRESENTATIVE JOSEPHSON posited that if the legislature imposed an increase of \$10 million, would the administration seek the additional \$30 million from another source.

MR. SPANOS stated the intent of the administration is to balance the budget, but he could not directly address what would happen in that situation.

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REPRESENTATIVE KITO questioned at what point the tax is assessed or paid.

MR. SPANOS explained that the tax is placed at the wholesale level, thus if alcohol is imported to a warehouse, and the warehouse owner holds the license, the warehouse owner is the taxpayer; when the liquor is sold to the bar owner, the tax is paid. He characterized the tax as "a true excise tax meaning the tax is hidden up the chain." An exception would be that when liquor is shipped directly to a retail store, the store owner is the taxpayer.

REPRESENTATIVE KITO asked how a wholesaler proves the tax has been assessed and paid.

MR. SPANOS said that licensees have self-reporting requirements, and all importers of alcohol are licensed with DOR, which investigates and verifies purchases and reporting.

REPRESENTATIVE KITO asked whether the electronic reporting requirements in HB 248 - and other legislation - have been implemented or are brand new to taxpayers.

MR. SPANOS said corporate income taxpayers must file electronically if required to do so for federal purposes. The ROL system is in use, but this is a new requirement.

REPRESENTATIVE LEDOUX referred to the 50 percent payment designated for the Alcohol and Other Drug Treatment & Prevention Authority fund, and asked whether the payment to this fund can be confirmed.

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MR. SPANOS expressed his understanding that the funds have been appropriated every year; however, he will verify.

REPRESENTATIVE LEDOUX questioned whether the tax increase will result in \$40 million to the general fund (GF) and \$20 million to the Alcohol and Other Drug Treatment & Prevention Authority fund.

MR. SPANOS said initially \$40 million goes to GF, and from that \$20 million would be appropriated to the special fund.

REPRESENTATIVE HUGHES observed that if HB 248 passes, individuals may choose to order liquor online. She asked whether the administration completed an analysis on the potential impact of online purchases of alcohol to small local businesses and to jobs.

MR. SPANOS said DOR did not.

CHAIR OLSON opined that shipping wine is very expensive, and liquor cannot be mailed, thus outside purchases would not affect businesses.

REPRESENTATIVE HUGHES questioned why there was no analysis on the potential economic impact of this and other revenue bills; furthermore, she asked whether DOR considered that in rural areas, the increased cost might encourage black market activity.

MR. SPANOS acknowledged that black market activity is always a concern; he restated that the focus of the tax bills is to close the budget gap, and their impact on revenue. He pointed out that the funds directed to the Alcohol and Other Drug Treatment & Prevention Authority fund is used to assist with "those types of activities."

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REPRESENTATIVE HUGHES said she was troubled that there is a focus on how to pay for government, without concern for residents and their communities. She reviewed the changes to taxes to small breweries and noted that breweries in her area could grow and expand, but the tax would stop growth.

MR. SPANOS said he would confirm the production numbers of all of the breweries in Alaska and the tax rates thereof.

REPRESENTATIVE JOSEPHSON returned attention to the increase in funding to the Alcohol and Other Drug Treatment & Prevention Authority fund and asked whether the increase would be offset from another category such as behavioral health, or the Mental Health Trust Authority.

MR. SPANOS said he will inquire.

CHAIR OLSON stated that HB 248 would impact constituents who may be unaware of its consequences; in a manner similar to tobacco taxes, the bill seeks to increase the cost to those who buy a product from an industry that has "significant problems," but is not illegal. He predicted there would be a response to the bill if it passes.

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REPRESENTATIVE LEDOUX questioned whether the change to the amount of the required bond intends to give DOR discretion with respect to individuals who apply for a bond.

MR. SPANOS said currently DOR analyzes the estimated tax prior to approving a bond, and the bond is usually double the amount of the estimated tax amount, with a minimum of \$25,000; however, the removal of the minimum bond value allows DOR to accept a smaller bond amount for a business with an expected tax amount of \$5,000, for example.

