

"An Act relating to tobacco taxation; and providing for an effective date."

COMMITTEE REPORT

4/18/75

HOUSE

Mr. Speaker:

Date _____

The Committee on FINANCE has had HB 308

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Chairman

"An Act relating to tobacco taxation; and providing for an effective date."

3/18/75

COMMITTEE REPORT

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Date 4/18/75

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() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR HB 308 AND THAT
CS FOR HB 308 DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

[Signature] _____
[Signature] _____
Ramona Kelley _____

Members NOT concurring in the Majority report:

[Signature] recommends: no
Freeman recommends: Do not Pass
_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

[Signature] Chairman

Introduced: 3/18/75
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 308

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tobacco taxation; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.50.190(a) is amended to read:

10 (a) There is levied an excise tax of three and one-half mills
11 [ONE AND ONE-HALF MILLS] on each cigarette imported or acquired in
12 this state.

13 * Sec. 2. AS 43.18.100(b) is amended to read:

14 (b) The commissioner shall administer the program of reimburse-
15 ment authorized under this section and shall provide by regulation for
16 the filing of applications for reimbursement, the form of proof of
17 costs for which application for reimbursement is made, and other
18 regulations necessary to administer the program. The commissioner
19 shall exclude from the total school construction cost of the local
20 district all state and federal funds included in these costs except
21 funds provided under this section and AS 43.50.140. [IN APPROVING
22 APPLICATIONS FOR REIMBURSEMENT, THE COMMISSIONER SHALL OFFSET AGAINST
23 THE AMOUNT OF REIMBURSEMENT AUTHORIZED THE AMOUNT OF ANY FUNDS DISTRI-
24 BUTED TO THE BOROUGH OR CITY IN THE SECOND PRECEDING FISCAL YEAR FROM
25 THE SCHOOL FUND PROVIDED FOR IN AS 43.50.140.]

26 * Sec. 3. AS 43.50 is amended by adding new sections to read:

27 Article 3. Alaska Tobacco Products Tax.

28 Sec. 43.50.200. TOBACCO PRODUCTS TAX. (a) There is levied upon
29 each person who manufactures, imports or acquires tobacco products in

COMMITTEE COPY

1 this state an excise tax of 35 per cent of the wholesale price of the
2 tobacco products manufactured, imported or acquired in the state.

3 (b) It is the intent and purpose of this section to provide for
4 the levy and collection of this excise tax from the person who first
5 acquires the tobacco products in this state.

6 Sec. 43.50.210. RETURNS AND THE PAYMENT OF TAX. (a) On or
7 before the last day of each calendar month each person liable for the
8 tax imposed by secs. 200 - 270 of this chapter shall file a return
9 with the department under penalty of perjury. The return shall state
10 the amount of tobacco products manufactured, imported or acquired by
11 the person during the preceding calendar month, the wholesale price of
12 the tobacco products, and other information which the department may
13 require.

14 (b) The tax imposed by this article on all tobacco products
15 manufactured, imported and acquired during a particular month is due
16 on the last day of the following calendar month.

17 Sec. 43.50.220. LIEN. The tax levied under this article and the
18 penalty and interest on the tax are first and paramount liens upon all
19 the real and personal property of the person liable for the tax.

20 Sec. 43.50.230. REMEDY. The remedy of distraint of property set
21 out in AS 43.20.270 applies to the tax levied in secs. 200 - 270 of
22 this chapter.

23 Sec. 43.50.240. CIVIL PENALTY. Five per cent shall be added to
24 the tax for each 30-day period or fraction of the period during which
25 the taxpayer fails to file a return or report or fails to pay the full
26 amount of the tax or a portion or a deficiency of the tax as finally
27 determined by the department and required by secs. 200 - 270 of this
28 chapter, unless it is shown that the failure is due to a reasonable
29 cause and not to wilful neglect. The penalty may not exceed 25 per

1 cent in the aggregate. The penalty shall be collected at the same
2 time, in the same manner and as a part of the original tax but if the
3 original tax is paid before the neglect is discovered, the penalty
4 shall be collected in the same manner as the original tax. The depart-
5 ment shall prescribe by regulation examples of circumstances which
6 constitute reasonable cause for purposes of this section.

7 Sec. 43.50.250. INTEREST. When a tax levied in secs. 200 - 270
8 of this chapter becomes delinquent, it bears interest at the rate of
9 eight per cent a year.

