

**ALASKA STATE LEGISLATURE
HOUSE JUDICIARY STANDING COMMITTEE**

February 26, 2025

1:08 p.m.

MEMBERS PRESENT

Representative Andrew Gray, Chair
Representative Chuck Kopp, Vice Chair
Representative Ted Eischeid
Representative Genevieve Mina
Representative Jubilee Underwood

MEMBERS ABSENT

Representative Sarah Vance
Representative Mia Costello

COMMITTEE CALENDAR

HOUSE BILL NO. 97

"An Act relating to theft; relating to organized retail theft; relating to property crimes; relating to aggravating factors at sentencing; establishing a statewide marketplace facilitator sales tax; and establishing the organized retail theft fund in the general fund."

- HEARD & HELD

HOUSE BILL NO. 74

"An Act establishing the crime of airbag fraud."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 97

SHORT TITLE: ORG. RETAIL THEFT/FUND;MKTPLACE SALES TAX

SPONSOR(S): REPRESENTATIVE(S) FIELDS

02/12/25	(H)	READ THE FIRST TIME - REFERRALS
02/12/25	(H)	JUD, FIN
02/26/25	(H)	JUD AT 1:00 PM GRUENBERG 120

BILL: HB 74

SHORT TITLE: CRIME COUNTERFEIT/NONFUNCTIONING AIRBAG

SPONSOR(S): REPRESENTATIVE(S) TOMASZEWSKI

01/29/25 (H) READ THE FIRST TIME - REFERRALS
01/29/25 (H) L&C, JUD
02/07/25 (H) L&C AT 9:00 AM BARNES 124
02/07/25 (H) -- MEETING CANCELED --
02/12/25 (H) L&C AT 3:15 PM BARNES 124
02/12/25 (H) Heard & Held
02/12/25 (H) MINUTE(L&C)
02/17/25 (H) L&C AT 3:15 PM BARNES 124
02/17/25 (H) Moved HB 74 Out of Committee
02/17/25 (H) MINUTE(L&C)
02/19/25 (H) L&C RPT 6DP
02/19/25 (H) DP: CARRICK, BURKE, NELSON, COULOMBE,
FIELDS, HALL
02/26/25 (H) JUD AT 1:00 PM GRUENBERG 120

WITNESS REGISTER

REPRESENTATIVE ZACK FIELDS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 97.

EVAN ANDERSON, Staff

Representative Zack Fields

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 97, on behalf of Representative Fields, prime sponsor.

JOHN STASER, Owner

Mountain View Sports Center

Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 97.

DEB BONITO, President

Sourdough Mercantile, Inc;

Owner, Kobak Coffee

Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 97.

JOHN SKIDMORE, Deputy Attorney General

Criminal Division

Department of Law

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 97.

CLAIRE RADFORD, Attorney
Legislative Legal Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered questions during HB 97.

REPRESENTATIVE FRANK TOMASZEWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 74.

DAVID GOFF, Staff
Representative Frank Tomaszewski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 74, on behalf of Representative Tomaszewski, prime sponsor.

CRAIG ORLAN, Director of Local and State Government Retailers
American Honda Motor Company
Alexandria, Virginia

POSITION STATEMENT: Gave invited testimony during the hearing on HB 74.

ACTION NARRATIVE

[1:08:06 PM](#)

CHAIR ANDREW GRAY called the House Judiciary Standing Committee meeting to order at 1:08 p.m. Representatives Mina, Eischeid, Kopp, and Gray were present at the call to order. Representative Underwood arrived as the meeting was in progress.

HB 97-ORG. RETAIL THEFT/FUND;MKTPLACE SALES TAX

[Contains discussion of HB 106.]

[1:09:04 PM](#)

CHAIR GRAY announced that the first order of business would be HOUSE BILL NO. 97, "An Act relating to theft; relating to organized retail theft; relating to property crimes; relating to aggravating factors at sentencing; establishing a statewide

marketplace facilitator sales tax; and establishing the organized retail theft fund in the general fund."

