

HOUSE FINANCE COMMITTEE
March 9, 2022
1:34 p.m.

1:34:30 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson via teleconference
Representative Adam Wool

MEMBERS ABSENT

Representative Ben Carpenter

ALSO PRESENT

Representative Sara Hannan, Sponsor; Stephanie Andrew, Staff, Representative Sara Hannan; Tom Wright, Staff, Representative Steve Thompson; Nancy Meade, General Counsel, Alaska Court System; Lacy Wilcox, President, Alaska Marijuana Industry Association; Sorcha Hazelton, Staff, Representative Kelly Merrick; Senator Gary Stevens, Sponsor; Tim Lamkin, Staff, Senator Gary Stevens.

PRESENT VIA TELECONFERENCE

Emily Nauman, Deputy Director, Legislative Legal Services, Alaska State Legislature; Joe Darnell, Investigator, Tobacco Enforcement and Youth Education Program, Behavioral Health, Department of Health and Social Services; Christopher Barrows, President, Pacific Seafood Processing Association; Jeremy Woodrow, Director, Alaska Seafood

Marketing Institute (ASMI); Nicole Reynolds, Deputy Director, Tax Division, Department of Revenue; Julianne Curry, Public Affairs Manager, Icicle Seafoods; Tracy Welch, Executive Director, United Fishermen of Alaska.

SUMMARY

HB 104 MOTOR FUEL TAX; VEHICLE REG. FEE

CSHB 104 (FIN) was REPORTED out of committee with three "do pass" recommendations and with 5 "no recommendation" recommendations and with one new zero fiscal note by the Department of Environmental Conservation, one new zero fiscal note by the Department of Transportation and Public Facilities, one new fiscal impact note by the Department of Administration, one new fiscal impact note by the Department of Revenue, and one new fiscal impact note by the Department of Environmental Conservation/Fund Transfer.

HB 110 AGE FOR NICOTINE/E-CIG; TAX E-CIG.

HB 110 was HEARD and HELD in committee for further consideration.

SB 33 SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

CSSB 33 (FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the day.

#hb110

HOUSE BILL NO. 110

"An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to transporting tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products; and providing for an effective date."

[1:35:41 PM](#)

REPRESENTATIVE SARA HANNAN, SPONSOR, HB 110 would add e-cigarettes into the current tobacco tax structure.

Representative Wool supported the efforts, but disagreed with some aspects of the current version of the bill.

Representative Josephson indicated that the other body included taxing the delivery instrument, and queried the position on that policy.

Representative Hannan replied that this version did not include all of the device options. The other body was using a broader definition in order to capture a wider net. She stated that the bill included products that were integrated with other products.

[1:40:18 PM](#)

Representative Thompson MOVED to ADOPT Amendment 1 (copy on file).

Co-Chair Merrick OBJECTED for discussion.

Representative Thompson reviewed the amendment. He stated that the amendment would change the purchase age from 21 to 18. He shared that Alaskans were considered adults at age 18. He felt that it was overstepping the right of a person to decide for themselves.

Representative Rasmussen commented that it appeared the state would be at risk of losing funding at the end of December 2022, and she queried the amount of lost funding.

Representative Thompson was not aware of the amount or whether the federal government would actually institute that requirement.

[1:43:04 PM](#)

STEPHANIE ANDREW, STAFF, REPRESENTATIVE SARA HANNAN, indicated that the state would be at risk of losing \$30 million.

Representative Rasmussen would be supporting the amendment in that people at the age of 18 were recognized as adults.

Representative Wool agreed with the age of 18. He noted several things people could do at the age of 18.

[1:45:42 PM](#)

Representative Josephson wished the legislature had a gun bill before the committee, but did not prescribe to dual federalism or the supremacy law. He stressed that he did not want to guard the right to buy or sell tobacco and the age associated thus.

Representative LeBon supported the bill but wanted to ask a question of the bill sponsor. He wondered if the military had a policy about smoking under age 21.

Representative Hannan responded that military personnel could not smoke under the age of 21.

Representative Wool asked about military personnel smoking overseas.

Representative Hannan shared that the federal age level of 21 was instituted at all military locations. She clarified that the proposed amendment changed the age to 19.

Representative Rasmussen asked the sponsor to speak to the rationale of the age of 18 rather than 19.

