

**HOUSE  
COMMITTEE REPORT**

(11)

Date referred: 4/4/86

FURTHER REFERRALS:

DATE: 4-14-86

The FINANCE Committee has considered HB 609

"An Act relating to increasing the alcoholic beverage tax."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 609 (Fin)  same title
- new title

and recommends No Recommendation

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note
  - zero fiscal note - same as original

SIGNING, DO PASS:

Robert R. Ladd  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SIGNING, OTHER RECOMMENDATIONS:

Mike Drennan - we don't need more taxes  
Jim Duncan - No Rec  
Ronald J. [unclear] - No Rec  
Pat [unclear] NO REC  
Rich Kelly (NO REC)  
[unclear] No Recommendation  
[unclear] NO REC.  
[unclear] NO REC

[Signature]  
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No: HB 609  
Title: An Act relating to increasing alcoholic beverage tax

Sponsor: Clocks in et. al.  
Requestor: State Affairs/Finance  
Date of Request: 3/22/86

FISCAL DETAIL

Agency Affected: Revenue  
BRU: \_\_\_\_\_

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	5294.2	5294.2	5294.2	5294.2	5294.2

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

- The bill has no effective date; analysis assumes new rates begin July 1, 1986 (FY 87).
- Analysis assumes that consumption of alcoholic beverages will be constant over the fiscal period at these levels (in gallons): Liquor (1,333,288); Wine (1,519,188) and Beer (13,788,402).

Prepared By: David R. Tonkovich <sup>D.T.</sup>  
Division: Research

Phone: 465-2173  
Date: March 25, 1986

Approved by Commissioner: [Signature]  
Agency: Department of Revenue

Date: March 25, 1986

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Original sponsors: Clocksin, Navarre,  
Adams, et al

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 609 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to increasing the alcoholic beverage tax; and providing for an effective date."

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

\* Section 1. INTENT. It is the intent of the legislature that revenue gained from the increased tax on alcoholic beverages under this Act be used for alcohol abuse programs and to provide assistance for victims of those persons who abuse alcohol.

\* Sec. 2. AS 43.60.010(a) is amended to read:

(a) Every brewer, distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic beverages in the state or who consigns shipments of alcoholic beverages into the state, whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured in the state, shall pay on all malt beverages (alcoholic content of one percent or more by volume), wines, and hard or distilled alcoholic beverages, the following taxes: (1) malt beverages at the rate of 64 [35] cents a gallon or fraction of a gallon; (2) wine or other beverages of 21 percent alcohol by volume or less, at the rate of \$1.56 [85] cents a gallon or fraction of a gallon; and (3) other beverages having a content of more than 21 percent alcohol by volume at the rate of \$6.00 [\$5.60] a gallon.

\* Sec. 3. This Act takes effect July 1, 1986.

RLS 4-14-86  
NECD 4-15-86

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 2/19/86

REQUEST

Bill/Resolution No: HB 609  
Title: "An Act relating to increasing the alcoholic beverage tax."  
Sponsor: Clocksinn, Navarre, Adams, M.M. Miller, M.W. Miller, Boucher & Hurley  
Date of Request: February 19, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue  
BRU: Audit  
Components:  
Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<u>OPERATING</u>						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL OPERATING</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>CAPITAL</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>REVENUE</u>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: This legislation would raise revenue by increasing tax on all alcoholic beverages sold in the state. It is the intent that the revenue gained under this Act be used for alcohol abuse programs and to provide assistance for victims of those persons who abuse alcohol.

Prepared By: Martin J. Richard  
Division: Audit Division

Phone: 465-2320  
Date: February 19, 1986

Approved by Commissioner: [Signature]  
Agency: Revenue

Date: 3/31/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POSITION PAPER

HOUSE BILL NO. 609

"An Act relating to increasing the alcoholic beverage tax."

Discussion

Section 1 of this bill indicates the intent of the Legislature to use revenue gained from this tax increase for alcohol abuse programs, and to provide assistance for victims of those persons who abuse alcohol. Presently, seventeen states have a similar mechanism for funding alcohol abuse services through use of alcohol beverage taxes. Persons who consume the most alcohol will be paying a larger share of the tax. National (Gallup) and state surveys have confirmed that the heavy drinkers and alcoholics constitute 15-20% of the population, but drink 60-75% of all alcohol sold. These same people are also the most at risk to eventually receive alcohol abuse services.

