

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 20, 2020

3:16 p.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Louise Stutes
Representative Zack Fields
Representative Sara Hannan
Representative Andi Story
Representative Mel Gillis

MEMBERS ABSENT

Representative Sara Rasmussen

COMMITTEE CALENDAR

SENATE BILL NO. 195

"An Act relating to election of a domestic insurer's board of directors."

- MOVED SB 195 OUT OF COMMITTEE

HOUSE BILL NO. 94

"An Act relating to the taxation of electronic smoking products; and providing for an effective date."

- MOVED CSHB 94(L&C) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 146

"An Act relating to an application for a license to operate as a dealer in motor vehicles; and requiring a dealer in motor vehicles to maintain liability and property insurance."

- MOVED CSSSHB 146(JUD) OUT OF COMMITTEE

HOUSE BILL NO. 84

"An Act relating to the presumption of compensability for a disability resulting from certain diseases for firefighters, emergency medical technicians, paramedics, and peace officers."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 195

SHORT TITLE: BD OF DIRECTORS: DOMESTIC INSURERS

SPONSOR(s): LABOR & COMMERCE BY REQUEST

02/17/20 (S) READ THE FIRST TIME - REFERRALS
02/17/20 (S) L&C
03/05/20 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/05/20 (S) Heard & Held
03/05/20 (S) MINUTE(L&C)
03/10/20 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/10/20 (S) Moved SB 195 Out of Committee
03/10/20 (S) MINUTE(L&C)
03/11/20 (S) L&C RPT 4DP
03/11/20 (S) DP: BISHOP, GRAY-JACKSON, STEVENS,
REVAK
03/17/20 (S) TRANSMITTED TO (H)
03/17/20 (S) VERSION: SB 195
03/18/20 (H) READ THE FIRST TIME - REFERRALS
03/18/20 (H) L&C
03/18/20 (H) L&C AT 3:15 PM BARNES 124
03/18/20 (H) <Bill Hearing Canceled>
03/20/20 (H) L&C AT 3:15 PM DAVIS 106

BILL: HB 94

SHORT TITLE: ELECTRONIC SMOKING PRODUCTS EXCISE TAX

SPONSOR(s): HANNAN

03/13/19 (H) READ THE FIRST TIME - REFERRALS
03/13/19 (H) L&C, FIN
03/11/20 (H) L&C AT 3:15 PM BARNES 124
03/11/20 (H) Heard & Held
03/11/20 (H) MINUTE(L&C)
03/20/20 (H) L&C AT 3:15 PM DAVIS 106

BILL: HB 146

SHORT TITLE: MOTOR VEHICLE DEALERS: APPLIC.; INSURANCE

SPONSOR(s): CLAMAN

04/24/19 (H) READ THE FIRST TIME - REFERRALS
04/24/19 (H) JUD, L&C
05/06/19 (H) SPONSOR SUBSTITUTE INTRODUCED
05/06/19 (H) READ THE FIRST TIME - REFERRALS
05/06/19 (H) JUD, L&C
01/29/20 (H) JUD AT 1:30 PM GRUENBERG 120
01/29/20 (H) <Bill Hearing Canceled>
02/26/20 (H) JUD AT 1:00 PM GRUENBERG 120

02/26/20	(H)	Heard & Held
02/26/20	(H)	MINUTE(JUD)
02/28/20	(H)	JUD AT 1:00 PM GRUENBERG 120
02/28/20	(H)	Moved CSSSHB 146(JUD) Out of Committee
02/28/20	(H)	MINUTE(JUD)
03/02/20	(H)	JUD RPT CS(JUD) 4DP
03/02/20	(H)	DP: STUTES, DRUMMOND, KOPP, CLAMAN
03/13/20	(H)	L&C AT 3:15 PM BARNES 124
03/13/20	(H)	Heard & Held
03/13/20	(H)	MINUTE(L&C)
03/18/20	(H)	L&C AT 3:15 PM BARNES 124
03/18/20	(H)	<Bill Hearing Canceled>
03/20/20	(H)	L&C AT 3:15 PM DAVIS 106

WITNESS REGISTER

LORI WING-HEIER, Director
 Division of Insurance
 Department of Commerce, Community & Economic Development
 Juneau, Alaska

POSITION STATEMENT: Provided the synopsis and sectional analysis for SB 195.

JESSI WALTON
 Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

KAMEREN EATON, Operations Manager
 Alaska Elixirs Vapes
 Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

SARAH EATON Co-owner
 Alaska Elixirs Vapes
 Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

TIMOTHY CLARK, Staff
 Representative Sara Hannan
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 94, on behalf of Representative Hannan, prime sponsor.

