

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 3, 2025

3:16 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Carolyn Hall, Co-Chair
Representative Ashley Carrick
Representative Robyn Niayuq Burke
Representative Dan Saddler
Representative Julie Coulombe
Representative David Nelson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 94

"An Act relating to the registration of marijuana establishments; relating to a tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 113

"An Act relating to a tax exemption for qualified small businesses; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 94

SHORT TITLE: MARIJUANA: TAX/REGISTRATION; INCOME TAX

SPONSOR(S): REPRESENTATIVE(S) TOMASZEWSKI

02/12/25	(H)	READ THE FIRST TIME - REFERRALS
02/12/25	(H)	L&C, FIN
03/03/25	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 113

SHORT TITLE: TAX EXEMPTION: SMALL BUSINESS

SPONSOR(s) : LABOR & COMMERCE

02/24/25	(H)	READ THE FIRST TIME - REFERRALS
02/24/25	(H)	L&C, FIN
02/28/25	(H)	L&C AT 9:00 AM BARNES 124
02/28/25	(H)	Heard & Held
02/28/25	(H)	MINUTE(L&C)
03/03/25	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

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

POSITION STATEMENT: On behalf of Representative Tomaszewski, prime sponsor of HB 94, gave sponsor statement and sectional analysis.

SAM HACHEY, Owner
Tanana Herb Company
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony on HB 94.

LACY WILCOX, Vice President
Alaska Marijuana Industry Association
Juneau, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 94.

BAILEY STUART, Chair
Marijuana Control Board
Wasilla, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 94.

REPRESENTATIVE FRANK TOMASZEWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 94 as prime sponsor.

BRANDON SPANOS, Deputy Director
Tax Division, Department of Revenue
Juneau, Alaska

POSITION STATEMENT: As an invited testifier, answered questions from committee members during the hearing on HB 113.

JESSE GLAMANN, CEO
Big Ray's
Kodiak, Alaska

POSITION STATEMENT: Testified in support of HB 113.

LLOYD STIASSNY, Owner
Egan Management Group
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 113.

KARI NORE, Director
External Affairs, Alaska Chamber of Commerce
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 113.

ACTION NARRATIVE

[3:16:06 PM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Representatives Nelson, Coulombe, Burke, Carrick, Hall, and Fields were present at the call to order. Representative Saddler arrived as the meeting was in progress.

HB 94-MARIJUANA: TAX/REGISTRATION; INCOME TAX

[Contains mention of SB 73.]

[3:16:25 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 94, "An Act relating to the registration of marijuana establishments; relating to a tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date."

[3:17:03 PM](#)

DAVID GOFF, Staff, Representative Frank Tomaszewski, Alaska State Legislature, on behalf of Representative Tomaszewski, began by giving the prepared sponsor statement for HB 94 [included in the committee packet], which read as follows [original punctuation provided]:

Alaska's current marijuana excise tax places an undue burden on an industry that is overwhelmingly comprised

of small, Alaskan-owned businesses. Alaska's marijuana industry is currently taxed at \$50 per ounce at the wholesale level. This represents the highest effective tax on marijuana in the country. In 2022, the Governor convened the Advisory Task Force on Recreational Marijuana. The first recommendation from the task force was an adjustment to the marijuana tax structure.

Currently, the \$50 tax rate applies only to the highest-grade product. The statute applies lower rates to lower grades of the plant: immature or abnormal bud is taxed at \$25, and all other parts are taxed at \$15. There is currently no enforcement mechanism to determine which tax rate applies to different parts of the plant. As a result, marijuana tax revenue peaked at nearly \$30 million in 2022, but has declined since then. House Bill 94 eliminates the multiple tiers of taxation and establishes a single tax rate at \$12 per ounce. It also amends marijuana registration from annual to biennial, aligning the marijuana industry with the standard for other business.

Finally, House Bill 94 re-establishes the Alaska Small Business C-Corporation Income Tax Exemption that expired in 2023. This tax exemption applies to all small businesses with less than \$50 million in gross assets. Alaska does not tax small business that are organized as S-corporations or limited liability companies (LLC's). Some small businesses are organized as C-corporations and must pay Alaska's 9.4% corporate income tax (CIT), which currently has the fourth highest tax rate and the highest graduation of rates in the nation. According to the Department of Revenue, approximately 35 corporations claimed exemption with their 2022 tax return.

