

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 3, 2025

1:31 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Kelly Merrick, Vice Chair
Senator Elvi Gray-Jackson
Senator Forrest Dunbar
Senator Robert Yundt

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 14

"An Act relating to the Alaska Industrial Development and Export Authority; and relating to workforce housing development projects."

- HEARD & HELD

SENATE BILL NO. 77

"An Act relating to national criminal history record checks for certain employees of the Department of Revenue; relating to allowable absences for eligibility for a permanent fund dividend; relating to the confidentiality of certain information provided on a permanent fund dividend application; relating to the duties of the Department of Revenue; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 73

"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

PREVIOUS COMMITTEE ACTION

BILL: SB 14

SHORT TITLE: AIDEA FINANCE WORKFORCE HOUSING DEVELOP.

SPONSOR(s): SENATOR(s) DUNBAR

01/10/25 (S) PREFILE RELEASED 1/10/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) L&C, FIN
02/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 77

SHORT TITLE: PERM FUND; EMPLOYMENT; ELIGIBILITY

SPONSOR(s): SENATOR(s) KIEHL

01/27/25 (S) READ THE FIRST TIME - REFERRALS
01/27/25 (S) L&C, STA
02/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 73

SHORT TITLE: MARIJUANA: TAX/REGISTRATION; INCOME TAX

SPONSOR(s): SENATOR(s) CLAMAN

01/24/25 (S) READ THE FIRST TIME - REFERRALS
01/24/25 (S) L&C, FIN
02/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

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

POSITION STATEMENT: Provided the sectional analysis for SB 14.

ANNA BRAWLEY, Assembly Member
Anchorage Assembly
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 14.

RICHELLE JOHNSON, Director
Research and Technical Assistance
University of Alaska Center for Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 14.

STACY BARNES, Director
Government Relations and Public Affairs

Alaska Housing Finance Corporation (AHFC)
Anchorage, Alaska
POSITION STATEMENT: Answered questions regarding SB 14.

SENATOR JESSE KIEHL, District B
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 77.

KARI NORE, Director
External Affairs
Alaska Chamber
Anchorage, Alaska
POSITION STATEMENT: Testified by invitation on SB 77.

EMILY NENON, Director
Alaska Government Relations
American Cancer Society Cancer Action Network
Anchorage, Alaska
POSITION STATEMENT: Testified by invitation on SB 77.

SENATOR MATT CLAMAN, District H
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 73.

CARLY DENNIS, Staff
Senator Matt Claman
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided the sectional analysis for SB 73.

BRANDON SPANOS, Deputy Director
Department of Revenue
Juneau, Alaska
POSITION STATEMENT: Verified fiscal notes for SB 73.

DAN STICKEL, Chief Economist
Department of Revenue
Juneau, Alaska
POSITION STATEMENT: Answered questions on fiscal notes for SB 73.

JOE BANKOWSKI, Investigator
Alcohol and Marijuana Control Office
Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 73 regarding enforcement.

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

POSITION STATEMENT: Testified by invitation on SB 73.

JANA WELTZIN, Lawyer
JDW Counsel
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 73.

AARON STIASSNY Board Member
Alaska Marijuana Industry Association
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 73.

RENEE BERGERON, Accountant
Thomas Head and Greisen PC
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 73

ACTION NARRATIVE

[1:31:58 PM](#)

CHAIR BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Merrick, Gray-Jackson, Dunbar, Yundt and Chair Bjorkman.

SB 14-AIDEA FINANCE WORKFORCE HOUSING DEVELOP.

[1:33:18 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 14 An Act relating to the Alaska Industrial Development and Export Authority; and relating to workforce housing development projects."

[1:33:42 PM](#)

SENATOR DUNBAR speaking as sponsor presented an overview of SB 14. He stated SB 14 was called Senate Bill 239 in the previous past legislature and allowed the Alaska Industrial Management and Export Authority to provide loans for certain multifamily housing construction. He stated that HB 14 is a tool to help people access financing and build housing.

[1:35:09 PM](#)

HAHLEN BEHNKEN, Staff, Senator Forrest Dunbar, Alaska State Legislature, Juneau, Alaska, provided the sectional analysis for SB 14 as follows:

[Original punctuation provided.]