Representative Thompson indicated the age of 19 had been accepted, because the age had been accepted previously, but felt that age 18 was a fine age to change the age. The federal government moved the age to 21. He did not know if Alaska lost any money letting people drink through the period.

Representative Rasmussen clarified that the amendment brought the age back to 19.

[1:50:21 PM](#)

Representative Josephson cited a legal case regarding the spending clause of the United States Constitution, and remarked Alaska would lose \$3 million if there was a change to the age to purchase tobacco products.

Co-Chair Merrick WITHDREW her OBJECTION.

Representative Josephson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Thompson, Wool, LeBon

OPPOSED: Edgmon, Josephson, Ortiz, Foster, Merrick

The MOTION FAILED (4/5). Amendment 1 FAILED to be adopted.

[1:52:34 PM](#)

Representative Thompson MOVED to ADOPT Amendment 2 (copy on file).

Representative Wool OBJECTED for discussion.

Representative Thompson reviewed the amendment. He thought the age restriction was too restrictive on those wanting to enter into the labor force and work at convenient stores or gas stations.

Representative Rasmussen commented that the committee had heard significant labor shortages. She supported the amendment.

Representative Wool commented that in restaurants could have someone who was the correct age sell the product. He shared the concerns with the amendment sponsor.

Representative Thompson appreciated the question. It could create a new problem that was noted by Representative Rasmussen. There was currently a labor shortage. He did not like restricting the workforce.

[1:56:45 PM](#)

EMILY NAUMAN, DEPUTY DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE (via teleconference), responded that current state law prevented a person under the age of 19 to sell tobacco products, and the bill raised that age to 21.

[1:57:31 PM](#)

Representative Wool asked if meant they could not work in any business or were not able to physically sell the product.

Ms. Nauman replied the text of the law stated that it was a violation for a person under the age of 19 to sell tobacco product, but did not address the premises.

Representative Wool still sympathized with the maker of the amendment. He noted the law in New Zealand had instituted tobacco laws, but the laws were graduated to ensure that people did not lose their jobs in the process of enacting the law.

Representative Josephson asked if there was any reason to think federal statute would conflict with the amendment.

Representative Hannan deferred to Mr. Darnell.

[1:59:59 PM](#)

JOE DARNELL, INVESTIGATOR, TOBACCO ENFORCEMENT AND YOUTH EDUCATION PROGRAM, BEHAVIORAL HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), asked for the question to be repeated.

Representative Josephson asked if there was any reason to think federal statute would conflict with the amendment.

Mr. Darnell responded that it would comply with federal statute.

Representative Wool surmised that a person working in a tobacco store who was under 21-years-old and not participating in the sale of tobacco would be able to retain their employment. able to retain their employment.

Representative Josephson clarified that it was a section of law referred to T-21.

Representative Rasmussen asked if the liability to enforce non-use of employees would fall on employers.

Ms. Nauman replied that the current law stated that the person who holds the business license would be liable for the underage person selling the tobacco product.

Representative Rasmussen was trying to figure out if the person using the nicotine products from the location - employee or employer.

Ms. Nauman noted it was a crime to provide tobacco under current law for a person to give to the employee.

Representative Rasmussen asked if an employer would be held liable if an employee had possession of a nicotine product.

Ms. Nauman did not know.

[2:06:21 PM](#)

Representative Hannan thought Mr. Darnell could best answer the question.

Mr. Darnell indicated the scenario touched on a couple of laws. If the tobacco was sold to the employee by the employer, then the employer would be liable.

Representative Josephson read that from the effective date, one must 19 and 20 year olds could sell tobacco legally and remain employed to legally sell tobacco.

Representative Thompson indicated that it was the impression that he was given from testimony, and stressed that he did not want to see employees taken from the labor market.

Co-Chair Merrick asked if the representative if the employees were currently 19 and 20, or if that was the age going forward.

Representative Thompson replied that some employees would be grandfathered in similar to the serving of alcohol.

[2:09:24 PM](#)

TOM WRIGHT, STAFF, REPRESENTATIVE STEVE THOMPSON, indicated that when the bill went into effect anyone who was 19 or 20 at the time.

Representative Wool WITHDREW the OBJECTION.

Co-Chair Merrick OBJECTED for another question.