HB 94 would reinstate this exemption permanently, allowing for future business development in the state. Alaska should be encouraging small business development, rather than taxing current and future businesses at the highest rate levied on large corporations in the country.

MR. GOFF continued on to the sectional analysis of HB 94 [included in the committee packet], which read as follows [original punctuation provided]:

Sections 1-6

Amends AS 17.38.200(d), AS 17.38.210(e), AS 17.38.210(f), AS 17.38.210(h), AS 17.38.210(j), AS 17.38.320 to change renewal of application for marijuana establishment registrations from annual to biennial.

Section 7

Adds to AS 43.20.012(a) (corporate income tax exemptions) by reinstating an exemption for Alaska corporations that are qualified small businesses under 26 U.S.C. 1202(e), as that subsection read on January 1, 2012.

Section 8

Adds new subsections to AS 43.20.012 (corporate income tax exemptions) that a corporation qualifies for the small business exemption shall be determined on the first day of the tax year, and that all corporations that are members of the same parent-subsidary controlled group shall be treated as one corporation.

Section 9

Amends AS 43.61.010(a) (marijuana tax) to lower the excise tax rate from \$50 per ounce to \$12 per ounce.

Section 10

Conforms AS 43.61.010(b) to the new tax rate.

Section 11

Adds a new subsection AS 43.61.010 to the marijuana tax statute that the tax is imposed on all marijuana sales, regardless of the status of the seller's registration.

Section 12

Conforms AS 43.61.020(b) to reflect a single tax rate.

Section 13

Amends AS 43.61.300(a) (administration and enforcement of the marijuana tax) to make a person who is delinquent in the payment of the marijuana tax is subject to civil penalties under AS 43.05.220 (civil penalties for late or deficient tax payment).

Section 14

Adds to uncodified law applicability of the small business exemption in sections 7 and 8 for the tax year beginning on or after the effective date of this act.

Section 15

Provides and effective date of July 1, 2025.

[3:22:56 PM](#)

CO-CHAIR FIELDS stated that the committee would move to invited testimony on HB 94.

[3:23:11 PM](#)

SAM HACHEY, Co-Owner, Tanana Herb Company, stated that he is a part of the Governor's Advisory Taskforce Board. He stated that, without change, there would be no revenue in tax collection from marijuana products. He said that the Department of Revenue (DOR) has been studying trends in products sold in the [marijuana] industry since its legalization in 2016. He reported that there has been a shift from the sale of flower to trim, noting that 60-70 percent of the taxes currently collected are from trim sales. He listed other products that have increased in sales: vape products, edibles, concentrates, and joints. He stated that the taxes collected from flower were decreasing as other products became more popular.

MR. HACHEY asserted that HB 94 would address the biannual renewal [of licenses], which, he asserted, are very costly. He maintained that the C-corporation status exemption is very important. He noted that DOR is having difficulty with enforcement. He concluded by stating that HB 94 is proactive and would address the evolving [marijuana] industry.

[3:26:27 PM](#)

LACY WILCOX, Vice President, Alaska Marijuana Industry Association (AMIA), began her invited testimony by stating that AMIA is in full support of HB 94. In Alaska, she stated, local entrepreneurs had built the cannabis industry. She asserted that the current [marijuana] tax structure was oppressive, forcing job cuts and driving users towards an illicit market. She reported that the current flat excise tax of \$50 an ounce was created when cannabis prices were presumed to be high. She stated that, as the market has evolved, wholesale prices "have plummeted more than 50 percent, making [the] tax unsustainable" and burdensome for legal businesses. In many cases, she reported that the tax burden exceeds 30 percent of wholesale revenue, which is, she opined, much higher than any other industry. She asserted that HB 94 would provide a simple and immediate fix by lowering the excise tax to \$12 an ounce. She asserted that HB 94 would allow businesses to reinvest money saved under the provisions of HB 94, hire more workers, and compete with unregulated [marijuana] markets.

