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STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCHS
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

April 19, 1983

The Honorable Richard Eliason
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

RE: HB 202 "An Act increasing
the liquor tax"

Dear Senator Eliason:

You requested of Mr. Kessel of our Audit Division some information regarding increased "final user" cost resulting from an increase in the Liquor Tax as proposed in HB 202. You wanted this information so that you could have it for testimony for Tuesday morning, April 19, 1983.

From best available information we provide you with the following statistics:

A. At the bar:

1. The malt beverage tax will be increased from 25¢ a gallon to 32 1/2¢ a gallon. This would mean an increase of 17¢ tax per one case of twelve ounce bottles of beer. Therefore, the increase per bottle would be .7¢.
2. The tax on wine would be increased from 60¢ a gallon to \$1 a gallon. This would result in an increase of about 2 1/2¢ increase per four ounce glass of wine.
3. The tax on hard liquor would increase from \$4 to \$5.75 a gallon or \$1.75 per gallon. Assuming that a mixed drink contains one ounce of liquor, the actual increase per drink would be about 3¢ a drink.

B. At the liquor store:

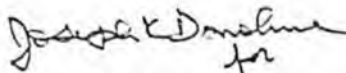
1. Beer would cost 17¢ more per case per customer which would equate to about .7¢ per bottle.

The Honorable Richard Eliason
April 19, 1983
Page 2

2. The increase for wine would be about 11¢ more per liter. That means that a liter of wine now costing \$5.50 would increase to about \$5.61.
3. The increased cost per liter of hard liquor would be about 46¢. That means a liter of whiskey now costing \$9.48 would increase to \$9.94.

The above all assumes that the seller would not attempt to build in a profit in addition to the increased taxes.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH/RRK/gb

Alaska State Legislature

House of Representatives

Al Adams

Chairman

Committee on Finance

WHILE IN SESSION

Pouch V

State Capitol

Juneau, Alaska 99811

(907) 465-3706

OUT OF SESSION

P.O. Box 333

Kotzebue, Alaska 99752

(907) 442-3320

1024 W. 6th

Anchorage, Alaska 99501

(907) 474-0615



Official Business

April 15, 1983

MEMORANDUM

TO: Senator Dick Eliason, Chairman
Senate Labor & Commerce Committee

FROM: Representative Al Adams *APA*

RE: House Bill 202 - Increasing the Liquor Tax

I appreciate your prompt scheduling of House Bill 202 and wanted to take this opportunity to provide you with a few explanatory details.

HB 202 increases the state liquor tax, which has not been raised since 1961, as follows:

- * malt beverages from 25¢ per gallon to 32½¢ (a 30% increase amounting to approximately a 4¢ increase per six pack of Leer);
- * wine from 60¢ to \$1.00 (a 66% increase which will amount to approximately 32¢ per three liter of bottle of wine); and
- * hard liquor from \$4.00 per gallon to \$5.75 (a 44% increase amounting to about 23¢ on a half liter of whiskey.)

According to the Department of Revenue, the additional taxes generated from this legislation is estimated at \$2,100,000 in FY 84 and \$3,900,000 in FY 85, resulting in total revenues of \$14,600,000 and \$16,900,000 respectively.

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 202 Date on Bill: 2/15/83
 Title: An act increasing the liquor tax.
 Sponsor: Adams
 Requestor: House State Affairs

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating				
Total				

b. Revenues:

Revenue	-0-	2.1 mill	3.9 mill
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2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

The analysis assumes the new tax rates become effective July 1, 1983.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Marianne Rieffers Phone: 465-2300
 Division: Comm. Office Date: 2/28/83
 Approved by Commissioner: Robert L. Hart Date: 2/28/83
 Department: Revenue

5. Distribution:

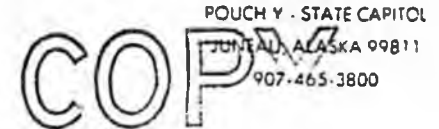
- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