Representative Wool felt that a 19-year-old person could sell the tobacco product.

2:11:37 PM

AT EASE

2:12:18 PM

RECONVENED

Co-Chair Merrick indicated Amendment 2 would be rolled to the bottom of the list of amendments to be considered.

Representative Wool MOVED to ADOPT Amendment 3 (copy on file).

Co-Chair Merrick OBJECTED for discussion.

Representative Wool reviewed the amendment. He argued that tobacco did not alter peoples' minds like alcohol. He did not think it was worthy to pull a person over for driving a car while smoking under age. He did not feel that it should be made as an actual crime. He wanted to know how many arrests or violations were made with this law.

Ms. Andrew thought Nancy Meade from the Alaska Court System could better answer the question.

2:15:09 PM

NANCY MEADE, GENERAL COUNSEL, ALASKA COURT SYSTEM, reported that there were approximately 10 convictions of tobacco use by a minor per year.

Representative Wool asked if the charges were stand-alone charges or combined with other charges.

Ms. Meade replied that she did not have that data.

Representative Wool asked that if someone was driving in a car with a pack of cigarettes in the car, then the driver would be charged with possession.

Ms. Meade responded, "That's correct."

Representative Josephson thought the amendment would legalize 10 year olds smoking tobacco. They would need a reasonable suspicion of an offence.

Co-Chair Merrick asked Ms. Nauman concurred with Representative Josephson's assumption.

Ms. Meade responded that if the amendment passed it, would not be a violation for youth to possession of tobacco.

Representative Wool asked if kids could buy tobacco, he stressed that it was not an approved activity but it was not a crime.

[2:20:08 PM](#)

Co-Chair Merrick WITHDREW the OBJECTION.

Representative Josephson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Wool Edgmon, Johnson, LeBon, Rasmussen, Merrick

OPPOSED: Josephson, Ortiz, Foster

The MOTION PASSED (7/3). Amendment 3 was ADOPTED.

[2:21:27 PM](#)

Representative Josephson MOVED to ADOPT Amendment 4 (copy on file).

Co-Chair Merrick OBJECTED for discussion.

Representative Josephson reviewed the amendment. He stated that the amendment expanded the definition of electronic smoking products subject to the tax to include the device.

Representative Wool wondered whether the other tobacco delivery items were also taxed, like rolling papers.

Representative Josephson responded that it would not replace an existing tax, and stated that it would act as a deterrent for tobacco use.

Representative Wool asked for clarification about whether rolling papers and marijuana vape pens were also taxed similarly.

Ms. Nauman indicated that the amendment would not apply to rolling papers, because those were not used in electronic smoking. She did not know about the marijuana vape pens.

[2:26:43 PM](#)

Co-Chair Merrick asked if Mr. Darnell could comment.

Mr. Darnell could provide a broad answer, and stated that the marijuana products were taxed similarly.

Representative Wool had not fully understood the prior two responses. He asked if vaping products were taxed as a marijuana products.

Ms. Andrew replied that the bill clearly stated that the tax did not apply to a smoking product that was currently taxed under the marijuana statutes.

[2:29:00 PM](#)

Representative Wool suggested that in the current bill, only the liquid was taxed.

Ms. Andrew clarified that the refillable or integrated device would be subject to the tax.

Representative Wool asked if more things would be taxed than in the bill.

Ms. Andrew replied in the affirmative.

Representative Josephson used the example of a Keurig and coffee pods.

Representative Hannan stated that the definition in amendment 4 broadened the definition of integrated devices, due to the changing technology that may occur in the future.

Representative Wool stated that he would be opposing the amendment.

Co-Chair Merrick indicated Lacey Wilcox could speak to the difference.

[2:32:52 PM](#)

LACY WILCOX, PRESIDENT, ALASKA MARIJUANA INDUSTRY ASSOCIATION, stressed that the marijuana industry wanted to

make it abundantly clear that the machines were sometimes interchangeable.

Representative Rasmussen asked if Ms. Wilcox thought Amendment 4 accomplishes the clarification that the industry was seeking.

Ms. Wilcox did not think the amendment accomplished the industry's desire.

Representative Josephson recalled a similar amendment had passed in the Senate, and wondered whether she had testified in the other body.

Ms. Wilcox responded that she had not.

