

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 7, 2025

3:15 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Ashley Carrick
Representative David Nelson

OTHER LEGISLATORS PRESENT

Representative Justin Ruffridge

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 50 (L&C)

"An Act relating to the comprehensive plans of first and second class boroughs."

- HEARD & HELD

HOUSE BILL NO. 171

"An Act relating to interchange fees on tax and gratuity; and relating to the Alaska Unfair Trade Practices and Consumer Protection Act."

- HEARD & HELD

HOUSE BILL NO. 70

"An Act relating to emergency medical services for operational canines; relating to the powers, duties, and liability of emergency medical technicians and mobile intensive care paramedics; relating to the practice of veterinary medicine; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 50

SHORT TITLE: MUNICIPAL COMPREHENSIVE PLANS: HOUSING

SPONSOR(s): SENATOR(s) DUNBAR

01/22/25 (S) PREFILE RELEASED 1/17/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) CRA, L&C
02/04/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/04/25 (S) Heard & Held
02/04/25 (S) MINUTE(CRA)
02/11/25 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/11/25 (S) Moved CSSB 50(CRA) Out of Committee
02/11/25 (S) MINUTE(CRA)
02/12/25 (S) CRA RPT CS 2NR 2DP SAME TITLE
02/12/25 (S) NR: MERRICK, YUNDT
02/12/25 (S) DP: DUNBAR, GRAY-JACKSON
03/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/03/25 (S) Heard & Held
03/03/25 (S) MINUTE(L&C)
03/07/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/07/25 (S) Moved CSSB 50(L&C) Out of Committee
03/07/25 (S) MINUTE(L&C)
03/10/25 (S) L&C RPT CS 3DP SAME TITLE
03/10/25 (S) DP: BJORKMAN, DUNBAR, YUNDT
03/17/25 (S) TRANSMITTED TO (H)
03/17/25 (S) VERSION: CSSB 50(L&C)
03/21/25 (H) READ THE FIRST TIME - REFERRALS
03/21/25 (H) CRA, L&C
03/25/25 (H) CRA AT 8:00 AM BARNES 124
03/25/25 (H) Heard & Held
03/25/25 (H) MINUTE(CRA)
04/01/25 (H) CRA AT 8:00 AM BARNES 124
04/01/25 (H) Moved CSSB 50(L&C) Out of Committee
04/01/25 (H) MINUTE(CRA)
04/02/25 (H) CRA RPT 4DP 1NR
04/02/25 (H) DP: HOLLAND, HALL, HIMSCHOOT, MEARS
04/02/25 (H) NR: RUFFRIDGE
04/07/25 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 171

SHORT TITLE: INTERCHANGE FEES: TAX & GRATUITY

SPONSOR(s): REPRESENTATIVE(s) ELAM

04/02/25 (H) READ THE FIRST TIME - REFERRALS
04/02/25 (H) L&C, FIN
04/07/25 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

SENATOR FORREST DUNBAR
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented CSSB 50(L&C).

HAHLEN BEHNKEN, Staff
Senator Forrest Dunbar
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave a sectional analysis of CSSB 50(L&C) on behalf of Senator Dunbar, prime sponsor.

JAMES DEVENS, Valdez City Councilmember
Valdez City Council
Valdez, Alaska

POSITION STATEMENT: Gave invited testimony in support of CSSB 50(L&C).

REPRESENTATIVE BILL ELAM
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 171.

KENDRA BROUSSARD, Staff
Representative Bill Elam
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave a sectional analysis on HB 171, on behalf of Representative Elam, prime sponsor.

SARAH OATES HARLOW, President & CEO
Alaska CHARR
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 171.

ROBERT SCHMIDT, Director
Division of Banking & Securities
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 171.

ACTION NARRATIVE

[3:15:48 PM](#)

CO-CHAIR CAROLYN HALL called the House Labor and Commerce Standing Committee meeting to order at 3:15 p.m. Representatives Coulombe, Burke, Fields, and Hall were present at the call to order. Representative Saddler arrived as the meeting was in progress.