MS. WILCOX explained that the marijuana industry already faces significant financial challenges beyond taxation, such as the federal prohibition barring cannabis operators from using traditional banking and loans. Additionally, she cited Internal Revenue Services (IRS) code 280e, which prevents legal cannabis businesses from deducting normal operating expenses. She stated that these issues, combined with a "high cost of compliance," put legal operators at a disadvantage when competing with black market sellers. Additionally, she noted that HB 94 also would reinstate the C-corporation exemption for qualified small businesses, ensuring that they can continue their operations.

MS. WILCOX noted that the legal cannabis industry has significantly contributed to Alaska's economy, reporting that since 2017, legal operators had generated tens of millions of dollars in tax revenue, with a peak of \$28 million in 2023. She asserted that the industry is plateauing under the current tax structure and therein lies a choice either to "support a legal, tax-paying, job-creating industry or ... continue pushing businesses towards failure and consumers towards unregulated alternatives." She argued that HB 94 was not a handout; rather, it would create a tax structure that would be "fair, sustainable, and competitive." She asserted that, without meaningful tax reform, Alaska risks losing [marijuana] businesses and their contributions to the state. Ms. Wilcox urged the committee to pass the proposed bill, concluding that HB 94 would protect jobs, strengthen Alaska's economy, and ensure the survival of the [marijuana] industry.

[3:30:56 PM](#)

BAILEY STUART, Chair, Marijuana Control Board (MCB), stated that MCB supports both HB 94 and [its companion bill] SB 73. She asserted that HB 94 would provide "much-needed tax relief" for both the [marijuana] industry and the [Tax] Division. Additionally, she noted that the extension of the C-corporation exemption would provide relief for all small businesses in Alaska, not only marijuana retailers. She reported that MCB heard compelling public testimony in February [2025] regarding the severity of the "punitive tax." She asserted that the most pressing issue in Alaska was the operation of illegal markets without state oversight, which, she stated, actively undermines the [marijuana] industry. Additionally, she stated that MCB heard public testimony regarding the dangers of the "gray market" - illicit substances in hemp products entering Alaska despite regulatory changes by the Division of Agriculture [within the Department of Natural Resources]. She concluded by

stating that illegal operations are a complex issue that would take time to completely resolve, and that immediate tax relief would be "critical in the interim." She asserted that legal actors want to pay taxes and contribute to Alaska's economy.

[3:33:29 PM](#)

REPRESENTATIVE SADDLER echoed the invited testifier's sentiment that failure to reduce the [marijuana] tax would drive business to illicit markets. He queried the impact of the illegal market on consumers in Alaska.

[3:34:03 PM](#)

MR. HACHEY replied that one could track tax revenue and products currently sold through legal pathways and claimed that all of the current consumers would continue to consume marijuana products, regardless of whether said products were acquired legally or not. He cited that, when marijuana was legalized in 2016, there was an increase of consumers for three years before a plateau. He opined that approximately 20-30 percent of recreational consumers were likely already participating in the illicit market. He further opined that everybody could potentially engage in the illicit market, especially if [marijuana] businesses are forced to close.

[3:35:44 PM](#)

MS. STUART encouraged committee members to review the annual drug report compiled by the Alaska Division of State Troopers [within the Department of Public Safety]. She stated that troopers were not prosecuting marijuana facilities but found their reports highlighting "scary" trends regarding fentanyl and methamphetamines. She cited one incident in 2024 where state troopers found 316 pounds of [illicit] marijuana and noted that the numbers are significantly higher now than they were prior to the legalization of marijuana.

[3:36:48 PM](#)

REPRESENTATIVE COULOMBE stated that the marijuana industry strongly indicated the need for a retail tax. She noted that the industry was now supporting a wholesale tax and queried the reason for the revision.

MS. STUART responded that there appeared to be a lot of contention towards the introduction of a statewide sales tax;

thus, the marijuana industry opted for a different approach in hopes of providing immediate tax relief. She explained that implementing a statewide tax could have taken upwards of two years.

REPRESENTATIVE COULOMBE noted there would be significant reduction of licensing fees in the proposed legislation. She questioned the reason for the reduction of licensing fees. She additionally asked whether the reduction of licensing fees would be sufficient without the tax reform.