REPRESENTATIVE LEDOUX said, "But it doesn't say that the upper amount, is like, 25 or 50, or something like that, it just gives you total discretion."

MR. SPANOS responded that under the current statute, DOR has total discretion to increase the amount to cover the estimated tax. In further response to Representative LeDoux, he said he would review the language in the regulations.

REPRESENTATIVE LEDOUX said, "So, you're telling me that if we have a statute that says ... 'of \$25,000', that by regulation you can make it [\$50,000] or [\$100,000] or [\$150,000]? That's kind of perplexing to me."

[3:52:17 PM](#)

COMMISSIONER HLADICK said this provision in the bill addresses doing away with the \$25,000 minimum requirement, so the state has the ability to charge a small businessman less.

REPRESENTATIVE LEDOUX asked, under the current law, if the state has the discretion to raise the amount, why it does not have the discretion to lower the amount.

MR. SPANOS said he will review the regulations.

REPRESENTATIVE HUGHES asked how many wholesalers - distributors with a warehouse - would be affected, since the bars and liquor stores would not be affected.

MR. SPANOS explained that the bill would address small wineries that are producing wine and must get a tax bond, as well as specialty importers. He agreed there are only a few large warehouses, which are the main taxpayers.

[HB 248 was held over.]

[3:54:32 PM](#)

The committee took an at ease from 3:54 p.m. to 3:56 p.m.

HB 252-ELCTRNC TAX RETURNS; VESSEL PASSENGER TAX

[3:56:35 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 252, "An Act requiring electronic submission of a tax return or report with the Department of Revenue; repealing the tax reduction for local levies for the commercial vessel passenger excise tax; amending the definition of 'voyage'; and providing for an effective date."

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CHRIS HLADICK, Commissioner, Department of Commerce, Community & Economic Development, provided a PowerPoint presentation

entitled, "Commercial Passenger Vessel Tax HB252," dated 2/10/16. Commissioner Hladick informed the committee HB 252 is an act requiring electronic submission of a tax return, repealing the tax reduction for local levies for the commercial vessel passenger excise tax, amending the definition of 'voyage,' and providing an effective date [slide 2]. He noted the cruise ship head tax was created by the [Alaska Cruise Ship Tax Initiative, Measure 2, approved 8/22/06 (cruise ship initiative)], and major changes to it made in 2010 were: tax reduced from \$46 to \$34.50 per passenger; increased number of ports that can receive \$5 per passenger sharing; credit for municipal port fees added; tax restricted to voyages that were in Alaska waters for at least 72 hours [slide 3]. He further explained the proposed bill repeals credit for local head taxes of \$8 in Juneau and \$7 in Ketchikan, amends the definition of 'voyage' thereby restoring the tax to all trips greater than 72 hours, and requires electronic filing, including an exemption process [slide 4]. The Department of Revenue (DOR) estimates increasing the commercial passenger vessel tax will raise an additional \$16.6 million per year, of which \$14.8 million would be kept by the state, and \$1.8 million would go to municipalities. The increase in municipal share is largely due to the change to the 72-hour rule [slide 5]. The assumptions behind the revenue estimates are as follows: 900,000 total passengers before the tax change; 12 percent increase due to the repeal of the 72-hour rule; \$34.50 per passenger, for a total of \$34.5 million; 3.5 ports per voyage receive \$5 municipal share; and the number of voyages and passengers would stay roughly constant [slide 6]. In a similar manner to the other tax initiatives, DOR must update the Tax Revenue Management System (TRMS), the Revenue Online (ROL) filing, and create the tax return forms. There is a one-time implementation cost of \$100,000 to recreate the tax forms, and reprogram and test the tax system, and there are no additional costs to administer the tax program [slide 7]. Slides 8 and 9 illustrated the fiscal year 2016 (FY16) budget, and the revenue from tourism adding \$15 million to total reductions and new revenue. The impact of the cruise ship tax proposal would be that voyages are slightly more expensive for the passengers and/or companies [slide 10]. Commissioner Hladick began the sectional analysis [slides 11 and 12]:

- Section 1 adds a \$25 or 1 percent tax penalty for failure to file electronically
- Section 2 requires electronic submission of tax returns, license applications, and other documents submitted to DOR; changes all tax statutes and applies to all tax types

administered by DOR; provides a process to request an exemption if a taxpayer does not have the technological capability to file online

- Section 3 amends the definition of voyage to mean any trip or itinerary lasting more than 72 hours
- Section 4 repeals current law which allows for a tax reduction in the amount of certain local levies - this is the most important section of the bill
- Section 5 adds transitional language allowing for regulations
- Section 6 is the immediate effective date for the transitional regulatory language
- Section 7 sets the effective date

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REPRESENTATIVE LEDOUX recalled that when head taxes were first addressed by a previous legislature there was a question about the constitutionality of head taxes.

COMMISSIONER HLADICK deferred to the Department of Law.

[4:02:12 PM](#)

CHRIS PELOSO, Assistant Attorney General, Environmental Section, Civil Division (Juneau), Department of Law, in response to Representative LeDoux, informed the committee that in 2009 there was a lawsuit filed by the Alaska Cruise Association (ACA) following the establishment of the original head tax by the cruise ship initiative. In 2010, the lawsuit was dropped because there was a settlement agreement between the state and ACA that the state would lower the tax rate from \$46 to [\$34.50], and provide an exemption to municipalities. Mr. Peloso opined that if the state makes further changes, the settlement agreement is still valid because the settlement is related to legislative action taken in 2010. However, he cautioned that ACA may revisit its stance which was based on "an obscure constitutional provision called the Duty of Tonnage - the tonnage clause. Without endorsing their argument, their argument was that any fee ... any tax collected by the state that doesn't go towards docks or other ship expenses is unconstitutional."

REPRESENTATIVE LEDOUX questioned whether the debate was related to interstate commerce laws.

MR. PELOSO stated that the tonnage clause is in Article 1, Section 10 of the U.S. Constitution, and there are also interstate commerce issues. He advised that the issues raised in 2009 would be the same whether the head tax is \$46 or [\$34.50].

REPRESENTATIVE LEDOUX surmised that if the state raises the tax and nullifies the settlement, the state may win [a new lawsuit] and collect more tax, or may lose and get no tax.

MR. PELOSO agreed with that result if the tax were held unconstitutional, however, he could not speak to whether the cruise industry would revisit a lawsuit, or to a court ruling in this regard.

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REPRESENTATIVE LEDOUX observed that the state entered into a settlement agreement and asked whether that creates a problem with legally raising the tax.

MR. PELOSO informed the committee that a court case does not affect legislative actions. All of the provisions of the settlement agreement have been fulfilled, thus HB 252 would not be in violation of the settlement agreement. In further response to Representative LeDoux, he advised that the cruise association dropped its lawsuit with prejudice, although there are potentially ways it could start a new lawsuit, and he could not speak for the cruise association.

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KEN ALPER, Director, Tax Division, Department of Revenue, advised that the possibility of the state losing a lawsuit and being held to a retroactive liability are somewhat limited. He pointed out that during the years 2007-2010, the state was receiving about \$25 million per year from the head tax, and the funds were defined in a section of the capital budget for projects expressly for dock and harbor projects, as related to the tonnage clause. Since enactment of the legislation in 2010, the state receives about \$2 million per year after the reduced tax and increased municipal sharing, and the money is easily identified as supporting dock and harbor projects.

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REPRESENTATIVE HUGHES directed attention to slide 10, and urged for the administration to think about the proposal's impact to the people of Alaska. She remarked:

My understanding was back after the initiative that the number of passengers did go down by 15, 20 percent, there were fewer ships coming into our ports and you might think that just impacted Southeast, but it actually impacted up in my area ... it impacted the whole state and it particularly impacted small business.

REPRESENTATIVE HUGHES expressed her disappointment at the lack of analysis on the proposal's impact to communities, and then asked whether the money can only be used for ports and harbors or can be deposited to the general fund (GF).