SECTIONAL ANALYSIS

SB 14: AIDEA FINANCE WORKFORCE HOUSING DEVELOPMENT

Section 1: AS 44.88.070: Adds a new subsection 7 to AS 44.88.070 which states the purpose of the authority. Providing means of financing and facilitating the financing of construction of new workforce housing facilities with five or more units will now be part of the mission of AIDEA.

Section 2: AS 44.88.080: Adds a new subsection 33 to AS 44.88.080 stating the powers of authority. One of the powers of AIDEA will now be to provide means of financing and facilitating the financing of construction of new workforce housing facilities with five or more units.

Section 3: AS 44.88.900(6): Extends the definition of "development project" to include workforce housing facilities with five or more dwelling units, as defined in the new section J of AS 44.88.900(14).

Section 4: AS 44.88.900(14): Adds a new section J to include workforce housing in the meaning of "project" under AS 44.88.900(14)

Section 5: AS 44.88.900: Adds a new subsection 22 to AS 44.88.900 defining "workforce housing". Workforce housing will be defined as residential housing that costs the occupants less than 30 percent of the income of a household with 120 percent of the area median family income, as determined by the United States Department of Housing and Urban Development.

[1:36:51 PM](#)

SENATOR DUNBAR mentioned that he talked with AIDEA and Alaska Housing Finance Corporation to avoid overlapping efforts and both organizations were supportive of SB 14. He said AIDEA had already taken similar initiatives back in the 80's that aligned with SB 14. He emphasized that AIDEA has the power, and the

legislature wants the agency to use the power they have. He stressed that major projects in Alaska cannot move forward without addressing housing needs and expressed hope that housing development would become a key part of AIDEA's strategy to support industry growth in the state.

[1:38:21 PM](#)

SENATOR GRAY-JACKSON asked if SB 14 passed would AIDEA be required by law to help develop industry in Alaska.

[1:38:41 PM](#)

SENATOR DUNBAR answered no it would not be a legal requirement.

SENATOR GRAY-JACKSON said AIDEA can already help, but this bill would make it law. She mentioned her own bills; while the agency already had authority, putting it in statute ensured there was no choice.

SENATOR DUNBAR answered SB 14 would not force AIDEA to make any of those decisions. He stated that there is some vagueness about whether the list of permitted activities is thorough. He said housing development fits under current powers and past actions support that. SB 14 removes any doubt.

[1:40:14 PM](#)

CHAIR BJORKMAN stated that some people worry SB 14 could compete with the private financing market. He asked if that was a concern.

[1:40:28 PM](#)

SENATOR DUNBAR answered he has spoken with private financiers that have said typically multifamily housing aren't getting financed; it's hard to make the numbers work. He stated that in Anchorage the only major workforce housing developer is Cook Inlet Housing Authority, which relies on layered tax credits. He stated that SB 14 couldn't compete with private financing.

[1:41:29 PM](#)

SENATOR YUNDT stated that the more options in the market the better. He asked if AIDEA had shared any preliminary guidelines on how it's plan would differ from Housing Finance Companies (HFCs). He opined the plans are too similar, the bill might not solve the problem.

[1:42:17 PM](#)

SENATOR DUNBAR answered AIDEA has not. He agreed that comparing preliminary guidelines is a great idea and that both groups

believe AIDEA can offer tolls AHFC currently doesn't or can't offer.

1:43:05 PM

CHAIR BJORKMAN announced invited testimony on SB 14.

1:43:15 PM

ANNA BRAWLEY, Assembly Member, Anchorage Assembly, Anchorage, Alaska, testified by invitation on SB 14. She paraphrased the following written testimony:

[Original punctuation provided.]

I'm speaking today as an Assembly member for West Anchorage, a strong advocate for building housing to meet our community needs, and a policymaker who is very focused on local housing action. While I am not speaking on behalf of the Municipality on this bill, housing is one of our legislative priorities, and in line with our overall requests to the State regarding housing financing (see excerpt below these comments). I urge your support for SB14.

The Municipality (MOA) is very focused on spurring housing production, and what we can do at the local level: cutting red tape, removing barriers, incentivizing new housing, and making local investments in affordable housing. The Assembly's Housing Action and the Mayor's 10,000 Homes in 10 Years Strategy both speak to actions we can take locally, and we continue making local policy changes to make it easier to build. The short version: we are doing everything we can, with the limited levers we can pull, particularly for small-scale projects like duplexes and 4-plexes, which the market is trying to produce and runs into local barriers. It is also important to understand and acknowledge that while Anchorage may have more tools at the local level, many communities with equally dire housing needs are facing cost and feasibility challenges and have fewer options to solve these issues on their own.