SB 50-MUNICIPAL COMPREHENSIVE PLANS: HOUSING

[Contains discussion of SB 14.]

[3:16:50 PM](#)

CO-CHAIR HALL announced the first order of business would be CS FOR SENATE BILL NO. 50(L&C), "An Act relating to the comprehensive plans of first and second class boroughs."]

[3:17:03 PM](#)

SENATOR FORREST DUNBAR, Alaska State Legislature, as prime sponsor, presented CSSB 50(L&C). He gave prepared introductory remarks [included in the committee file], which read as follows [original punctuation provided]:

SB 50 is a common-sense measure to bring more focus to Alaska's housing crisis. Every member of this body is familiar with the scarcity of adequate housing the state, and the negative effect that it has on our families, community, and economy. The State of Alaska already recognizes the importance of community planning. Title 29 includes a long-standing requirement for first and second-class boroughs to adopt and periodically update comprehensive plans. The state suggests, but does not prescribe, four components of these plans. In practice, many boroughs follow these suggestions. However, housing does not fit neatly into any of the suggested categories, so it is sometimes overlooked, or taken for granted. SB 50 will add a housing development plan as a new suggested component for local comprehensive plans. I'll note that this bill does not create a mandate or unfunded burden for borough governments. It does not require them to redo or immediately update their current plans. The bill simply encourages them to emphasize housing in their next scheduled comprehensive plan

updates, which often happen about a ten-year cycle. In the process, boroughs will assess how regulations impact housing supply, engage and inform the public, and recommend reforms.

[3:18:36 PM](#)

HAHLEN BEHNKEN, Staff, Senator Forrest Dunbar, Alaska State Legislature, on behalf of Senator Dunbar, prime sponsor of SB 50, gave the sectional analysis [included in the committee file], which read as follows [original punctuation provided]:

Section 1: AS 29.40.030(a): Adds a new subsection 5 to AS 29.40.030(a) stating that a housing development plan will now be one of the components that may be included in a comprehensive plan. Redesignates the former subsection 5 as subsection 6.

[3:19:20 PM](#)

JAMES DEVENS, Valdez City Councilmember, Valdez City Council, began invited testimony on CSSB 50(L&C). He stated that he has served as a member of the Valdez City Council for a number of years. He reported that an overhaul of Valdez' local comprehensive plan, one of his first major municipal projects, included a "specific and ongoing" focus on housing. He opined that this has resulted in enormous benefit to the community, reporting the construction of many housing units during his time on the council. He remarked that Valdez has not yet reached its "difficult and lofty" housing goals and spoke about the high costs associated with modern housing. He offered his belief that setting housing as a specific goal of its comprehensive plan allowed the City of Valdez to achieve that goal more successfully. He offered his support for CSSB 50(L&C).

[3:21:44 PM](#)

REPRESENTATIVE COULOMBE asked if there was anything that prevents boroughs from making a housing plan.

SENATOR DUNBAR replied no. He explained that the proposed legislation originated from a discussion with a housing planner in Anchorage on the ways that the State of Alaska could help encourage housing. He explained that Alaska does not mandate what is or isn't in the comprehensive plans, to his surprise, though he offered his belief that local governments create their comprehensive plans with the state laws in mind. He stated that

CSSB 50(L&C) would apply only to first- and second-class boroughs, and would not apply to home rule municipalities, such as Anchorage, Alaska.

REPRESENTATIVE COULOMBE asked how many first- and second-class boroughs have comprehensive plans.

[3:23:26 PM](#)

MR. BEHNKEN replied that every first- and second-class borough has a comprehensive plan, as required by law; however, he reiterated, there is no requirement from the State of Alaska on the content of the comprehensive plans.

[3:23:45 PM](#)

CO-CHAIR FIELDS asked what other cities and states are doing for the development of vacant spaces, such as empty parking lots or empty office spaces. He asked if there was anything that could be added to CSSB 50(L&C) to incentivize redevelopment.