[1:09:25 PM](#)}

REPRESENTATIVE ZACK FIELDS, Alaska State Legislature, as prime sponsor, presented HB 97. He explained that he was motivated to introduce HB 97 because a disturbing number of retail businesses have shut down in Anchorage, largely due to un-policing and rising levels of unprosecuted retail theft. He referred to a PowerPoint presentation on HB 97 [included in the committee packet], beginning on slide 2, "Organized Retail Crime," which read as follows [original punctuation provided]:

- Homeland Security Investigations (HSI) defines ORC as "the association of two or more persons engaged in illegally obtaining items of value from retail establishments, through theft and/or fraud, as part of a criminal enterprise. 1"
- According to the 2021 joint report released by the Retail Industry Leaders Association (RILA) and the Buy Safe America Coalition, in 2019, nearly \$70 billion in goods were stolen from retailers. 2
- ORC is not simply shoplifting, and these crimes are not victimless. A growing number of thefts turn violent, and consumers, local communities and businesses bear the costs of rising prices. These thefts are detrimental to both businesses, small and large alike, and the overall economy as they pose both societal and health risks to the community.

[1:11:25 PM](#)

REPRESENTATIVE FIELDS summarized slides 3-5, which listed the types of retailers and products targeted for organized retail crime (ORC) by ranking, with pharmacy, big box, and home improvement making up the top three categories. He continued to slide 6, "Economic Impact of Organized Retail Crime," which read as follows [original punctuation provided]:

- The economic impact of retail crime is profound. Retailers face increased costs for lost product, security, and labor, which lead to higher prices for consumers and ultimately, lower sales. Lower sales translate to fewer jobs throughout the

economy. The result is \$125.7 billion in lost economic activity and 658,375 fewer jobs, paying almost \$39.3 billion in wages and benefits to workers.

- National estimates reveal ORC costs federal and state governments nearly \$15 billion in lost tax revenue, not including lost sales taxes.
- It is estimated that the average American family will pay more than \$500 annually in additional costs due to the impact of ORC.
- ORC is a low-risk, high-reward income stream for domestic and transnational criminal organizations that greatly impacts inter-state and international commerce and the overall economic security of Alaska and the United States.

REPRESENTATIVE FIELDS continued to slide 7, which featured a graph that illustrated the correlation between the growth in online shopping and shoplifting. Forums like Facebook Marketplace and Amazon are common vectors for stolen and counterfeit goods to be resold. Slide 8 gave an example of the rising rates of loss at Lowe's, as the retailer lost nearly \$1 billion to loss of inventory ("shrink") in 2022. Slide 9 illustrated the connection between ORC and organized crime, including drug trafficking, human trafficking, and violent cartels. Slides 10-12 displayed graphics showing the organizational structure of organized theft groups (OTG), the organized retail theft (ORT) cycle, and an example of the Central America labor trafficking threat.

[1:16:14 PM](#)

REPRESENTATIVE FIELDS continued to slide 13, which showed a graph of the impact on small businesses and how often they are experiencing ORC. He anecdotally reported that some Anchorage businesses are experiencing significantly higher losses than their national peers. Slide 14 displayed photos of ORT in Alaska. Slide 15 indicated that in 2022, Alaska retailers lost \$202 million in revenue to theft. Slide 16 showed a map of legislation addressing ORC across the U.S. He cautioned the legislature from inadvertently penalizing someone who steals food to survive and reiterated that the goal is to target ORC.

[1:18:04 PM](#)

REPRESENTATIVE FIELDS turned to slide 17, "What Can We Do to Address the Problem," which read as follows [original punctuation provided]:

- Update the definition of organized retail crime and increase criminal penalties: States should act to define the crime of "organized retail theft" in criminal law to specify those thefts involving two or more participants and an intention of resale and include increased penalties for those specific violations.
- The law and prosecutors must hold those who engage in organized and significant retail theft accountable: Since 2000, at least 40 states have raised the thresholds for the value of stolen goods to trigger a felony charge. In some instances, criminals are taking advantage of these increased higher thresholds to engage in repeated thefts and avoid prosecution. States should reconsider these thresholds and prosecutors should avoid adopting broad non-prosecution policies.

[1:18:17 PM](#)

REPRESENTATIVE FIELDS moved to slide 18, which compared the existing criminal code in Title 11 to the penalties for theft proposed in HB 97. He stated that the bill would do two things: establish ORC in law and reduce the penalty threshold for theft. The goal, he said, is to give prosecutors more tools to put criminals behind bars, adding that ORT would be added as an aggravating factor to allow the courts to impose a sentence above the presumptive range. He concluded on slide 19, "HB 97 Proposes a 2% Sales Tax on 'Marketplace Facilitators' - Both Online & Offline," which read as follows [original punctuation provided]:

- Marketplace facilitator means a person who contracts with a third-party seller to facilitate the sale of the third-party seller's property, product, or services through a physical retail location or online marketplace operated by the person.
 - o The bill sets a minimum sales threshold for marketplace facilitators who must remit the tax at \$200,000 or 200 separate transactions.