I've spent a lot of time working with builders and developers, housing organizations, and people who specialize in financing, engineering and infrastructure policy to really understand what the challenges are, and what needs to be done locally, and

at other levels. This informed our local housing work and helped me understand what is most needed at the state level: Infrastructure (meaning water and sewer, roads, etc.) and Financing (helping make projects economically viable, where the market isn't producing them on their own).

[1:45:32 PM](#)

MS. BRAWLEY continued with their testimony.

It is also important to think about the different segments of the housing market, what the market is already producing and where local action is needed, and what types of housing the private sector struggles to provide in feasible way, even as it continues to be what our communities need. Some types of housing are getting built, like single family homes; others can get built as we get local barriers out of the way, like more 4-plexes; and other housing, particularly medium- to large-size projects, simply don't pencil for the private sector without additional investment or financing options.

Since at least 2012 (documented in an MOA housing study), multi-family housing has been one of our biggest needs but is not economic to build in Anchorage without either direct subsidy or other incentives. It is also important to consider the fact this means both rental housing (apartments), and housing for sale (condos), and all 2 of these are very needed to meet residents' housing needs. Rental housing is workforce housing, and only a very few developers in our community even work in this market. Condos can be starter homes for young adults, and downsize options for empty-nesters and older adults, but we aren't seeing these built anymore.

Outside of Anchorage, the challenges of cost, supply chains, infrastructure costs and needs, and other factors in most regions of the state mean these types of housing are very much needed, and not getting built. Having more financing options to complement the private sector, particularly in communities with a limited real estate market, is one piece of the puzzle we are all collectively working to solve, to build more housing in Alaska.

[1:47:27 PM](#)

RICHELLE JOHNSON, Director, Research and Technical Assistance, University of Alaska Center for Economic Development, Anchorage, Alaska, testified by invitation on SB 14 and read the following:

[Original punctuation provided.]

At CD we're often called to provide data as context for policy makers, considering our state economic challenges and housing is very clearly one of the growing areas of importance when it comes to economic development for many of the communities that we work with. I know that it's not news that housing affordability and availability is and has been a challenge for Alaska for decades. And the data shows that almost every area of the state is struggling to construct affordable housing to meet demand. And that need has only grown over the years.

Housing cost and availability is listed as a primary concern in most of the economic development strategic plans across our state, where many communities are experiencing housing constraints which ultimately impact variability to attract and retain workers and residents in their communities. As of last year, Alaska ranked 45th in terms of new housing unit construction per 1000 residents. And this is a new challenge for the state where we have seen the number of new housing units constructed decreased by 30 percent over the last decade, despite the price of housing increasing and seeing clear demand signals and needs for new housing.

In the world of multi-family housing specifically, new development has slowed even more with construction of new units in 2023 at about half of what it was a decade previously.

These trends show a very clear demand for housing that is not translating necessarily to increase to development. And it indicates that traditional commercial development tools have not been enough to spur housing construction that's needed across the state. This is key for Alaska's economy because housing is tied to our workforce and the workforce is tied to the state's economic health, with many of the economic activities that we see on the horizon for the state coming towards us and new development.

It's very clear that we may certainly see an influx of workers coming from out of state. And we already know that through many anecdotal reports that workers coming to work in our state do experience a lot of struggles finding housing, affording housing when they are seeking to move here. That's not on top of what our residents are already experiencing themselves. We know that housing is a significant limiting factor when we're looking at relocation. And it's even a greater challenge in more rural areas where we see reports of vacancy rates for rental housing that are well below the national average of 70 percent.

Kodiak specifically has the tightest housing market with a 3.3 percent vacancy rate. The bill being discussed today takes a clear step towards enabling more construction of deeply needed housing, specifically multi-family housing. As Senator Dunbar mentioned, it is a very simple, straightforward step that really just gives developers another tool in their toolkit to improve the margins on housing development. They're sort of on the cusp of financial feasibility.

AIDEA loans provide developers with a source of patient capital that commercial financing would not enable. The AIDEA loan participation would allow having developers to spread the cost of financing over a much longer period of time than traditional commercial loans to and free of cash flows for developers. As stated, sort of these little incremental steps to improve financial feasibility don't solve the whole picture, but they can potentially help stimulate new construction and move us towards that goal. In enabling our state employers to retain their workers, attracting new workers, and operate at full capacity.