BRANDON SPANOS, Deputy Director
 Tax Division
 Department of Revenue

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 94.

ROBERT BRISCOE

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

ALEX MCDONALD

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

SHAUN D'SYLVA

Clear the Air Alaska

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 94.

CHRIS EATON

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

JASON JONES, Owner

Legion Vapor

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

ELIJAH ROWLEY

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

JONATHAN WILSON

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

GREG WEAVER

Matanuska-Susitna, Alaska

POSITION STATEMENT: Testified during the hearing on HB 94.

FRANK LAMONT

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 94.

MARGE STONEKING

American Lung Association

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 94.

EMILY NENON, Government Relations Director
American Cancer Society Cancer Action Network
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 94.

VIKKI JO KENNEDY
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 94.

JOHN SONIN
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 94.

STEVEN TAYLOR
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 94.

REPRESENTATIVE MATT CLAMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided a review of HB 146, as prime sponsor, and answered questions from the committee.

ACTION NARRATIVE

[3:16:30 PM](#)

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Representatives Hannan, Story, Stutes, Gillis, and Spohnholz were present at the call to order. Representative Fields arrived as the meeting was in progress.

[3:17:25 PM](#)

REPRESENTATIVE STUTES moved that the House Labor and Commerce Standing Committee authorize the chair to draft a bill pertaining to evictions, foreclosures, and utility shut-offs resulting from the COVID-19 pandemic as committee sponsored legislation. There being no objection, it was so ordered.

SB 195-BD OF DIRECTORS: DOMESTIC INSURERS

[3:18:03 PM](#)

CHAIR SPOHNHOLZ announced that the first order of business would be SENATE BILL NO. 195, "An Act relating to election of a domestic insurer's board of directors."

[3:18:37 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development, stated that in 2019 Moda Health applied for a certificate of authority. The Division of Insurance had not received a certificate of authority application to establish a domestic insurer that is headquartered or incorporated within the state for approximately 35 years. During the process, the division noticed that Moda Health would not be in compliance with AS 21.69.340(b) based on the insurer's organizational structure, articles of incorporation, and bylaws. She said further research revealed that 44 jurisdictions had revised or eliminated their statutes that mandate the board of directors be elected from the members or stockholders. She reported that the matter recurred when CopperPoint purchased Alaska National Insurance Company in 2019. Investors were concerned that the division - knowing that this was a compliance issue - would take enforcement action leading to fines and penalties. She explained that the division with the agreement with the governor's office and the Department of Law, went on record to say that they would address taking no enforcement action with the administration and the legislature. She stated that the intent of this legislation is to clean up the issue of compliance.

[3:21:02 PM](#)

MS. WING-HEIER paraphrased the sectional analysis [included in the committee packet] for SB 195, which read in its entirety as follows [original punctuation provided]:

Section 1. AS 21.69.340(b)

Eliminates the mandate that the board of directors be elected from and by the members or stockholders of a domestic insurer. Provides that, unless contrary to the bylaws of the insurer, board members (directors) need not be a member or a stockholder of the insurer.

Section 2. AS 21.69.350

As respects domestic stock life insurers, amends statute to allow policyholders to participate in the election of directors without stockholders.

[3:22:24 PM](#)

REPRESENTATIVE HANNAN pointed out that there are currently no domestic stock life insurance holders in Alaska. She questioned whether Section 2 could be modernized so that it applies to life insurance holders as they operate in the state.

MS. WING-HEIER acknowledged that the state does not have a domestic life insurer, much less a stock life insurer; therefore, Section 2 could be deleted without consequence. Nonetheless, she stated that the individuals who drafted the bill decided to fix the section now, rather than come back to the legislature to change it later when there is a domestic life insurer in Alaska.

REPRESENTATIVE HANNAN sought to clarify that throughout the insurance statutes, the term "domestic" is defined as being incorporated in Alaska.

MS. WING-HEIER confirmed that. She noted that Alaska has six domestic insurance companies: Moda Health, Umialik Insurance Company, Alaska National Insurance Company, ARECA Insurance, Tongass Timber Trust, and Alaska Timber Insurance Exchange.

CHAIR SPOHNHOLZ clarified that SB 195 essentially broadens the eligibility criteria for being a director on the board of an insurance company.

MS. WING-HEIER answered yes.