Representative Rasmussen asked that the amendment be rolled to the bottom.

Amendment 4 was rolled to the bottom of the list.

[2:36:27 PM](#)

Representative Josephson MOVED to ADOPT Amendment 5 (copy on file).

Co-Chair Merrick OBJECTED for discussion.

Representative Josephson reviewed the amendment, and stated that the bill seemed to "give a pass on taxation" if the product was a "harm-reduction product." He felt that it was a term used by the industry to increase the use of the electronic cigarette.

Co-Chair Merrick OBJECTED for discussion.

Vice-Chair Ortiz asked the maker of the amendment to explain the change in punctuation.

Representative Josephson responded that it deleted the words.

Vice-Chair Ortiz asked why the maker did not just delete "harm reduction."

Representative Josephson had asked his aide the same question to his aide, and stated that it was a stylistic choice in the drafting manual.

Representative Rasmussen understood that the product was new and the FDA was behind. She mentioned a study in England that the product was used in cessation. She did not think the amendment was very accurate.

[2:40:47 PM](#)

Ms. Andrew responded that it was not something the FDA had approved for electronic tobacco products.

Representative Rasmussen thought it was more appropriate to remove the explanation, because people in the state were using the devices to quit smoking.

Representative Hannan relayed that the current statute prevents taxing items used for cessation purposes.

Representative Josephson reported that the Alaska Chapter supported the amendment. They did not think they were harm reduction products.

Co-Chair Merrick WITHDREW her OBJECTION.

Representative Rasmussen OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Wool, Edgmon, Johnson, Josephson, Ortiz, Foster, Merrick

OPPOSED: LeBon, Rasmussen

The MOTION PASSED (7/2). Amendment 5 was ADOPTED.

Representative Thompson and Representative Carpenter were absent from the vote.

[2:44:13 PM](#)

AT EASE

[2:54:27 PM](#)

RECONVENED

Co-Chair Merrick would postpone hearing the remaining amendments. Members would be given more time to submit amendments to HB 110.

HB 110 was HEARD and HELD in committee for further consideration.

[2:54:52 PM](#)

AT EASE

[3:02:26 PM](#)

RECONVENED

#hb104

HOUSE BILL NO. 104

"An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date."

[3:02:33 PM](#)

Co-Chair Merrick indicated the committee last heard HB 104.

Co-Chair Foster MOVED to ADOPT proposed committee substitute for HB 104(FIN), Work Draft 32-LS0444\I(Nauman, 3/4/22).

Co-Chair Merrick OBJECTED for discussion.

[3:03:21 PM](#)

SORCHA HAZELTON, STAFF, REPRESENTATIVE KELLY MERRICK, relayed that HB 104 primarily did three things: doubled the motor fuel tax, altered electric vehicle registration and fees, and increased the surcharge paid to the Department of Environmental Conservation (DEC) Spill Prevention and Response Division. The committee substitute removed the first two components and left only sections 5 and 11 of the original bill.

Co-Chair Merrick WITHDREW the OBJECTION.

Co-Chair Foster MOVED to report CSHB 104 (FIN) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

CSHB 104(FIN) was REPORTED out of committee with three "do pass" recommendations and with 5 "no recommendation" recommendations and with one new zero fiscal note by the Department of Environmental Conservation, one new zero fiscal note by the Department of Transportation and Public Facilities, one new fiscal impact note by the Department of Administration, one new fiscal impact note by the Department of Revenue, and one new fiscal impact note by the Department of Environmental Conservation/Fund Transfer.

[3:04:52 PM](#)

AT EASE

[3:07:32 PM](#)

RECONVENED

#sb33

CS FOR SENATE BILL NO. 33(FIN)

"An Act relating to a fisheries product development tax credit; and providing for an effective date."

[3:07:51 PM](#)

SENATOR GARY STEVENS, SPONSOR, provided a brief description of the bill. He stated that it was a value added tax for the fishing industry.

Representative Rasmussen noted having visited some of the salmon processing facilities in Kodiak. She asked about some of the federal regulatory burdens on the industry.

[3:10:12 PM](#)

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, indicated here were folks online that could provide further details.