[1:52:59 PM](#)

SENATOR YUNDT asked Ms. Barnes to discuss the relationship between AIDEA and AHFC and share her thoughts on how it might function.

[1:53:18 PM](#)

STACY BARNES, Director, Government Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC) Anchorage, Alaska,

answered questions regarding SB 14. She said the role of AHFC is to ensure Alaskans have access to safe, quality, and affordable housing; a mission the corporation has pursued for over 50 years through various programs. AHFC supports multifamily housing through federal low-income housing tax credits, state and federal grant programs, and developer loans. She stated AHFC may partner with AIDEA. AHFC will help with initial construction costs and AHFC will provide long-term financing.

[1:55:41 PM](#)

CHAIR BJORKMAN held SB 14 in committee.

[1:55:45 PM](#)

At ease.

SB 77-PERM FUND; EMPLOYMENT; ELIGIBILITY

[1:56:39 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 77 "An Act relating to national criminal history record checks for certain employees of the Department of Revenue; relating to allowable absences for eligibility for a permanent fund dividend; relating to the confidentiality of certain information provided on a permanent fund dividend application; relating to the duties of the Department of Revenue; and providing for an effective date."

[1:56:56 PM](#)

SENATORE JESSE KIEHL, District D, Alaska State Legislature, Juneau, Alaska, as sponsor of SB 77 he clarified it isn't a dividend formula bill. The PFD provides checks to Alaskans intending to remain residents. He stated that eligibility allows up to 180 days out of state, with 16 allowable absence types. SB 77, based on prior requests from Governor Dunleavy, adds merchant marine training and academic year college breaks as allowable absences. It also simplifies medical absence rules, so emergencies don't cost eligibility. He said the bill improves PFD division security by allowing staff fingerprinting, making the recipient list private, and permitting electronic notices. He stated that it updates absence rules and boosts administrative efficiency.

[2:01:40 PM](#)

CHAIR BJORKMAN announced invited testimony on SB 77.

[2:01:56 PM](#)

KARI NORE, Director, External Affairs, Alaska Chamber, Anchorage, Alaska, testified by invitation on SB 77. She read the following:

[Original punctuation provided.]

Chair Bjorkman, and members of the Senate Labor and Commerce Committee, thank you for the opportunity to testify today. For the record, my name is Kari Nore, and I serve as the director of external affairs for the Alaska Chamber. I testify today in support of Senate Bill 77, an Act relating to the permanent fund dividend employment eligibility.

The Alaska Chamber was founded in 1953 and is Alaska's statewide business advocacy organization. Our mission is to promote a healthy business environment in Alaska. The Chamber has more than 700 members and represents businesses of all sizes and industries from across the state, representing 58,000 Alaskan workers and \$4.6 billion in wages.

[2:02:38 PM](#)

MS. NORE continued with her testimony:

By vote of our diverse membership, the Alaska Chamber has a formal policy position to support clarifying vocational training absences for purposes of receiving PFD benefits. We support the enactment of clarifying changes to the PFD statute in order to assure Alaskans who are members of the uniformed services or those attending merchant marine training programs remain eligible to obtain their PFD, provided they have met all other eligibility criteria.

Since 1997, over 700 Alaskans have been recruited, trained, and placed in deep-sea maritime employment by attending the Paul Hall Center for Maritime Training and Education. Many of these candidates were youth, Alaskan Natives, displaced workers, and veterans who attended an apprentice program paid for through a labor-management training trust fund. In so doing, management can be assured the individuals they hire to crew their vessels are thoroughly trained to USCG standards and uniformly meet their security, safety, and competency standards. Furthermore, by recruiting Alaskans for this apprenticeship opportunity companies

in the Alaska maritime trade, like Alaska Tanker Company, Crowley Maritime, Matson Navigation, and TOTE Maritime Alaska, continue to meet their commitment to hire local. Denying PFD benefits to Alaskans, particularly younger Alaskans, while engaged in this required training, discourages them from considering this pathway as a career opportunity. The purpose for the local hire effort is for these individuals to be trained outside and to return to Alaska to spend their earned wages and enjoy their benefits on their time off.

In closing, the Chamber supports SB 77 and encourages swift passage of this straightforward and good for business bill. Thank you for considering the Alaska Chamber's comments.