[3:25:11 PM](#)

REPRESENTATIVE STUTES moved to report SB 195 out of committee with individual recommendations and the accompanying fiscal notes. Without objection, SB 195 was moved from the House Labor and Commerce Standing Committee.

[3:25:29 PM](#)

The committee took an at-ease from 3:25 to 3:27 p.m.

[3:27:41 PM](#)

The committee took a brief at-ease.

[3:27:47 PM](#)

HB 94-ELECTRONIC SMOKING PRODUCTS EXCISE TAX

[3:28:01 PM](#)

CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE BILL NO. 94, "An Act relating to the taxation of electronic smoking products; and providing for an effective date."

[3:28:28 PM](#)

REPRESENTATIVE STUTES moved to adopt the proposed committee substitute (CS) for HB 94, labeled 31-LS0441\K, Nauman, 3/13/20, as the working document.

CHAIR SPOHNHOLZ objected for the purpose of discussion.

[3:28:52 PM](#)

REPRESENTATIVE HANNAN, prime sponsor, explained the changes to HB 94 proposed under Version K. She stated that the committee substitute adds measures for licensing online retailers, age verification at point of sale and point of delivery, labelling of items shipped, and taxation of direct online sales to the end consumer.

[3:29:30 PM](#)

CHAIR SPOHNHOLZ removed her objection. There being no further objection, Version K was adopted as the working draft.

CHAIR SPOHNHOLZ opened public testimony.

[3:30:02 PM](#)

JESSI WALTON expressed her opposition to HB 94. She offered her belief that the bill would close small businesses.

REPRESENTATIVE STUTES asked how HB 94 would close small businesses.

MS. WALTON opined that the 75 percent wholesale tax is a lot. She said it will drive people to make their own vape juice (E-

cigarette liquid) at home, instead of buying vape juice that is appropriately made from a retailer.

[3:31:17 PM](#)

KAMEREN EATON, Operations Manager, Alaska Elixirs Vapes, voiced his opposition to HB 94. He expressed his concern that the 75 percent excise tax would drive customers to purchase products online, which would "bring down" brick-and-mortar stores through declining sales. He argued that combined with the 55 percent nicotine tax in the Matanuska-Susitna borough, the additional 75 percent tax on electronic smoking products would add up to a tax of 135 percent. Nonetheless, he commended the addition of age verification for online sales.

[3:32:46 PM](#)

REPRESENTATIVE STUTES sought clarification as to whether the bill equalizes the tax on electronic smoking products with the tobacco tax.

REPRESENTATIVE HANNAN confirmed that. She explained that under current law, tobacco products are taxed by the state at 75 percent of the wholesale price; however, vaping products are not included in that category and therefore, are not currently taxed in Alaska.

REPRESENTATIVE STUTES observed that despite the tax on cigarettes, there are still a lot of people who smoke in the state.

[3:33:48 PM](#)

SARAH EATON Co-owner Alaska Elixirs Vapes, expressed her opposition to the 75 percent tax. She said if it were enacted, her business would not be able to employ its personnel. She alleged that the U.S. Food and Drug Administration (FDA) identified that brick-and-mortar vape shops keep [electronic smoking] products out of children's hands and help adults quit smoking cigarettes. She claimed that combined with the 55 percent nicotine tax in the Matanuska-Susitna borough, the additional 75 percent tax on electronic smoking products would add up to a tax of 135 percent, which would prevent her business from making a profit. She opined that tobacco helps people and that her business sells products save lives.

CHAIR SPOHNHOLZ said she's not sure that Ms. Eaton's statements have been verified by the FDA. She asked if online tobacco sales are taxed.

REPRESENTATIVE HANNAN answered yes.

CHAIR SPOHNHOLZ asked how those online taxes are realized and whether HB 94 allows for the online taxation of vaping products.

REPRESENTATIVE HANNAN deferred to Mr. Clark.

[3:38:22 PM](#)

TIMOTHY CLARK, Staff, Representative Sara Hannan, Alaska State Legislature, on behalf of Representative Hannan, prime sponsor, explained that online cigarette sales are subject to the tax; however, the end consumer is responsible for paying the tax. He noted that the current CS, Version K, adds vaping products to the same category in terms of online sales from licensed distributors to licensed retailers and online sales to consumers.

CHAIR SPOHNHOLZ suggested a solution wherein the tax is collected by the online retailer that makes the sale. She asked if that would be outside the state's jurisdiction.