- HB 97 establishes an organized retail theft fund in the general fund, intended to be appropriated to local law enforcement agencies to investigate and prosecute organized retail theft and related fraud and property crimes.

[1:21:11 PM](#)

EVAN ANDERSON, Staff, Representative Zack Fields, Alaska State Legislature, on behalf of Representative Fields, prime sponsor, presented the sectional analysis for HB 97 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: This section amends **AS 11.46.100** to modify the definition of theft in the criminal code to include organized retail theft.

Section 2: This section amends **AS 11.46.120(a)** to update the definition of *theft in the first degree*, and it lowers the threshold for these crimes to \$20,000 from \$25,000.

Section 3: This section amends **AS 11.46.130(a)** to modify the definition of *theft in the second degree*, and it lowers the threshold for these crimes to a range of \$500 to \$20,000 from the current range of \$750 to \$25,000. This section also provides for individuals with a prior similar conviction in the last 5 years to be charged with theft in the second degree.

Section 4: This section amends **AS 11.46.140(a)** to modify the definition of *theft in the third degree*, and it lowers the threshold for these crimes to a range of \$200 to \$500 from the current range of \$250 to \$750. This section also provides for individuals with a prior similar conviction in the last 5 years to be charged with theft in the third degree.

Section 5: This section amends **AS 11.46.150(a)** to modify the definition of *theft in the fourth degree*, and it lowers the threshold for these crimes to \$200 or less from the current range of \$250 or less.

Section 6: This section amends the criminal code with a new section **Sec. 11.46.215** defining organized retail theft.

Section 7: This section amends **AS 11.46.220(c)**, which deals with the crime of concealment of merchandise, to conform with previous sections.

Section 8: This section amends **AS 11.46.260(b)**, which deals with the crime of removal of identification marks, to conform with previous sections.

Section 9: This section amends **AS 11.46.270(b)**, which deals with the crime of unlawful possession, to conform with previous sections.

Section 10: This section amends **AS 11.46.280(d)**, which deals with the crime of issuing a bad check, to conform with previous sections.

Section 11: This section amends **AS 11.46.285(b)**, which deals with the crime of fraudulent use of an access device or identification document, to conform with previous sections.

Section 12: This section amends **AS 11.46.360(a)**, which deals with the crime of vehicle theft, to conform with previous sections.

Section 13: This section amends **AS 11.46.482(a)**, which deals with the crime of criminal mischief, to conform with previous sections.

Section 14: This section amends **AS 11.46.530(b)**, which deals with the crime of criminal simulation, to conform with previous sections.

Section 15: This section amends **AS 11.46.620(d)**, which deals with the crime of misapplication of property, to conform with previous sections.

Section 16: This section amends **AS 11.46.980(e)**, which allows for the combined value of goods or services to be aggregated. This is a conforming change.

Section 17: This section adds new paragraphs to **AS 11.46.990** to define the terms "aggregate value" and "commercial establishment."

Section 18: This section amends **AS 12.55.155(c)** with a new paragraph that adds organized retail theft as an aggravating factor, which allows the sentencing court to consider a sentence above the presumptive range set out in AS 12.55.125.

Section 19: This section amends **AS 43** with a new chapter: Chapter 72: Marketplace Facilitator Sales Tax.

- Sec. 43.72.010 establishes a 2% sales tax on sales by marketplace facilitators.
- Sec. 43.72.020 requires the marketplace facilitator to collect the tax, hold it in trust for the state, and remit to Department of Revenue. There is a minimum sales threshold for the sales tax of \$250,000 or 200 individual transactions in the previous calendar year. Marketplace facilitators who meet or exceed the minimum sales threshold are required to register and remit the tax to the state, including online marketplace facilitators without a physical presence in state.
- Sec 43.72.030 establishes liability for payment of tax.
- Sec 43.72.040 provides for the same method of accounting the person uses for federal tax purposes.
- Sec 43.72.050 requires marketplace facilitators file a tax return.
- Sec. 43.72.060 authorizes the Department to adopt regulations relating to a rounding method.
- Sec. 43.72.070 allows the marketplace facilitator to deduct bad debts from their tax return.
- Sec. 43.72.080 provides that the Department may require a cash deposit as a security, a bond to guarantee solvency, or that the tax-payer's corporate officers assume the tax liability.
- Sec 43.72.090 provides that the successor of a marketplace facilitator who quits business be liable for remitting any outstanding tax payment.
- Sec 43.72.100 names the tax imposed by this chapter as a personal debt of the marketplace facilitator and its personal representatives, officers, or employees.