MS. STUART responded that currently the [marijuana] industry is \$2,000 over the statutory limit. She stated that the statute sets the maximum annual registration fee at \$5,000. She explained that the MCB had to pay back the general fund \$1.8 million dollars for the implementation of MCB. She further explained that the prior board raised the renewal fees to cover this payback and now that it was paid back, it was time to lower the licensing fees and bring them back into alignment with statute.

[3:40:12 PM](#)

REPRESENTATIVE CARRICK thanked the bill sponsor. She stated that the marijuana tax is the only revenue source for the Marijuana Education Treatment Fund and the Recidivism Reduction Fund. She asked what would be done to recoup the lost revenue for the programs.

[3:40:50 PM](#)

REPRESENTATIVE FRANK TOMASZEWSKI, Alaska State Legislature, emphasized the importance of providing immediate relief to the [marijuana] industry. He offered his belief that there are a few taxes that cover those programs mentioned by Representative Carrick. He asserted that Alaska would lose all funding for the Marijuana Education Treatment Fund and the Recidivism Reduction Fund should it start importing other states' marijuana products. He suggested adjusting applicable grants. He repeated that, without action, the marijuana industry would collapse.

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REPRESENTATIVE CARRICK expressed a desire for evidence-based policy. She stated that the Governor's Advisory Taskforce Board recommended a 3 percent sales tax rate. She queried the reason for not following the recommendation from the taskforce. She

noted that a previous iteration of HB 94 proposed a 6 percent [statewide] sales tax.

[3:43:54 PM](#)

REPRESENTATIVE TOMASZEWSKI echoed Ms. Stuart regarding the opposition drawn when attempting to come to an agreement on a statewide tax. He voiced concern that if he were to entertain a statewide sales tax, the proposed bill would die. He shared his desire to provide immediate relief to the [marijuana] industry. He stated that it is difficult to get policies like statewide sales tax through the legislative process.

[3:45:25 PM](#)

REPRESENTATIVE COULOMBE stated that it was clear the prior year that the marijuana industry was struggling. She asked for the reasoning behind the \$12 an ounce.

[3:46:00 PM](#)

MR. GOFF responded that stage one of the Taskforce recommendation was a reduction of the current excise tax on cultivators to 25 percent of the current rate, which would be approximately \$12 an ounce. Further, he explained that stage two of the Taskforce was a recommendation to implement a statewide sales tax.

[3:46:46 PM](#)

REPRESENTATIVE SADDLER queried whether the decrease in excise tax would also lower retail prices on cannabis products and increase consumption.

[3:47:31 PM](#)

MR. HACHEY speculated that the industry would see an overall increase in products sold. He offered his belief that a reduction in the excise tax would foster more commerce and put more affordable products out on the market. He emphasized that the proposed reduction was a small percentage. He stated that cannabis prices have remained relatively stable over the last few decades.

MR. HACHEY pointed out the budget for state operating and excise tax was approximately \$11-12 billion, and the proposed

legislation would see an estimated reduction in revenue by a couple million.

[3:49:18 PM](#)

REPRESENTATIVE SADDLER asked for clarification that if tax was reduced, [marijuana] consumption and sales would increase.

MR. HACHEY confirmed this was correct, in his opinion.

[3:49:43 PM](#)

MS. STUART offered that HB 94 would additionally incentivize consumers to purchase legal products that have been tested.

[3:50:06 PM](#)

REPRESENTATIVE CARRICK noted that HB 94 includes small business tax exemptions, and that HB 113 [heard subsequently in the meeting by the committee] would provide for the same language. She queried the reason for including both provisions in one bill and asked whether there was concern over a single-subject issue. She further queried how marijuana taxation language might relate to the small business tax exemption language.

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REPRESENTATIVE TOMASZEWSKI opined that HB 94 was one bill with "two tax-related issues" that could be considered the same general principle. He noted that a marijuana business could theoretically qualify for the small business exemption provision.

[3:51:48 PM](#)

REPRESENTATIVE SADDLER echoed previous speakers on the desire for immediate tax relief. He asked the industry's position on the imposition of a sales tax. He further asked, should HB 94 go into effect, whether a statewide sales tax was the intended next step.