MR. CLARK said [the Tax Division] searched to find the right structure for this tax; however, "the problem is the internet" in terms of enforceability. He explained that while tobacco is one of the most highly regulated commodities in the country, vaping is one of the least regulated industries because it's new. He expressed his hope that "as regulation is developed in the coming years, which is a reasonable expectation, then the efficacy of these measures would grow in the same way that the taxation measures on tobacco are fairly robust."

CHAIR SPOHNHOLZ acknowledged the attempt to remedy the collection of online sales tax as online commerce expands.

[3:42:16 PM](#)

REPRESENTATIVE HANNAN explained that since colonial times the federal government has tracked the sale and distribution of tobacco and shared that information with states. She added that vaping disrupts that process because it cannot be tracked in the same way.

[3:43:43 PM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, addressed how tobacco is tracked and taxed in Alaska. He stated that tobacco is divided into two categories under the tax statutes: cigarettes and other tobacco products (OTP). Cigarettes, he said, have a base tax of 38 mills, which is a dedicated fund, and the additional tax is a designated fund. The federal Prevent All Cigarette Trafficking (PACT) Act requires the tracking of all cigarettes, but not the tracking of OTP. He explained that OTP are taxed at 75 percent of the wholesale price, adding that OTP are only taxed if brought into the state for resale.

[3:46:43 PM](#)

REPRESENTATIVE FIELDS questioned whether under current statutory authority, the Department of Revenue would have the ability to promulgate regulations to capture the tax revenue from online sales of e-cigarettes if HB 94 were to pass.

MR. SPANOS answered yes, if given the authority to tax online sales, the Department of Revenue could regulate the taxation of online cigarette sales under HB 94.

REPRESENTATIVE FIELDS offered his understanding that given the Department of Revenue's existing authority under the Wayfair Decision, the department could promulgate regulations on how the tax on online sales is collected. He asked if that is correct.

MR. SPANOS clarified that the Wayfair Decision gave states the authority to tax online sales. He said the bill would have to specifically assess the tax and require the online retailer to collect and remit the tax. He further explained that collection and remittance is a traditional sales tax mechanism. He said that language would need to be in HB 94 for the department to require an online retailer to collect and remit.

[3:48:26 PM](#)

ROBERT BRISCOE expressed his opposition to HB 94. He informed the committee that he works in a vape shop. He offered his belief that raising the tax would drive people away from vape shops, keep them on cigarettes longer, and affect business.

[3:49:22 PM](#)

ALEX MCDONALD voiced his opposition to the 75 percent tax. He argued that this tax was defeated under Governor Walker's administration and found to be a job-killer and a highly regressive tax that hits low-income individuals the hardest. He opined that considering a bill that would hurt small businesses is "absolutely backwards" given the current economic state of affairs. He offered his belief that HB 94 would push people back to cigarettes. He alleged that if Medicaid recipients could make the switch from cigarettes to safer products the state would save one billion dollars in 10 years.

REPRESENTATIVE STUTES asked how [the tax] would have a greater effect on low-income individuals.

MR. MCDONALD citing research from the Heartland Institute, reported that people who make under \$30,000 spend 14 percent of their income on tobacco products versus people who make over \$60,000 and spend an average of 2 percent of their income on tobacco products. He said, "money is better spent by families to buy shoes for their kids, school supplies, sports equipment - things that they actually need." He went on to say that people are not harming themselves if they are using a product that is found to be 95 percent safer than smoking. He added, "the money should stay in the families for trying to better their health."

[3:53:51 PM](#)

REPRESENTATIVE FIELDS asked Mr. McDonald if he is aware that the Heartland Institute is substantially funded by the very same large tobacco companies that have acquired the e-cigarette companies.

MR. MCDONALD said the doctors that issued the report are nationally recognized for tobacco and substance control at the Heartland Institute.

REPRESENTATIVE FIELDS stated that the Heartland Institute is a well-known front group for junk science funded by the very industries that are trying to avoid necessary regulation on a variety of issues, including tobacco.

[3:54:57 PM](#)

SHAUN D'SYLVA, Clear the Air Alaska, informed the committee that he owns three adult vapor stores located in Fairbanks, Wasilla, and Anchorage. He discussed several studies and various research, indicating that e-cigarettes are an effective smoking

cessation tool and less harmful than combustible cigarettes. He argued that [vaping] is 95 percent safer than smoking cigarettes, adding that the tax proposed under HB 94 would steer people away from [vaping] products that are healthier, safer, and can help reduce the state's Medicare costs. Nonetheless, he stated his support for the T-21 [Tobacco 21] - which raised the federal minimum age for sale of tobacco products from 18 to 21 years - portion of the bill. To conclude, he reiterated his concern about treating [e-cigarettes] the same as cigarettes. He opined that they are not the same.