In Thousands of Current Dollars

	<u>FY 1982</u> Actual January	<u>FY 1983</u> Estimate January	<u>FY 1984</u> Estimate January	<u>FY 1985</u> Estimate January
<u>Taxes</u>				
<u>Income</u>				
Corporate-General	34,800	-0-	-0-	-0-
Corporate-Petroleum	668,900	-0-	-0-	-0-
Corporate (1)	-0-	235,000	272,000	295,000
<u>Gross Receipts</u>				
Alaska Business License	5,500	5,800	6,000	6,300
Fish-Canned Salmon	8,600	5,000	5,000	5,000
Fish-Shorebased	8,700	9,000	9,000	9,000
Fish-Floating	5,500	5,500	5,500	5,500
Seafood Marketing (2)	-0-	1,000	1,000	1,000
Salmon Enhancement	2,400	2,400	2,400	2,400
Insurance Companies	12,500	14,500	17,000	20,000
Electric and Telephone Co-ops	1,200	1,300	1,300	1,300
Mining License Tax	200	200	200	300
<u>Severance</u>				
Oil & Gas Production(3)(4)	1,581,100	1,528,800	1,197,300	1,219,700
Oil & Gas Conservation	600	800	700	700
<u>Property</u>				
Oil & Gas(5)(6)	142,700	148,600	153,200	158,000
<u>Sale/Use</u>				
Alcoholic Beverages	9,000	12,000	12,500	13,000
Fuel Taxes-Aviation	6,300	5,100	5,400	5,500
Fuel Taxes-Highway	20,300	21,000	22,000	23,000
Fuel Taxes-Marine	3,700	3,800	4,000	4,200
Tobacco Products	1,900	2,000	2,000	2,000
<u>Other</u>				
Estate	300	500	500	500
Total Taxes	<u>2,514,200</u>	<u>2,002,300</u>	<u>1,717,000</u>	<u>1,772,400</u>
<u>Licenses & Permits</u>				
<u>Business</u>	10,800	11,000	12,000	12,500
<u>Non-Business</u>	13,000	13,000	13,500	14,000
Total Licenses & Permits	<u>23,800</u>	<u>24,000</u>	<u>25,500</u>	<u>26,500</u>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(7)(8)(9)</u>	<u>21,700</u>	<u>26,600</u>	<u>10,000</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(7)(10)(11)	5,000	26,100	-0-	-0-
Investment Earnings(12)	324,700	300,000	100,000	100,000
Rents(7)(10)(11)	3,500	4,000	4,000	4,000
Royalties(4)(7)(13)	1,157,300	1,119,400	883,500	912,000
Sale of State Property	5,200	5,500	5,500	5,500
Gravel, Timber, etc.(14)	1,200	5,500	2,000	2,000

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY




MEMORANDUM

March 11, 1983

SUBJECT: Dedication of liquor tax receipts to alcohol
rehabilitation programs
(Work Order No. 13-1017)

TO: Representative Mitchell E. Abood, Jr.
Chairman, House State Affairs Committee

FROM:  Russ Josephson
Legislative Counsel

You have asked whether liquor tax receipts may be retained in the communities where they are collected and be used there for funding alcohol rehabilitation programs.

The "earmarking" of revenues in this way creates a dedicated fund. Under the Alaska Constitution, Article IX, section 7, as interpreted by the Alaska Supreme Court in State v. Alex, 646 P.2d 203 (Alaska 1982), the prohibition against dedicated funds extends to all sources of public revenues and not just "proceeds of any state tax or license". The attorney general recently rendered an opinion (Op. Atty Gen. File Nos. J66-785-81 and J66-649-80) clarifying what the Supreme Court holding might be with regard to several specific funds and accounts and declared that certain exceptions might be implied by the Alaska Supreme Court. However, none of those implied exceptions includes liquor tax receipts. Therefore, liquor tax receipts may not be dedicated constitutionally and the question of retention of liquor tax receipts in the communities where they are collected need not be addressed here.

Although a dedicated fund is prohibited constitutionally, there is another way to assure that there is a relationship between the liquor tax and the alcohol rehabilitation programs. The same attorney general's opinion mentioned above outlines a method of appropriating in this type of situation that ensures effective legislative control over state finances while providing for budgeting flexibility for programs like this which needs that are unpredictable. That

Representative Mitchell E. Abood, Jr.

Page 2

March 11, 1983

method involves an appropriation to a separate fund in an amount to be ascertained by reference to receipts from a specified source (e.g., liquor tax receipts) during a definite period (annually or for the two fiscal years over which the present legislature has control).

RJ:ljb

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