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SENATOR DUNBAR responded that other states have begun to take zoning authority away from local governments, who have been resistant to housing development. He cautioned that Alaska was not yet ready for that kind of heavy-handedness. He noted that Anchorage, Alaska, recently repealed its parking minimum, which he called a "positive reform." He referred to his bill from the prior year, Senate Bill 77, regarding redevelopment and "the blighted property tax," which he noted, did not make it to the House floor. He referred to another bill of his, SB 14, regarding Alaska Industrial Development and Export Authority (AIDEA) loans. He suggested that SB 50 was able to pass the senate body unanimously due in part to its zero fiscal note. He offered his concern that, were the state to provide for its own incentive programs, it would increase the fiscal note. He further noted that the state could change what kind of property tax rebates were allowed at the local level.

[3:26:26 PM](#)

CO-CHAIR FIELDS suggested amending the proposed legislation by adding local property tax breaks.

SENATOR DUNBAR noted that local property tax breaks did pass the legislature the prior year. He clarified that the provision

regarding blighted properties tax did not pass the prior year. He noted that there are approximately 300 vacant units in Mountainview and opined that a blighted properties tax would be very useful.

CO-CHAIR FIELDS offered his agreement and appreciation for CSSB 50(L&C). He additionally welcomed ideas for amendments to the proposed legislation from the bill sponsor.

[3:27:33 PM](#)

REPRESENTATIVE SADDLER questioned the difference between a "housing plan" and a "housing development plan."

SENATOR DUNBAR offered his belief that there were no legal definitions in state law for "housing plan" or "housing development plan." He noted that the name change [from "housing plan" to "housing development plan"] was a friendly amendment from Senator Yundt and explained that he did not want the proposed legislation to be interpreted in such a way where one could apply more "restrictive zoning and reduce the amount of housing development through a housing plan." He further stated the intent of CSSB 50(L&C) was that a "housing development plan would ... explain in the comprehensive process how you're going to ... build and renovate, redevelop the housing needed to have affordable, attainable housing for your population." He provided a personal anecdote illustrating how difficult it currently was to find housing in Anchorage, Alaska.

REPRESENTATIVE SADDLER queried if the proposed legislation carried the implication that government is responsible for housing people.

SENATOR DUNBAR responded that the government is not responsible for building housing. He argued that the government may be responsible for transportation in the sense that it is responsible for the roads and trails, which is implied by transportation planning. He suggested that it is the government's job "to not create regulations so restrictive that housing becomes impossible to build." He noted that the roots of modern zoning were to prevent certain kinds of construction in certain areas, and he desired to "move past that."

REPRESENTATIVE SADDLER commented that there are good reasons for a community not to build on a landslide zone or a flood zone.

[3:31:25 PM](#)

REPRESENTATIVE SADDLER asked whether the proposed legislation would require immediate modification.

SENATOR DUNBAR replied that CSSB 50(L&C) would not require immediate revision of comprehensive plans, rather upon renewal of comprehensive plans on their regular schedules.

[3:31:59 PM](#)

CO-CHAIR HALL announced that CSSB 50(L&C) was held over.

[3:32:04 PM](#)

The committee took a brief at-ease at 3:32 p.m.

HB 171-INTERCHANGE FEES: TAX & GRATUITY

[3:32:19 PM](#)

CO-CHAIR HALL announced that the final order of business would be HOUSE BILL NO. 171, "An Act relating to interchange fees on tax and gratuity; and relating to the Alaska Unfair Trade Practices and Consumer Protection Act."

[3:32:40 PM](#)

REPRESENTATIVE BILL ELAM, Alaska State Legislature, as prime sponsor, presented HB 171. He gave the prepared sponsor statement [included in the committee file], which read as follows [original punctuation provided]:

In an effort to reduce unnecessary costs for Alaska's small businesses, House Bill 171 addresses how interchange fees - commonly known as swipe fees - are applied to electronic transactions.