10 Sec. 43.50.260. TAXPAYER REMEDIES. (a) A person aggrieved by
11 the action of the department in fixing the amount of a tax or in im-
12 posing a penalty may apply to the department within 60 days from the
13 date of mailing of the notice required to be given to him by the
14 department, giving notice of the grievance, and requesting an informal
15 conference. At the conference the person aggrieved may present argu-
16 ments and evidence relevant to the amount of tax or penalty due the
17 state. If the department determines that a correction is warranted,
18 the department shall make the correction.

19 (b) A person aggrieved by the action of the department in fixing
20 the amount of a tax or in imposing a penalty may apply to the department
21 and request a formal hearing

22 (1) in place of the informal conference provided for in (a)
23 of this section, within 60 days from the date of the notice required
24 to be given to him by the department; or

25 (2) within 30 days after decision resulting from an informal
26 conference.

27 (c) At the formal hearing the department may subpoena witnesses
28 and may administer oaths and make inquiries necessary to determine the
29 amount of the tax or penalty due the state. The person aggrieved may

1 present arguments and evidence relevant to the amount of the tax or
2 penalty due the state. If the department determines that a correction
3 is warranted, the department shall make the correction.

4 (d) Within 30 days after the formal hearing and decision by the
5 department, a person aggrieved by the decision of the department may
6 appeal to the superior court in the judicial district in which he
7 resides. The taxpayer shall be afforded access to the file of the
8 department in the matter for preparation of his appeal. If, after the
9 appeal is heard, it appears that the tax was correct, the court shall
10 confirm the tax. If the tax was incorrect, the court shall determine
11 the amount of the tax and if the person aggrieved is entitled to
12 recover the tax or part of it, the court shall order the repayment,
13 and the department shall immediately pay the amount due and attach a
14 certified copy of the judgment to the payment.

15 Sec. 43.50.270. DEFINITIONS. In secs. 200 - 270 of this chapter

16 (1) "department" means the Department of Revenue;

17 (2) "tobacco products" means cigars, cheroots, stogies;
18 periques; granulated, plug cut, crimp cut, ready rubbed and other
19 smoking tobacco; snuff; snuff flour, cavendish; plug and twist tobacco;
20 fine cut and other chewing tobacco; shorts; refuse scraps, clippings,
21 cuttings and sweepings of tobacco, and other kinds and forms of tobacco,
22 prepared in such manner as to be suitable for chewing or smoking in a
23 pipe or otherwise, or both for chewing and smoking; but does not
24 include cigarettes as defined in sec. 170 of this chapter.

25 * Sec. 4. This Act takes effect July 1, 1975.
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27
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29

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/13/75
Referred: Finance

1 IN THE HOUSE

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2 CS FOR HOUSE BILL NO. 308

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8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 # Section 1. AS 43.50.190(a) is amended to read:

10 (a) There is levied an excise tax of three and three-quarter
11 [ONE AND ONE-HALF] mills on each cigarette imported or acquired in this
12 state.

13 # Sec. 2. AS 43.18.100(b) is amended to read:

14 (b) The commissioner shall administer the program of reimburse-
15 ment authorized under this section and shall provide by regulation for
16 the filing of applications for reimbursement, the form of proof of
17 costs for which application for reimbursement is made, and other regula-
18 tions necessary to administer the program. The commissioner shall
19 exclude from the total school construction cost of the local district
20 all state and federal funds included in these costs except funds pro-
21 vided under this section and AS 43.50.140. [IN APPROVING APPLICATIONS
22 FOR REIMBURSEMENT, THE COMMISSIONER SHALL OFFSET AGAINST THE AMOUNT OF
23 REIMBURSEMENT AUTHORIZED THE AMOUNT OF ANY FUNDS DISTRIBUTED TO THE
24 BOROUGH OR CITY IN THE SECOND PRECEDING FISCAL YEAR FROM THE SCHOOL
25 FUND PROVIDED FOR IN AS 43.50.140.]

26 # Sec. 3. AS 43.50.090(a) is amended to read:

27 (a) There is levied an excise tax of two and one-half mills on
28 each cigarette imported or acquired in the state. Each licensee shall,
29 at the time of filing the return required by sec. 30 of this chapter,

30 CC..... FILE COPY

1 pay to the department the excise for the calendar month covered by the
2 return, deducting three [ONE] per cent of the total tax due, which he
3 shall retain to cover his expense of accounting and filing returns.
4 Cigarettes upon which the excise is imposed are not again subject to the
5 excise when acquired by another person.