[2:04:53 PM](#)

EMILY NENON, Director, Alaska Government Relations, American Cancer Society Cancer Action Network, Anchorage, Alaska, testified by invitation on SB 77 and in support of removing unnecessary barriers that affect cancer patients. She stated that most cancer care is available in Alaska and most patients are treated here but complex cases sometimes require out-of-state care. SB 77 helps streamline confusing absence rules, making it easier for patients to be honest on their PFD applications and easing the burden during an already difficult time.

[2:06:55 PM](#)

At ease.

[2:09:14 PM](#)

CHAIR BJORKMAN reconvened the meeting and held SB 77 in committee.

SB 73-MARIJUANA: TAX/REGISTRATION; INCOME TAX

[2:09:18 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 73 "An Act relating to the registration of marijuana establishments; relating to tax exemption for qualified small businesses; relating to marijuana taxes; and providing for an effective date."

[2:09:30 PM](#)

SENATOR MATT CLAMAN, District H, Alaska State Legislature, Juneau, Alaska, as sponsor of SB 73 he read the following summary:

[Original punctuation provided.]

In 2022, the Governor convened the Advisory Task Force on Recreational Marijuana. The first recommendation from that body was an adjustment to the excise tax on marijuana.

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. The voters of Alaska established this tax rate with the passage of ballot measure 2 in 2014, which legalized recreational marijuana in Alaska. As the industry has evolved, however, that tax rate has failed to keep pace with rising business costs and falling prices. Today, the industry faces competition against a thriving unregulated black market and substantial regulatory and financial headwinds. While most of the past decade saw significant growth in the industry, the past few years have shown decline in tax revenue and an increasing number of small businesses going under.

Senate Bill 73 lowers the tax rate from \$50 per ounce to \$12 per ounce. It simplifies the tax structure into a single rate. Currently, the Department sets lower tax rates for certain parts of the plant. While the tax rate for mature product is \$50 per ounce, it is \$25 an ounce for immature product and \$12 per ounce for all other grades. This three-tier structure has proved difficult and inefficient to enforce. It also creates an incentive for businesses to classify product at lower grades with less tax burden.

SB 73 moves from annual registration to biennial registration, reducing administrative burden and aligning the marijuana industry with other businesses in Alaska.

Finally, Senate Bill 73 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. The exemption had previously been in place since 2012. It applies to all small businesses who meet the active business requirements - both marijuana establishments and other types of businesses. Many of these small businesses are set to pay state corporate income taxes for the calendar year of 2024 for the first time in a decade. Many of them are facing staff cuts or even being forced to close their doors because of this unexpected tax. Re-establishing this exemption will help countless small businesses across the state.

[2:12:39 PM](#)

CARLY DENNIS, Staff, Senator Matt Claman, Alaska State Legislature, Juneau, Alaska, provided the sectional analysis for SB 73 as follows:

[Original punctuation provided.]

Senate Bill 73
Sectional Analysis – Version G

Sections 1-6

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; Biennial licensing.

Amends registration requirements from annual to biennial renewals.

Section 7

AS 43.20.012(a); Alaska small business tax exemption.
Exempts qualified small businesses who meet the requirements of 26 U.S.C 1202(e) from the Alaska Net Income Tax Act.

Section 8

AS 43.20.012; Alaska small business tax exemption.
Defines "Alaska corporation," "parent-subsidary controlled group," "qualified small business," and establishes that a corporation shall be determined as a small business on the first day of the calendar year.

Section 9

AS 43.61.010(a); Marijuana excise tax.
Lowers the marijuana excise tax rate from \$50 per ounce to \$12 per ounce.

Section 10

AS 43.61.010(b); Marijuana excise tax.

Removes the ability of the department to establish a lower tax rate for certain parts of the marijuana plant.

Section 11

AS 43.61.010; Marijuana excise tax.

Clarifies that the tax is owed by all sales and transfers of marijuana, regardless of the status of their registration.

Section 12

AS 43.61.020(b); Marijuana excise tax.

Conforming change to reflect a single tax rate.

Section 13

AS 43.61.030(a); Marijuana excise tax.

Clarifies that a person who is delinquent in the payment of the tax is subject to civil penalties under AS 43.05.220. Distributed by the Office of Senator Matt Claman 1.29.2025

Section 14

Applicability.