MR. ALPER explained that the lawsuit was never resolved, thus restrictions on the use of the funds are unknown; however, the state intends to use the money to pay for tourism-related expenditures, and could be targeted "towards things that would meet any sort of theoretical constitutional restriction on the use of the funds."

REPRESENTATIVE HUGHES said there are strict federal requirements on the use of the funds. She asked, "What is being paid out of the general fund right now for those, those kind of things, my understanding it's, there's not, money coming out of the general fund for, being paid for those kind of things, and so now we're going to be doing things that we might not otherwise be doing."

MR. ALPER explained that the state does not spend as much from the capital budget on grants to municipalities for dock and harbor projects as in prior years. He acknowledged that the state does spend money in support of tourism marketing, and in support of DCCED tourism activities.

REPRESENTATIVE HUGHES expressed her concern that it is unknown whether these funds can be put in GF and used in a way to help close the budget gap. She requested additional specific information in this regard.

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COMMISSIONER HLADICK agreed with Representative Hughes' request for additional information because as the city manager of

Unalaska, he received grants for its harbor from the Department of Transportation & Public Facilities.

CHAIR OLSON asked whether HB 248 or HB 252 are included in the Institute of Social and Economic Research (ISER), University of Alaska Anchorage, study of economic impact.

MR. ALPER said yes, the ISER request for proposal (RFP) contained "the suite of possible revenue measures that we put together over the summer."

CHAIR OLSON asked when the ISER report would be received.

MR. ALPER responded that either an executive summary or a first draft is due [2/15/16]. In further response to Chair Olson, he said the executive summary would be a summary of impacts and a table of key data.

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REPRESENTATIVE JOSEPHSON noted the "totally valid" comments about the impacts of the governor's plan on industry and on citizens, and pointed out that cuts also have tremendous impact, such as those to the University of Alaska, which has lost 500 employees. He returned to the settlement agreement between the cruise ship industry and the state, and observed that if the settlement was with prejudice, there could not be a retroactive rescission of the settlement agreement.

MR. PELOSO agreed; however, another party that was not part of the lawsuit could file a similar lawsuit based on the original argument.

REPRESENTATIVE JOSEPHSON asked what taxes were received by municipal and state governments prior to 2010, and after 2010.

MR. ALPER stated that at the time the state was receiving the \$46 head tax - approximately from 2007 through 2010 - the state received \$15 million to \$20 million per year. He offered to document a complete history thereof. One of the changes in the 2010 amendment increased the number of ports that could receive the "shared \$5" which totaled \$15.5 million in the operating budget last year. He stressed that the important difference is to the portion that is kept by the state, which was made by the legislative change that reduced the tax to \$34.50 and created the offset. For example, in 2008, a cruise ship passenger paid \$61: \$46 to the state, \$8 to Juneau, and \$7 to Ketchikan. The

tax cut to \$34.50, less the Juneau and Ketchikan taxes, meant the state is now receiving \$19.50. Almost all of the reduction of \$26.50 per passenger came out of the state's portion of the tax.

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REPRESENTATIVE LEDOUX inquired as to how much municipalities receive each year through this tax.

MR. ALPER offered to provide a report which shows each municipality that receive \$5 per taxable passenger. He recalled that the total for the current year is \$15.5 million, and the amount each municipality receives is disparate because the amount is based on the number of each municipality's visitors. In response to Chair Olson, he said he would provide a 5-year history of payments.

REPRESENTATIVE LEDOUX posited that if the state incorrectly assumes that the cruise ship industry would not bring a successful lawsuit, the result would impact not only the state but each community as well.

MR. PELOSO stated that is impossible to say what the repercussions of a lawsuit would be; however, a court may decide the tax is acceptable as long as the state ensures that the money goes to municipalities.

REPRESENTATIVE HUGHES asked how much the head tax would affect fares on tourists from California or Washington.

MR. ALPER said he was unsure about docking fees and head taxes outside of the state's jurisdiction, or how they are collected by the industry.

[HB 252 was held over.]

[4:21:45 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:21 p.m.