- Sec 43.72.110 establishes an organized retail theft fund in the general fund. The Legislature may appropriate funds to law enforcement agencies to investigate and prosecute organized retail theft. The fund is not a dedicated fund.
- Sec. 43.72.990 provides definitions for "law enforcement agency," "marketplace facilitator," "online marketplace," "resident," and "third-party seller." o The definition for "marketplace facilitator" includes a person who contracts with a third-party seller to facilitate the sale of the third-party seller's property through either a physical retail location or online marketplace.

Section 20: adds new sections in uncodified law to provide for an immediate effective date for each of this bill's sections.

[1:27:00 PM](#)

CHAIR GRAY opened invited testimony on HB 97.

[1:27:22 PM](#)

JOHN STASER, Owner, Mountain View Sports Center, shared his belief that HB 97 would take a significant step towards reducing retail theft in Alaska. He explained that thieves continue to adapt their strategies. Most recently, they have been hitting multiple stores in one day and staying below the felony theft levels at each store to avoid higher punishment. Holding the third-party sellers responsible would undermine the thieves' ability to make a quick profit, he said, adding that anything to disincentivize retail theft would help fight illicit drug use as well.

[1:29:53 PM](#)

DEB BONITO, President, Sourdough Mercantile, Inc; Co-Owner, Kobak Coffee, said she concurred with Mr. Staser's testimony and expressed her support for the bill. She explained that lowering the threshold would help fight theft and associated crime, because thieves know to stay below the threshold [to avoid higher punishment].

[1:30:53 PM](#)

The committee took a brief at-ease at 1:30 p.m.

[1:30:59 PM](#)

CHAIR GRAY sought questions from committee members.

[1:31:25 PM](#)

REPRESENTATIVE UNDERWOOD asked whether the bill sponsor was familiar with the differences between the governor's bill [HB 106] and HB 97.

REPRESENTATIVE FIELDS stated that the two bills were developed independently, adding that he had asked for the Department of Law's (DOL) help in critiquing his bill and determining the best vehicle to advance. He asked the committee whether - without imposing a user fee on the online marketplaces - the legislature would be doing enough to disrupt this very lucrative criminal marketplace.

REPRESENTATIVE UNDERWOOD asked Mr. Skidmore to explain the differences between HB 106 and HB 97.

[1:33:30 PM](#)

JOHN SKIDMORE, Deputy Attorney General, Criminal Division, Department of Law (DOL), said there are three primary difference: firstly, there is no tax in HB 106; secondly, HB 97 would reduce the class C felony threshold from \$250 to \$200 and the Class B felony from \$25,000 to \$20,000; thirdly, HB 106 would create a higher level crime for organized theft, whereas HB 97 would create a new theory of theft and focus exclusively on commercial retail theft.

[1:37:21 PM](#)

REPRESENTATIVE UNDERWOOD asked whether there are any constitutional concerns associated with the taxes in HB 97.

MR. SKIDMORE said he's unaware of any constitutional problems while acknowledging that he's not an expert on that subject.

REPRESENTATIVE FIELDS stated that there's a meaningful distinction between "designated" and "dedicated" to illustrate intent. He highlighted one additional difference between the two proposals: HB 106 would three people or more to constitute organized theft, whereas HB 97 would only require two.

1:39:09 PM

CLAIRE RADFORD, Attorney, Legislative Legal Services, Legislative Affairs Agency (LAA), in response to Representative Underwood's question about constitutional concerns, said there's a small chance that there may be a single subject issue with the bill. She explained that under HB 97, the single subject may be commerce; however, if a challenge were brought, a court could decide that commerce doesn't accurately capture the criminal provisions in the bill. In addition, there's a small risk of an equal protection concern regarding the taxes on marketplace facilitators. She explained that to win an equal protection challenge, at a minimum, it would need to be shown that the tax serves a legitimate governmental purpose, which fairly relates to taxing only marketplace facilitators.

1:41:10 PM

REPRESENTATIVE MINA asked how the bill would impact an individual shoplifter who sells [stolen goods] on the marketplace.