REPRESENTATIVE GILLIS asked why [e-cigarettes] are treated different in England than in they are the United States.

MR. D'SYLVA said Public Health England is responsible for the country's entire health care system. He claimed that they took a comprehensive, science-based, nonbiased look at e-cigarette technology and that their goal is to reduce combustible cigarette sales to zero by the year 2030.

[4:00:48 PM](#)

CHRIS EATON expressed his opposition to HB 94. He opined that the bill is not for the public interest. He offered his belief that it will close small businesses and open a black market.

[4:01:44 PM](#)

JASON JONES, Owner, Legion Vapor, reported that vaping is 95-99 percent safer than smoking cigarettes. He opined that vaping products and cigarettes should not be taxed equally. He offered his belief that the tax increase will encourage people to return to cigarettes. He expressed concern that his business would not survive if this bill were to pass. To conclude, he said that he opposes HB 94.

[4:03:00 PM](#)

ELIJAH ROWLEY said he is testifying in opposition to HB 94. He noted that he works in a vape shop and is concerned that if the proposed tax is enacted, he or his fellow employees will lose their job.

[4:03:41 PM](#)

JONATHAN WILSON expressed his opposition to HB 94. He offered his belief that it would increase health care costs and push

people back to smoking cigarettes. He argued that "it's been a failed bill for years," adding that it will harm small businesses.

[4:04:33 PM](#)

GREG WEAVER said, "it's ludicrous that we even have people calling in whining about jobs being lost when they are pumping poison into the systems of our children." He pointed out that vaping is unregulated by the FDA and argued that no one knows what's in it. He added that kids think vaping is safe and can easily hide it from their parents. He opined that it should "get kicked out of our state."

[4:06:52 PM](#)

FRANK LAMONT expressed his opposition to HB 94. He said that imposing a 75 percent tax would make it more difficult to get adults off cigarettes and on to vaping. He said the bill would affect his place of work and might cause him to lose his job, rendering him useless of any income for a period of time. He claimed that vaping helps gradually decrease users' nicotine intake to zero. In closing, he reiterated his opposition to HB 94.

[4:08:14 PM](#)

MARGE STONEKING, American Lung Association, expressed her support for HB 94. She stated that despite what vapor industry representatives might say, e-cigarettes and vapes are tobacco products. They are not different, safer, or better than combustible cigarettes, she said. She explained that [e-cigarettes] are derived from the tobacco plant and are under the jurisdiction of the FDA as tobacco products, not as pharmaceutical cessation products. She added that they need to be treated as such under the law. She reported that increasing tobacco taxes result in fewer kids starting to smoke and more adults quitting, while at the same time providing revenue to the state. She further noted that low-income smokers are more likely to quit than high income smokers in response to a tax increase. Furthermore, the FDA has not found any e-cigarette products that are safe and effective in helping smokers quit. Consequently, e-cigarette products can no longer legally advertise themselves as a cessation or harm reduction tool.

[4:11:40 PM](#)

EMILY NENON, Government Relations Director, American Cancer Society Cancer Action Network, expressed her concern about the epidemic of e-cigarette use by youths. She noted that over the past few years it has grown at an increasingly alarming rate. She reported that the taxation of tobacco products is one of the most effective tools for keeping kids from ever starting to use tobacco. She urged the passage of HB 94.

REPRESENTATIVE FIELDS asked if Ms. Nenon finds it ironic that big tobacco companies that sell and promote e-cigarettes claim their products are for smoking cessation, while marketing them to young people who have never smoked before.

MS. NENON said whether she finds it ironic is less significant than the fact that it's illegal for them to market [e-cigarettes] as cessation products.

[4:14:50 PM](#)

VIKKI JO KENNEDY shared several personal anecdotes. She expressed her support for implementing a tax on e-cigarettes. She pointed out that no one knows how bad they might be, adding that people once thought tobacco was safe too. She urged the passage of HB 94 and specifically thanked Representatives Hannan and Fields.

[4:16:55 PM](#)

JOHN SONIN echoed the sentiments of the previous testifier. He expressed his concern about kids using e-cigarettes and thanked the committee for hearing the bill.

[4:18:44 PM](#)

STEVEN TAYLOR stated that he is in favor of increasing the tobacco tax on e-cigarettes. He observed that tobacco companies are advertising to young adults and children with their flavors alone. He stated that they are not cessation products and are full of harmful chemicals. He expressed his hope that the tax will help prevent people from ever starting a bad habit like tobacco. He urged the committee to pass HB 94.