Clarifies that sections 7 and 8 apply to the tax year of a corporation beginning on or after the effective date of this act.

Section 15

Effective Date

This Act takes effect July 1, 2025.

[2:14:48 PM](#)

SENATOR GRAY-JACKSON asked what the total amount of loss revenue is if SB 73 is passed.

[2:15:03 PM](#)

SENATOR CLAMAN referred to the fiscal note from the Department of Revenue's Tax Division, which estimates a revenue loss of about \$14 million.

SENATOR GRAY-JACKSON asked if \$14 million was the total of all fiscal notes.

SENATOR CLAMAN answered yes.

[2:16:23 PM](#)

BRANDON SPANOS, Deputy Director, Department of Revenue, Juneau, Alaska, verified fiscal notes for SB 73. He agreed that the total fiscal note is \$14 million.

[2:17:01 PM](#)

DAN STICKEL, Chief Economist, Department of Revenue, Juneau, Alaska, answered a question regarding the fiscal notes for SB 73. He explained that the Department of Revenue's fiscal note represents the impact on the Tax Division, including changes to the marijuana tax and the corporate income tax exemption.

[2:18:19 PM](#)

SENATOR YUNDT stated many legal businesses have raised concerns about their revenues falling, which also reduces state revenue, as more sales shift to the black market. He asked how often DNR conducts enforcement actions each year, and has it found any recent violations.

[2:19:03 PM](#)

JOE BANKOWSKI, Investigator, Alcohol and Marijuana Control Office (AMCO), Anchorage, Alaska, answered questions on SB 73 regarding enforcement. He stated that the primary mandate is regulating licensed marijuana businesses. He said the secondary problem is a growing issue of intoxicating hemp, which AMCO is addressing with the Department of Agriculture. We're working toward stronger enforcement, but since hemp falls under their jurisdiction, some responsibility lies with them.

[2:20:00 PM](#)

SENATOR DUNBAR stated that he reviewed the task force recommendations, noting a two-stage tax plan: stage one lowers the excise tax, and stage two adds a 3 percent retail sales tax to offset losses. He asked if SB 73 includes only stage one and whether the risks are making it harder to add the sales tax later causing reduced revenue.

[2:21:09 PM](#)

SENATOR CLAMAN reviewed last session's bill, which focused more on sales tax than reducing the excise tax. He said while there was support for a sales tax then, especially from industry groups, that support has faded. As a result, SB 73 includes only step one: lowering the excise tax, not the sales tax, which could be considered in future legislation.

[2:22:08 PM](#)

CHAIR BJORKMAN announced invited testimony on SB 73.

[2:22:31 PM](#)

LACY WILCOX, Vice President, Alaska Marijuana Industry Association (AMIA), Anchorage, Alaska, testified by invitation in support of SB 73. She said the AMIA is aware step one could pass while step two gets forgotten. She stated that the retail tax may be better, but support from businesses has faded. She said with businesses struggling, the AMIA aims to pass something before more businesses shut down and the conversation ends.

[2:23:23 PM](#)

CHAIR BJORKMAN asked what led to the loss of support for a more balanced approach to SB 73.

[2:23:33 PM](#)

MS. WILCOX answered she wasn't sure there was ever full consensus. She stated that retailers that were already facing high federal tax burdens and unable to take key write-offs were less supportive. While cultivators and manufacturers backed it, many retailers saw it as an added burden, especially with local taxes reaching up to 16 percent and in rural areas reaching 30 percent tax with a possible compound tax.

[2:24:24 PM](#)

SENATOR YUNDT asked if there has been a decline in sales due to black market products.

[2:24:32 PM](#)

MS. WILCOX answered yes.

SENATOR YUNDT asked whether more enforcement would be appreciated.

MS. WILCOX answered yes.

[2:24:55 PM](#)

JANA WELTZIN, Lawyer, JDW Counsel, Anchorage, Alaska, testified by invitation in support of SB 73. She said the business she represents dropped from 20 to 5 employees, with owners working 60+ hours unpaid. She stated that the industry is in triage, partly due to federal law (280E), which blocks normal tax deductions, hitting retailers hardest and fueling retail tax resistance. She said a proposed 3 percent sales tax became 7 percent in the Legislature, adding opposition from retailers. The current fixed tax rate doesn't drop with prices, making business unsustainable.