REPRESENTATIVE FIELDS said if the shoplifter were selling a \$225 jacket, they would be [prosecuted] at an elevated penalty level. Beyond that, the bill would attempt to correct the marketplace distortion whereby online facilitators are fueling organized crime and level the playing field for local establishments.

REPRESENTATIVE MINA considered the example of people selling jewelry on Instagram and questioned the level of formality that's required to be in contract with the third-party seller.

REPRESENTATIVE FIELDS questioned how to most accurately describe these online third-party vendors, such as Facebook Marketplace, Amazon, and Instagram, in the bill.

MS. RADFORD offered to follow up with the requested information.

1:45:18 PM

REPRESENTATIVE MINA shared her understanding that the Alaska Remote Seller Sales Tax Commission repealed the transaction threshold related to a sales tax in January 2025. She asked whether HB 97 would create a new tax or reinstate a prior tax.

REPRESENTATIVE FIELDS did not know the answer. He reiterated that the bill would establish a new user fee to target third party sellers that are vectors for organized crime.

REPRESENTATIVE MINA pointed out that price negotiations often occur on these third-party marketplaces and asked how accurate the two percent sales tax would be.

REPRESENTATIVE FIELDS responded if the e-commerce is transacted online, it's more likely the tax would be captured.

[1:47:33 PM](#)

REPRESENTATIVE EISCHEID questioned the rationale behind the minimum threshold of \$250,000 in sales or 200 separate transactions.

REPRESENTATIVE FIELDS reasoned that the goal is to target high volume online retailers, as opposed to a person who sells a bike to their neighbors.

REPRESENTATIVE EISCHEID asked whether the minimum thresholds were based on research.

MR. ANDERSON admitted that from a previous version of the bill, the number had increased after feedback from stakeholders.

REPRESENTATIVE EISCHEID asked whether the bill would incentivize criminals to steal lower value items more often.

REPRESENTATIVE FIELDS said the lower threshold would make it harder to steal things that smaller businesses need to stay in business. He added that the goal is to protect additional product for local store owners.

[1:50:26 PM](#)

CHAIR GRAY speculated that lowering the thresholds, in combination with inflation, would create new crimes for people who wouldn't otherwise be charged, which he characterized as an aggressive change.

REPRESENTATIVE FIELDS shared several examples and emphasized that \$200 may not seem like a lot of money, but it negatively impacts store owners' margins when the volume is high. He reiterated that the bill would target local businesses in downtown and midtown Anchorage that he'd like to see stay open.

CHAIR GRAY asked how two people constitutes organized crime.

REPRESENTATIVE FIELDS clarified that these two people are typically considered "boosters" and operating as part of a larger organized crime network. He added that if law enforcement had ample evidence to prove that these two individuals were part of a broader network, "let them prosecute."

CHAIR GRAY contended that one person could also be part a larger network and committing crimes on its behalf.

REPRESENTATIVE FIELDS responded, "that is a very fair point," adding that the committee could make that change with guidance from Legislative Legal Services and Department of Law (DOL).

[1:54:12 PM](#)

REPRESENTATIVE MINA asked how retail theft has shifted as online marketplaces have become more prevalent.

REPRESENTATIVE FIELDS offered to follow up with the requested information.

CHAIR GRAY announced that the bill would be held over.

HB 74-CRIME COUNTERFEIT/NONFUNCTIONING AIRBAG

[1:55:21 PM](#)

CHAIR GRAY announced that the final order of business would be HOUSE BILL NO. 74, "An Act establishing the crime of airbag fraud."

[1:55:41 PM](#)

The committee took an at-ease from 1:55 p.m. to 1:56 p.m.

[1:56:47 PM](#)

REPRESENTATIVE FRANK TOMASZEWSKI, Alaska State Legislature, as prime sponsor, presented HB 74. He paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

House Bill 74 establishes the crime of airbag fraud for knowingly selling, installing, or manufacturing a counterfeit or nonfunctioning airbag. Currently in Alaska, there is no law to prohibit the installation or reinstallation of airbags that do not meet federal safety standards. By establishing airbag fraud, House Bill 74 prohibits bad actors from knowingly selling, installing, or manufacturing these dangerous and improper devices.

Similar legislation already exists in over 30 states.

House Bill 74 establishes airbag fraud as a Class A misdemeanor or a Class C felony if death or serious injury to another person results.