Right now, when a customer pays with a credit or debit card, businesses are charged fees on the entire amount of the transactions. This includes not only the cost of goods or services, but also any sales tax collected on behalf of the government and gratuity intended for employees. In both cases, that money is passed through the business and not retained as revenue, yet the business is still charged a fee for it.

HB 171 prohibits financial institutions from charging interchange fees on the tax and gratuity portions of a transaction when proper documentation is provided. It also allows businesses a reasonable window to submit that documentation after the transaction and receive a refund for any related fees. The bill includes penalties for violations and ensures payment data is used appropriately and securely.

This legislation helps ensure that small businesses aren't penalized for handling money they never keep. It provides a level of fairness and transparency in how fees are applied, without creating new programs or expanding state bureaucracy.

Alaska's business owners already face rising costs and tight margins. House Bill 171 offers targeted relief by removing a hidden cost that adds up over time - making a real difference for the many small businesses that power our local economies.

[3:34:43 PM](#)

KENDRA BROUSSARD, Staff, Representative Bill Elam, Alaska State Legislature, on behalf of Representative Elam, prime sponsor of HB 171, gave the sectional analysis [included in the committee file], which read as follows [original punctuation provided]:

Section 1 adds a new section

a. Prohibits issuers, payment card networks, acquirer banks, or processors from receiving or charging merchants interchange fees on the tax or gratuity portion of an electronic payment transaction if proper documentation is provided during the authorization or settlement process.

b. Allows merchants to submit tax or gratuity documentation up to 180 days after the transaction if it was not originally transmitted. The issuer must refund the merchant within 30 days of receiving this documentation.

c. Clarifies that documentation may be for individual or multiple transactions, as long as it clearly shows total transaction amounts and tax or gratuity portions.

d. States that payment card networks are not liable for the accuracy of the tax or gratuity documentation submitted by merchants.

e. Prohibits raising interchange fees on the remaining (non-tax/gratuity) portion of a transaction to compensate for prohibited fees on tax or gratuity.

f. Establishes a civil penalty of \$1,000 per violation and requires refunding the improper fee to the merchant.

g. Restricts use of electronic payment transaction data to processing or legal requirements only, safeguarding data privacy.

h. Defines key terms such as "acquirer bank," "issuer," "interchange fee," "electronic payment transaction," "settlement," "tax," and others for the purposes of this section

Section 2

Amends AS 45.50.471 (b) adding a new violation under the Act for misuse of electronic payment transaction data as described in section 1 (g)

[3:36:39 PM](#)

REPRESENTATIVE ELAM surmised that waiters, waitresses, bartenders, and baristas are currently being charged additional fees on their tips. He stated that a lot of money is going out of state. He advised that the intent of the proposed legislation was to create a "less restrictive ability to maintain more of the profit within ... goods and services in an already very competitive market" for service industries.

[3:38:44 PM](#)

SARAH OATES HARLOW, President & CEO, Alaska CHARR, as an invited testifier, gave a prepared statement [included in the committee file] in support of HB 171, which read as follows [original punctuation provided]:

I have served as President & CEO of the Alaska Cabaret, Hotel, Restaurant, and Retailers Association (commonly known as Alaska CHARR) since 2018. Alaska

CHARR is based in Anchorage but has over 750 members across Alaska communities and represents over 2,000 hospitality establishments that employ over 36,000 workers around the state.

You have heard me testify in this committee multiple times that Alaska's hospitality industry continues to face significant ongoing challenges to business operations, including major increases to operating and labor costs - one of those being interchange fees. I spoke specifically to this matter on March 24th in this committee with a request to amend a separate bill, and in response, I greatly thank Representative Elam for introducing HB 171 as independent legislation on this important issue.

Hospitality businesses are the cornerstones of our communities and an engine of our economy. In 2024, Alaska's restaurant industry exceeded \$4.02 billion in economic output and collected \$254 million in taxes for all levels of government.