[4:20:20 PM](#)

REPRESENTATIVE FIELDS questioned whether the state could tax online sales from online distributors if HB 94 were to pass. He

also asked if additional language is required for the Department of Revenue to collect taxes from online sales.

REPRESENTATIVE HANNAN explained that when she introduced HB 94 one year ago, the Department of Revenue conveyed that they wanted to help structure the bill in a way that allows them to collect the most revenue. They department also knows that a large volume of [e-cigarettes] are sold over the internet. She recounted Mr. Spanos communicating that the department would figure out a way to collect the revenue if given the authority. She noted that there is no graceful way to do it because most states have a state sales tax, which provides them with an easy mechanism to collect.

REPRESENTATIVE FIELDS said he is glad that the record reflects the sponsor's intent. He opined that the plain language of the bill enables the department to collect the taxes on e-cigarettes, including those sold online, in the most efficient manner possible. He further noted that the annual social cost of tobacco products in the United States is \$300 billion, adding that the youth death and hospitalization rate from COVID-19 in the U.S. is higher than in other countries - partly from chronic conditions, including respiratory conditions. He said it's a critical public health issue and expressed his appreciation for the bill.

CHAIR SPOHNHOLZ agreed. She shared an anecdotal example about the difficulty of quitting cigarettes and how they are marketed to young people. She added that preventing children from picking up e-cigarettes is a laudable public health goal. She reiterated that the committee's intention is for online sales to be taxed and for the bill to be passed expeditiously.

REPRESENTATIVE HANNAN responded to several comments made by testifiers.

[4:25:30 PM](#)

REPRESENTATIVE GILLIS asked if under current law, age verification is required for vaping.

REPRESENTATIVE HANNAN answered yes.

REPRESENTATIVE GILLIS questioned whether most online purchases are for personal consumption or if people order large volumes of product.

REPRESENTATIVE HANNAN said she does not know. She added that after spending a career with teenagers, she would not put it past them to lie about their age on an online age verification system.

[4:26:42 PM](#)

REPRESENTATIVE STUTES moved to report CSHB 94, Version LS0441\K, Nauman, 3/13/20, out of committee with individual recommendations and the accompanying fiscal notes. Without objection, CSHB 94(L&C) was moved from the House Labor and Commerce Standing Committee.

[4:27:22 PM](#)

The committee took an at-ease from 4:27 to 4:29 p.m.

HB 146-MOTOR VEHICLE DEALERS: APPLIC.; INSURANCE

[4:29:26 PM](#)

CHAIR SPOHNHOLZ announced that the final order of business would be CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 146(JUD), "An Act relating to an application for a license to operate as a dealer in motor vehicles; and requiring a dealer in motor vehicles to maintain liability and property insurance."

[4:29:41 PM](#)

REPRESENTATIVE MATT CLAMAN, Alaska State Legislature, as prime sponsor, provided a brief review of HB 146. He stated that the bill adds additional requirements for licensed motor vehicle dealers, such as increasing the surety bond rate from \$50,000 to \$100,000 and requiring that the dealer has liability insurance. Additional provisions require that motor vehicle dealer license applicants provide a copy of that insurance, he said.

[4:30:29 PM](#)

REPRESENTATIVE STORY expressed her support for actions involving fraud, embezzlement, or misappropriations of property resulting in a felony charge. She opined that it's appropriate "because it affects what the intent is."

[4:30:52 PM](#)

REPRESENTATIVE GILLIS recalled that raising the insurance rate would cost \$750. He asked if that is correct.

REPRESENTATIVE CLAMAN clarified that what Mr. Gillis is referring to is the bond rate. He further noted that \$750 is for two years of coverage.

REPRESENTATIVE GILLIS opined that [\$750] is not enough money to deter someone.

REPRESENTATIVE CLAMAN agreed that it's not enough money to deter someone from becoming a dealer. He said it's not meant to be a barrier to entry into the profession.

[4:32:01 PM](#)

CHAIR SPOHNHOLZ opened public testimony. After ascertaining that no one wished to testify, she closed public testimony.

[4:32:22 PM](#)

REPRESENTATIVE STUTES moved to report CSSSHB 146(JUD) out of committee with individual recommendations and the accompanying fiscal notes. Without objection, CSSSHB 146(JUD) was moved from the House Labor and Commerce Standing Committee.

[4:32:53 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:32 p.m.