House Bill 74 protects owners and employees of motor vehicle dealerships if they are unaware of counterfeit parts in a vehicle. It does not create a duty for owners and employees to inspect a vehicle for counterfeit parts before selling it. It does not inhibit the sale of vehicles for parts or salvage, or as a transfer to or from an insurance company to fulfil an insurance claim.

[1:59:39 PM](#)

DAVID GOFF, Staff, Representative Frank Tomaszewski, Alaska State Legislature, on behalf of Representative Tomaszewski, prime sponsor, presented sectional analysis for HB 74 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1

Amends the airbag fraud statute (AS 28.35.248) by establishing and defining airbag fraud as knowingly selling, offering for sale, installing, reinstalling, or manufacturing a counterfeit or nonfunctioning airbag or device that is intended to conceal a counterfeit or nonfunctioning airbag, or intentionally selling, leasing or trading a vehicle that the person knows has a counterfeit or nonfunctioning airbag.

Establishes airbag fraud as a class A misdemeanor or a class C felony if death or serious physical injury to another person occurs as a result of the counterfeit or nonfunctioning airbag.

Establishes that the liability of any party in a civil action is not precluded. Provides that this legislation does not create a duty to inspect a vehicle for a counterfeit or nonfunctioning airbag before its sale.

This section excludes a person installing, reinstalling, or replacing an airbag on a vehicle used solely for police work; an owner or employee of a motor vehicle dealership or the owner of a vehicle who does not have knowledge that the vehicle's airbag is counterfeit or nonfunctioning; a person who transfers a vehicle title to an insurance company to satisfy an insurance claim; or an insurance company that sells or otherwise disposes of a vehicle as authorized by law or regulation.

[2:01:34 PM](#)

CHAIR GRAY asked why insurance companies would be exempt from selling a vehicle with nonfunctioning or counterfeit parts.

REPRESENTATIVE TOMASZEWSKI said generally, insurance companies are selling a vehicle that's been totaled with airbags deployed, thereby selling it as a "parts vehicle." He said the bill would acknowledge that and prevent the insurance company from being held liable.

CHAIR GRAY questioned the intent of the language on page 2, line 19, which stated that the bill would not create a duty for the owner or employee of a motor vehicle dealership or the owner of the vehicle to determine whether the airbag is counterfeit or nonfunctioning.

MR. GOFF deferred the question to the invited testifiers.

[2:04:55 PM](#)

CHAIR GRAY opened invited testimony.

[2:05:07 PM](#)

CRAIG ORLAN, Director of Local and State Government Retailers, American Honda Motor Company, stated that this problem has been plaguing the industry for over a decade. However, he assured the committee that it's not a problem with the legitimate

automotive supply chain. When customers are involved in an accident, they sometimes replace their airbags at an independent repair facility, of which there are a handful of bad actors who knowingly replace those airbags with products that are not intended to provide protection, such as newspaper, rags, sawdust, or t-shirts. He shared examples to highlight the magnitude of the issue, reporting that the Wall Street Journal underwent an extensive investigation of the problem and identified several deaths and injuries all over the country that were directly related to these knockoffs. He said the primary goal is to prevent these counterfeits from being installed, adding that the vast majority of the products originate overseas. While there has been great support from federal law enforcement agencies, they have limited authority to act. By supplementing federal law with state law, state and federal cooperation would help prevent these airbags from entering the country and help address e-commerce retailers - who sell these products - in a timely manner. He concluded that similar legislation had been enacted in 38 states with broad bipartisan support and no public opposition.

[2:07:59 PM](#)

CHAIR GRAY, [referencing page 2, line 19], asked why the state would not want dealerships to determine whether an airbag is counterfeit or nonfunctioning.

MR. ORLAN opined that it would be an undue burden to require vehicle owners or dealerships to physically remove the airbag to confirm that it is legitimate every time the vehicle diagnostic system reports an issue.

CHAIR GRAY sought to confirm that it's impossible to check the functionality of an airbag without physically removing it.

MR. ORLAN answered, "Correct."

CHAIR GRAY asked for verification that this issue does not apply to a brand-new vehicle purchased from a dealership.

MR. ORLAN confirmed that this is not a problem with the legitimate automotive manufacturing process; however, it could apply to a used vehicle from a dealership if it had repairs made in the aftermarket.

CHAIR GRAY announced HB 74 would be held over.

2:11:15 PM

ADJOURNMENT

There being no further business before the committee, the House Judiciary Standing Committee meeting was adjourned at 2:11 p.m.