However, this service for the government comes at a significant cost for the business owner, because credit card networks require businesses to pay interchange fees (also known as "swipe fees") on the taxes they collect. The same is true for tips left by credit card for servers and bartenders. In both cases, the operator collects the money, but 100% of the amount is passed on to either the government or hospitality employees. But the swipe fees (averaging 2-4% per transaction) must still be paid on the total check amount, so those fees are coming out of businesses' margins. Because of the power of the credit card companies, our small businesses in Alaska have no ability to negotiate these fees.

Restaurants alone in Alaska are paying over \$6.2 million in credit card swipe fees annually just to carry out their role in collecting taxes on behalf of localities. This does not include all other Alaska businesses across the state that collect and remit taxes on behalf of governments. This figure is certainly much higher for gratuities and tips given that a conservative estimate for the typical restaurant tip is 15% across the nation. Alaska businesses should be protected from paying costly

interchange fees when collecting money on behalf of the government or employees.

You heard me speak about one of our members who owns stores around Alaska spent over \$50,000 last year on interchange fees just on the alcohol tax collected on behalf of the Municipality of Anchorage. To be clear, these are not the fees charged for the transaction of the actual products purchased; these are fees charged on the just taxes collected. That vendor, which is an Alaskan-owned business, had to pay \$50,000 to the credit card processor to collect monies that the business doesn't even get to keep. Dozens of restaurants and other small hospitality businesses have reported to the Alaska CHARR team that the money they would save if the language in this legislation passes would enable them to hire additional employee positions on their teams.

HB 171 will help thousands of Alaskan-owned establishments around the state that collectively represent Alaska's largest private employer and second-largest industry, in addition to all other businesses that collect and remit sales or other taxes on behalf of the government. This legislation would keep millions of dollars in Alaska rather than sending them to massive corporations in New York, meanwhile supporting small and Alaskan-owned businesses, increasing employment opportunities for Alaskan workers, and further contributing to Alaska's economy.

If I make one small request for an amendment, it would be to remove "issuers," "acquirer banks," and "processors" from this legislation, and just have it apply to payment card networks, as the networks are the entities who set the fees. Illinois passed similar legislation this year, which I believe this legislation may be based off of, and that is being litigated in court. We learned that this type of legislation is best pursued by limiting the language and the applicability to the actual payment card networks. This will still result in the same impact on small businesses.

As the voice of Alaska's hospitality industry, I urge your support of HB 171.

[3:43:35 PM](#)

REPRESENTATIVE SADDLER asked what the average profit margin in the hospitality industry is.

MS. OATES HARLOW replied that the average profit margin for restaurants is between 3 to 5 percent pre-COVID-19 pandemic. She further stated that post-pandemic, the profit margins for package liquor stores are closer to 1 percent on average. She reported that the estimated profit margins for restaurants were 1 to 2 percent because of increased operating and labor costs.

[3:44:40 PM](#)

REPRESENTATIVE COULOMBE asked how the interchange fees are tracked in restaurants.

MS. OATES HARLOW replied that due to legislation passed in Illinois, there is software currently being developed by processing networks to automatically calculate fee application. She noted that, as written, HB 171 would require businesses to keep track of the interchange fees and spoke to a need for itemization.

REPRESENTATIVE COULOMBE asked whether there was a concern about burdens on small businesses. She noted that businesses keep track of their taxes.

MS. OATES HARLOW reiterated that due to the legislation in Illinois, there are big companies already developing software. She stated that there was no concern about potential burden on small businesses and noted that many small businesses are already tracking these types of transactions, especially due to slim profit margins. She asserted that the potential benefit to the small business would outweigh the administrative burden of tracking the fees.

[3:47:50 PM](#)

MS. OATES HARLOW, in response to a question from Representative Saddler regarding how tips are differentiated from the total cost of food service in a restaurant, said credit card processing systems calculate that data with daily and monthly reconciliations.