[3:11:00 PM](#)

AT EASE

[3:12:58 PM](#)

RECONVENED

[3:13:23 PM](#)

CHRISTOPHER BARROWS, PRESIDENT, PACIFIC SEAFOOD PROCESSING ASSOCIATION (via teleconference), asked if Representative Rasmussen could restate her question.

Representative Rasmussen asked about some of the federal regulatory burdens on the industry.

Mr. Barrows responded that there were a number of federal regulations on the industry.

[3:16:39 PM](#)

Senator Stevens stressed that the bill dealt with value added products.

Representative Rasmussen appreciated the comments. She was trying to highlight that the industry already was well invested in the state.

Senator Stevens saw an area for water quality and remarked that companies were using the waste for fertilizers.

Co-Chair Merrick asked Mr. Barrows to provide his testimony.

[3:19:26 PM](#)

Mr. Barrows spoke in support of the legislation. He gave some history of his organization. He stated that the bill would reestablish the tax credit program, and expand the list of eligible species.

[3:23:23 PM](#)

Vice-Chair Ortiz would be supportive of extending the tax credit. He asked how long the tax credit had been in place.

Mr. Lamkin indicated it had been on the books since 2004.

Vice-Chair Ortiz asked what percentage of the annual harvest went overseas for processing.

Mr. Lamkin was aware that currently none of it went to Russia. However, some of it went overseas. He deferred to Mr. Barrows.

Mr. Barrows deferred to ASMI.

[3:25:17 PM](#)

JEREMY WOODROW, DIRECTOR, ALASKA SEAFOOD MARKETING INSTITUTE (ASMI) (via teleconference), replied that annually 70 to 75 percent of value of the product was sent overseas.

Vice-Chair Ortiz asked if the percentages reflected overseas for processing.

Mr. Woodrow responded, "both."

Vice-Chair Ortiz asked if Alaska had been able to cut into the value added percentage.

Mr. Woodrow indicated his question was difficult to answer because, thought it would be difficult to say that the state had kept more seafood in the state. He thought it had increased the value for the products.

Representative Wool asked for the weight shipped overseas.

Mr. Woodrow could provide it to the committee in written form.

[3:28:51 PM](#)

Representative Wool visited some of the processors in Kodiak, and stressed that bit of processing added value. He wondered how to value the degree of processing. //. He asked Mr. Woodrow to elaborate.

Mr. Woodrow indicated that anytime a fish was taken from the water flavors added to the package which added value to a product.

Co-Chair Merrick invited Mr. Woodrow to provide his public testimony.

[3:32:07 PM](#)

Mr. Woodrow relayed that the Alaska Seafood Marketing Institute (ASMI) was in support of the bill.

NICOLE REYNOLDS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), answered that the credit

applied to the fisheries business tax and was taken against the state share of the tax.

[3:38:40 PM](#)

Co-Chair Merrick asked Ms. Reynolds to review the fiscal note.

Ms. Reynolds reported that the revenue ranged between \$3 million FY 24 and \$3.4 million in FY 25, and would be deposited into the general fund.

Representative Wool asked for the total tax amount received by the state.

Ms. Reynolds replied that the total tax collections for FY 18 through FY 21 ranged from \$46.2 million to \$34.6 million.

Co-Chair Merrick invited Ms. Curry to begin her testimony.

[3:43:51 PM](#)

JULIANNE CURRY, PUBLIC AFFAIRS MANAGER, ICICLE SEAFOODS (via teleconference), spoke in support of the bill. She stated that the bill would allow for the purchase of equipment that would vastly improve the financial outcome of the business.

[3:46:36 PM](#)

TRACY WELCH, EXECUTIVE DIRECTOR, UNITED FISHERMEN OF ALASKA (via teleconference), strongly supported SB 33. The program incentivized value added products.

Representative LeBon wondered whether the tax credits could be spread out over a number of years at the pleasure of the taxpayer, or whether there was a formula to define the credit.

Ms. Reynolds reported that the credit was limited to 50 percent of the value of the equipment.

Co-Chair Merrick set an amendment deadline.

Senator Stevens indicated that the equipment could only be used in Alaska.

Co-Chair Merrick indicated Speaker Stutes had the companion bill to SB 33. She reviewed the agenda for the following meeting.

CSSB 33(FIN) was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

3:52:38 PM

The meeting was adjourned at 3:52 p.m.