6 * Sec. 4. This Act takes effect July 1, 1975.
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HB 308

March 18, 1975

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060 (b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to increase the tax rates in the Cigarette Tax Act and establish a tax on tobacco products other than cigarettes based on the wholesale price of the products. The cigarette tax rate would be increased from 4 mills to 6 mills on each cigarette, which will bring Alaska's rates up to the national average of the tax rates of all other states. The tobacco products tax would be at a rate approximately equivalent to the current cigarette tax.

In addition, the bill provides that amounts distributed to schools from the school fund provided for in AS 43.50.140 will not be used to offset state aid to school districts for the retirement of school construction. Under current law, the tobacco tax is deducted from a municipality's fifty percent school entitlement. In this bill, it will be added on and thus, will result in an actual increase of distributions to school districts up to approximately 65 percent.

Sincerely,

Jay S. Hammond
Governor

MEMORANDUM

State of Alaska

HB 308

TO: Sterling Gallagher
Commissioner of Revenue

DATE: March 11, 1975

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch
Deputy Commissioner
Department of Revenue

SUBJECT: Proposed Increase in the
Cigarette Tax

A bill has been proposed which would increase the cigarette tax from four mils to six mils on each cigarette. It also levies a tobacco product tax of 35% of the wholesale price of tobacco products. The incidence of this tax will fall upon the consumer of tobacco products. The tax will increase by about four cents per pack of cigarettes. While we are not certain how much this will translate in terms of the retail price of cigarettes we can assume that it will be at least five cents per pack. In the past we note that cigarette companies have increased the price of cigarettes merely upon the introduction of a tax increase bill. This tax has not been raised for several years and at the present time the state is well below the National Average 12¢ per package.

This tax will bring us in line with that National Average.

In addition, this bill provides a mechanism whereby the dedicated portion of the tax can be distributed to school districts as a part of the total school construction costs. At the present time the taxes collected under that provision of our statute are used in computing the 50% sharing. Under this proposal, that money will be shared in addition to the 50%.

The increased revenues anticipated as a result of this bill for FY 76 - 80 are as follows:

Projected Increases in Revenues
(\$000 Omitted)

<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
<u>2340.3</u>	<u>2621.7</u>	<u>2936.4</u>	<u>3288.6</u>	<u>3683.5</u>

We anticipate no increase in administrative costs as a result of this bill.

FPB:lw

ALASKA STATE LEGISLATURE

Legislature Session

HOUSE BILL NO. 305

By COMMITTEE ON GOVERNMENT REQUEST OF THE GOVERNOR

An Act relating to tobacco taxation and providing for an effective date.

tobacco tax

Introduced in the House 3/20/75

HISTORY IN THE HOUSE

1975

Mar 17

Read first time and referred to Committee on Commerce and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 3/18/75
Referred: Commerce and
Finance

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REQUEST OF THE GOVERNOR

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11 [ONE AND ONE-HALF MILLS] on each cigarette imported or acquired in
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27 Article 3. Alaska Tobacco Products Tax.

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29 each person who manufactures, imports or acquires tobacco products in

1 this state an excise tax of 35 per cent of the wholesale price of the
2 tobacco products manufactured, imported or acquired in the state.

3 (b) It is the intent and purpose of this section to provide for
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11 the person during the preceding calendar month, the wholesale price of
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16 on the last day of the following calendar month.

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21 out in AS 43.20.270 applies to the tax levied in secs. 200 - 270 of
22 this chapter.

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21 cuttings and sweepings of tobacco, and other kinds and forms of tobacco,
22 prepared in such manner as to be suitable for chewing or smoking in a
23 pipe or otherwise, or both for chewing and smoking; but does not
24 include cigarettes as defined in sec. 170 of this chapter.

25 * Sec. 4. This Act takes effect July 1, 1975.
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Referred: Commerce and
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2 CS FOR HOUSE BILL NO. 308

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tobacco taxation; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.50.190(a) is amended to read:

10 (a) There is levied an excise tax of three and three-quarter
11 [ONE AND ONE-HALF] mills on each cigarette imported or acquired in this
12 state.