[3:49:28 PM](#)

REPRESENTATIVE BURKE questioned whether servers were receiving the entirety of their tips or if those tips were being reduced to cover the cost of the fees.

MS. OATES HARLOW replied that it varies drastically from one business to another. She reported that some large businesses are passing that fee onto the server, but that the majority of businesses are "eating the cost."

[3:50:39 PM](#)

REPRESENTATIVE SADDLER queried how much commerce in Alaska is conducted on credit cards that are subject to interchange fees.

[3:51:12 PM](#)

ROBERT SCHMIDT, Director, Division of Banking & Securities, Department of Commerce, Community & Economic Development (DCCED), replied that he has no hard data on the potential reach of the proposed legislation. He noted that "lots of businesses in Alaska use credit cards."

[3:51:41 PM](#)

REPRESENTATIVE COULOMBE referred to the legal memorandum ("memo") attached to HB 171, stating: "The U.S. Constitution prohibits states from enforcing laws contrary to federal law. Federal banking laws preempt state law if the state law prevents and significantly interferes with the exercise by the National Bank." She asked whether there was something that could be done to remove the legal memo and whether the sponsor had discussed the legal memo with any authorities.

[3:52:23 PM](#)

REPRESENTATIVE ELAM stated that there was federal law that applied to national banking institutions. He noted that the proposed legislation would apply to state institutions. He noted that there would likely be litigation regarding similar legislation in other states. He referenced the invited testifier, noting that there might be language in need of refinement.

REPRESENTATIVE COULOMBE requested the presence of Legislative Legal Services for the next hearing on HB 171. She offered her support for HB 171 but stated her desire to amend the proposed bill to avoid legal complications.

[3:54:16 PM](#)

REPRESENTATIVE SADDLER asked the sponsor's thoughts on the suggestion from Ms. Oates Harlow to eliminate "issuer", "acquirer bank", or "processor".

REPRESENTATIVE ELAM opined that sometimes "less is more," but ultimately deferred to Legislative Legal Services.

[3:54:57 PM](#)

REPRESENTATIVE COULOMBE, referring to terms on page 3, asked whether HB 171 would provide brand new definitions or make changes to existing definition in Alaska Statute (AS).

REPRESENTATIVE ELAM replied that they were mostly changes to existing definitions in statute.

[3:55:36 PM](#)

REPRESENTATIVE SADDLER asked for the justification for swipe/interchange fees. He further asked for confirmation that the proposed legislation would not prevent interchange fees.

MR. SCHMIDT explained that interchange fees constitute 70 to 90 percent of all credit card fees. He confirmed that Representative Saddler's understanding of HB 171 was correct and used a scenario to illustrate that for a purchase of \$20, with \$2 tax and a \$5 tip, the interchange fee would be applicable only on the \$20, not on the tax and tip.

[3:58:15 PM](#)

CO-CHAIR FIELDS reported that two companies control 80 percent of the market. He stated that credit card swipe fees have doubled from \$51 billion in 2012 to over \$126 billion in 2022. He asserted that there were a "small number of companies taking advantage of a noncompetitive market to raise prices."

[3:58:52 PM](#)

REPRESENTATIVE COULOMBE referred to page 2, line 19, of the proposed legislation, citing a civil penalty of "\$1,000 for each payment transaction in violation". She asked what might incur a \$1,000 civil penalty and who would be subject to the fee.

REPRESENTATIVE ELAM responded that a \$1,000 fee would be imposed on the cardholder network were a vendor to submit reimbursement for interchange fees and be declined or if a vendor were wrongly charged for interchange fees. In response to an additional question from Representative Coulombe, confirmed that it was \$1,000 civil penalty per transaction.

[4:00:03 PM](#)

CO-CHAIR FIELDS thanked the bill sponsor.

[4:00:34 PM](#)

CO-CHAIR HALL announced that HB 171 was held over.

[4:00:47 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:00 p.m.