[2:27:24 PM](#)

MS. WELTZIN continued with her testimony. She said intoxicating hemp is now a problem. She stated the Agriculture Division created a hemp program that allowed high THC products in gas stations—untaxed, unregulated, and no age checks. With no enforcement, legal Alaska businesses are hurting and need help now.

[2:29:17 PM](#)

SENATOR DUNBAR stated that he thought importing from out of state was illegal due to the federal ban on interstate cannabis commerce and asked if that's no longer true.

MS.WELTZIN answered yes, it's federally illegal, but it's happening anyway. She stated that the latest DPS report shows zero seizures of marijuana entering the state. It's not a priority due to issues like fentanyl, but it's hurting local businesses and costing jobs. She said her producers can't ship out for the same reason.

SENATOR DUNBAR said the imported products are likely not being sold through licensed cannabis retailers.

MS. WELTZIN responded correct; they are not being sold through the licensed cannabis retailers.

SENATOR DUNBAR stated that many of the legislators supported cannabis legalization expecting it would generate state revenue, and it has, especially for Anchorage. He emphasized the flat excise tax per ounce is inefficient. The percentage of retail value makes more sense. He said on enforcement of products like Delta-9 gummies, everyone wants action taken, but enforcement costs money. He stated that legalization has also made it harder to clearly distinguish legal products from illegal products. He asked Ms. Weltzin if she thinks retailers might be more open to a low percent retail tax applied across the industry, if the revenue helped fund enforcement to crack down on intoxicating hemp products.

MS. WELTZIN responded first, marijuana licensees pay eight times more than liquor licenses annually, not every other year. It is a smaller group paying more. She stated that if enforcement needs more resources, they should ask. Second, retailers would welcome real action on intoxicating hemp. She stated that right now, it's a blame game between agencies. Meanwhile, kids are getting high on unregulated Delta-9, and no one's stopping it. She said retailers already face huge federal tax burdens because

they can't deduct basic expenses. It's hard to accept another tax when nearby shops sell stronger, untaxed products. She suggested that the industry needs immediate relief first and then if marijuana businesses are still standing discussions can take place about a retail tax.

[2:33:58 PM](#)

SENATOR YUNDT asked if there's already a Memorandums of Understanding (MOU) that lets the Alcohol and Marijuana Control Office (AMCO) act and has the industry reached out to discuss this with them.

[2:34:24 PM](#)

MS. WELTZIN responded at nearly every Marijuana Control Board meeting; we remind them there's an MOU that lets AMCO enforce against smoke shops. She stated that she had personally bought products from several shops, never getting carded. She said that at a board meeting she showed the products she was able to buy. Reports made by parents are between law enforcement, AMCO and the Division of Agriculture. She stated no one takes responsibility.

[2:35:34 PM](#)

AARON STIASSNY, Board Member, Alaska Marijuana Industry Association, Anchorage, Alaska, testified by invitation in support of SB 73. Alaska legalized marijuana over 10 years ago but hasn't updated its tax system, unlike other states. The market is state-specific and facing major challenges. The expired S Corp small business tax exemption helped drive investment, including cannabis. Losing it raises costs and hurts growth in cannabis, where businesses already face high taxes and can't deduct expenses under 280E. Adding more taxes now will worsen the situation, especially with unregulated, untaxed hemp flooding the market. SB 73 would support small businesses, create jobs, and stabilize the industry. He stated that cannabis spans both manufacturing and retail—sectors now in decline. It creates jobs statewide, even in remote towns.

[2:41:09 PM](#)

RENEE BERGERON, Accountant, Thomas Head and Greisen PC, Anchorage, Alaska, testified by invitation in support of SB 73. She said while the S-Corp exemption benefits cannabis businesses hit hard by 280E, it also helps small businesses across Alaska. She stated that many cannabis companies choose C-Corp status to reduce federal tax burdens from 280E—often paying 43-50 percent federally. State taxes push that closer to 60 percent, once excise and local taxes are added. She said for non-cannabis;

Alaska has legacy C-Corp—family businesses that stuck with the structure due to costly federal penalties for switching. These small businesses would now face new state taxes despite functioning like other pass-through entities, whose owners pay no state income tax. She stated that the exemption levels the playing field and ending it unfairly penalizes these businesses just because of their entity type.

[2:44:35 PM](#)

CHAIR BJORKMAN held SB 73 in committee.

[2:44:58 PM](#)

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce meeting at 2:44 p.m.