13 * Sec. 2. AS 43.18.100(b) is amended to read:

14 (b) The commissioner shall administer the program of reimburse-
15 ment authorized under this section and shall provide by regulation for
16 the filing of applications for reimbursement, the form of proof of
17 costs for which application for reimbursement is made, and other regula-
18 tions necessary to administer the program. The commissioner shall
19 exclude from the total school construction cost of the local district
20 all state and federal funds included in these costs except funds pro-
21 vided under this section and AS 43.50.140. [IN APPROVING APPLICATIONS
22 FOR REIMBURSEMENT, THE COMMISSIONER SHALL OFFSET AGAINST THE AMOUNT OF
23 REIMBURSEMENT AUTHORIZED THE AMOUNT OF ANY FUNDS DISTRIBUTED TO THE
24 BOROUGH OR CITY IN THE SECOND PRECEDING FISCAL YEAR FROM THE SCHOOL
25 FUND PROVIDED FOR IN AS 43.50.140.]

26 * Sec. 3. AS 43.50.090(a) is amended to read:

27 (a) There is levied an excise tax of two and one-half mills on
28 each cigarette imported or acquired in the state. Each licensee shall,
29 at the time of filing the return required by sec. 80 of this chapter,

1 pay to the department the excise for the calendar month covered by the
2 return, deducting three [ONE] per cent of the total tax due, which he
3 shall retain to cover his expense of accounting and filing returns.
4 Cigarettes upon which the excise is imposed are not again subject to the
5 excise when acquired by another person.

6 * Sec. 4. This Act takes effect July 1, 1975.
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Original sponsor: Rules Committee by
request of the Governor

Offered: 4/18/75
Referred: Finance

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

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HB 308

March 18, 1975

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to increase the tax rates in the Cigarette Tax Act and establish a tax on tobacco products other than cigarettes based on the wholesale price of the products. The cigarette tax rate would be increased from 4 mills to 6 mills on each cigarette, which will bring Alaska's rates up to the national average of the tax rates of all other states. The tobacco products tax would be at a rate approximately equivalent to the current cigarette tax.

In addition, the bill provides that amounts distributed to schools from the school fund provided for in AS 43.50.140 will not be used to offset state aid to school districts for the retirement of school construction. Under current law, the tobacco tax is deducted from a municipality's fifty percent school entitlement. In this bill, it will be added on and thus, will result in an actual increase of distributions to school districts up to approximately 65 percent.

Sincerely,

Jay S. Hammond
Governor

MEMORANDUM

State of Alaska

HB 308

TO: Sterling Gallagher
Commissioner of Revenue

DATE: March 11, 1975

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch
Deputy Commissioner
Department of Revenue

F.P.B.

SUBJECT: Proposed Increase in the
Cigarette Tax

A bill has been proposed which would increase the cigarette tax from four mils to six mils on each cigarette. It also levies a tobacco product tax of 35% of the wholesale price of tobacco products. The incidence of this tax will fall upon the consumer of tobacco products. The tax will increase by about four cents per pack of cigarettes. While we are not certain how much this will translate in terms of the retail price of cigarettes we can assume that it will be at least five cents per pack. In the past we note that cigarette companies have increased the price of cigarettes merely upon the introduction of a tax increase bill. This tax has not been raised for several years and at the present time the state is well below the National Average 12¢ per package.

This tax will bring us in line with that National Average.

In addition, this bill provides a mechanism whereby the dedicated portion of the tax can be distributed to school districts as a part of the total school construction costs. At the present time the taxes collected under that provision of our statute are used in computing the 50% sharing. Under this proposal, that money will be shared in addition to the 50%.

The increased revenues anticipated as a result of this bill for FY 76 - 80 are as follows:

Projected Increases in Revenues
(\$000 Omitted)

<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
<u>2340.3</u>	<u>2621.7</u>	<u>2936.4</u>	<u>3288.6</u>	<u>3683.5</u>

We anticipate no increase in administrative costs as a result of this bill.

FPB:lw

HB 308

March 18, 1975

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Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

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In addition, the bill provides that amounts distributed to schools from the school fund provided for in AS 43.50.140 will not be used to offset state aid to school districts for the retirement of school construction. Under current law, the tobacco tax is deducted from a municipality's fifty percent school entitlement. In this bill, it will be added on and thus, will result in an actual increase of distributions to school districts up to approximately 65 percent.

Sincerely,

Jay S. Hammond
Governor