[3:52:45 PM](#)

MS. WILCOX replied that the policy of retail tax is generally supported by most of the industry. She clarified that AMIA was not denouncing that policy. She admitted that AMIA was fearful that the complexities of implementing a sales tax model, and

lack of consensus among legislators would cause immediate relief to fail were it to be lumped together in legislation.

[HB 94 was held over.]

HB 113-TAX EXEMPTION: SMALL BUSINESS

[3:54:32 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE BILL NO. 113, "An Act relating to a tax exemption for qualified small businesses; and providing for an effective date."

[3:55:01 PM](#)

REPRESENTATIVE BURKE surveyed the differences in fiscal notes between HB 113 and HB 94.

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BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue (DNR), explained that the fiscal note for HB 94 included data through fiscal year 2023 (FY 23), and that the fiscal note for HB 113 had included data through FY 24.

[3:57:04 PM](#)

CO-CHAIR FIELDS opened public testimony on HB 113.

[3:57:28 PM](#)

JESSE GLAMANN, CEO, Big Ray's, testified in support of HB 113. He explained that his business, Big Ray's was started in the 1940s and became a corporation in 1967. He said Big Ray's has been a C-Corporation "for a very long time." He reported that Big Ray's has leveraged the exemption in HB 113 in business for the past eight years, using saved money to open new stores, enhance physical infrastructure, and invest in employees by providing health and benefits packages. He noted that Big Ray's currently has five stores in Alaska. He asserted that, without the exemption, his company would anticipate many changes. He offered his support for HB 113.

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REPRESENTATIVE SADDLER noted that Mr. Glamann stated that the exemption allowed him to expand business and provide employee benefits. He asked whether the exemption allowed him to "get ahead or just hold on" with regards to the cost of inflation and providing healthcare and benefits.

MR. GLAMANN noted that the costs of providing healthcare and benefits continue to increase every year. He responded that the exemption under HB 113 would help his business "hold on."

[4:00:44 PM](#)

LLOYD STIASSNY, Owner, Egan Management Group, testified in support of HB 113. He asserted that HB 113 would provide a critically important exemption for small businesses in Alaska. He explained that many small businesses transitioned to a C-corporation after the [Tax Cuts and Jobs Act] in [2017], which allowed small businesses to invest in themselves, enhance employment, and grow their platforms. He asserted that the State of Alaska needs to invest in new businesses and small businesses, stating that they provide the blueprint for employment and economic growth. He voiced strong support for continuing the small business exemption and offered his belief that the exemption had existed for 10 years prior to its expiration.

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MR. STIASSNY, in response to Representative Saddler's question on his representation, stated that he is the owner of Egan Management Group, a canvas platform company in southcentral Alaska.

[4:03:32 PM](#)

KARI NORE, Director, External Affairs, Alaska Chamber, testified in support of HB 113. She stated that the Alaska Chamber is the largest statewide business advocacy organization with 700 members, representing 58,000 Alaska workers and \$4.6 billion in wages. She stated that its mission is to foster a vibrant business environment in Alaska. She gave a brief history of the small business exemption, which was instated in 2013 and allowed to expire in 2023, much to the "surprise of the handful of businesses who used the exemption." She asserted that the exemption had allowed small businesses in Alaska to invest millions of dollars in staff, inventory and infrastructure. She stated that, according to the DOR's small business exemption

analysis, the three-year average cost to the state was \$2.5 million, with 50 businesses taking advantage of the credit. She asserted that "every dollar counts" with the "ever-increasing cost of labor and supplies" and the tax exemption "goes a long way for the small number of businesses who do qualify." She concluded by reiterating the Alaska Chamber's support for and urging swift passage of HB 113.

[4:05:22 PM](#)

REPRESENTATIVE SADDLER stated that money is fungible. He asked whether the value of the exemption was allowing businesses to increase investment or mitigate effects of inflation.

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MS. NORE responded that prior to significant inflation, the tax exemption allowed businesses to increase investment in additional infrastructure, stores, inventory, et cetera. However, she concurred with prior testimony, stating that, with inflation, the exemption "at this point ... just keeps them on a level playing field."

[4:06:20 PM](#)

CO-CHAIR FIELDS, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 113.

[HB 113 was held over.]

[4:06:36 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [4:06] p.m.