Section 2 of this bill will increase the tax on beer from .35 to .64 a gallon; on wine from .85 to \$1.56 a gallon; and on liquor from \$5.60 to \$6.00 a gallon. The greater percentage increase on beer and wine would nearly equalize beverage excise taxes by alcohol content. The small federal tax increase in 1985 only taxed liquor. The last federal tax increase on beer and wine was 1951.

It is estimated the State of Alaska would realize approximately \$5.7 million of additional revenue if HB 609 were enacted. The chart below compares what revenue would have been in FY 86 assuming consumption remained the same. These figures were obtained with information from the Department of Revenue on taxable gallons.

	<u>Alcohol Revenue FY 85</u>	
	<u>Existing Rates</u>	<u>HB 609 Rates</u>
Beer	\$ 4,865,069.	\$ 8,896,127.
Wine	1,396,303.	2,562,626.
Liquor	7,546,818.	8,085,876.
Revenue Total	<u>\$13,808,190.</u>	<u>\$19,544,629.</u>

Difference: \$5,736,439.

The tax rates contained in HB 609 would bring near equity to all three beverages when measured in terms of alcohol content. This is consistent with a developing national trend. In part, this has been brought on by an increasing awareness that beer and wine can be as detrimental towards public health and safety as spirits. Under the present tax rates in Alaska, liquor pays more than its share while wine and beer pay less of the total alcohol tax.

This could have a long-term impact on alcohol revenue in Alaska since consumers' beverage preference appears to be changing. Between 1976 and 1985 in Alaska, per capita consumption of liquor decreased 19.6% while wine increased 43.9% and beer increased 18.2%. As this trend continues, Alaska will derive less revenue from the sale of alcohol as long as wine

and beer are taxed at relatively lower rates than liquor. The following table shows this trend clearly.

Alaska Per Capita Alcohol Consumption By Beverage

	1970	1979	1984
Beer	1.18	1.50	1.73
Wine	.37	.47	.52
Spirits	<u>2.08</u>	<u>1.65</u>	<u>1.56</u>
Total	3.63	3.62	3.81

The higher taxes established by HB 609 could result in lower rates of consumption. To the extent alcohol costs more, less may be sold. Research indicates the array of alcohol related problems a jurisdiction experiences is directly related to its per capita consumption of beverage alcohol. The lowering of per capita consumption thus becomes a health promotion strategy, not just for alcohol abuse and alcoholism problems. There are a variety of costs associated with high consumption including, but not limited to, alcohol and drug abuse treatment, medical care, and compensation for victims of violence and property damages. Dennis Kelso, Ph.D., documented major expenses in Alaska directly attributable to alcohol abuse in his 1977 comprehensive study. The State Office of Alcoholism and Drug Abuse conducted a brief cost estimate of alcohol abuse early in 1986 which confirmed Dr. Kelso's study. In summary, the State spends \$12.00 on alcohol abuse problems for every \$1.00 collected in alcohol taxes under the present tax schedule. In total dollar amounts, the State must spend \$185,294,061 and collects \$14,868,433 for a net loss of \$170,425,628 to alcohol abuse and alcoholism. These costs to society should be a strong consideration for levying a new tax on alcohol.

Position

The Department of Health and Social Services is supportive of HB 609. Recent estimates peg the economic benefit from the sale of alcohol to over \$19 million. This certainly appears to be in the public interest in an era of overall declining revenues. This legislation also would assist the prevention strategy of influencing per capita consumption through pricing and regulation of availability.

RECOMMENDED BY:

Matthew Felix by Leo M... ..  
 Matthew C. Felix, Coordinator  
 Office of Alcoholism &  
 Drug Abuse

DATE:

3/26/86

APPROVED BY:

John R. Pugh  
 John R. Pugh, Commissioner  
 Department of Health &  
 Social Services

DATE:

3/26/86

Introduced: 2/14/86  
Referred: State Affairs  
and Finance

BY CLOCKSIN, NAVARRE, ADAMS,  
BOUCHER, KOPONEN, M.M. MILLER,  
M.W. MILLER AND HURLEY

1 IN THE HOUSE

2 HOUSE BILL NO. 609

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to increasing the alcoholic beverage  
7 tax."

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

9 \* Section 1. INTENT. It is the intent of the legislature that revenue  
10 gained from the increased tax on alcoholic beverages under this Act be used  
11 for alcohol abuse programs and to provide assistance for victims of those  
12 persons who abuse alcohol.

13 \* Sec. 2. AS 43.60.010(a) is amended to read:

14 (a) Every brewer, distiller, bottler, jobber, retailer, whole-  
15 saler, or manufacturer who sells alcoholic beverages in the state or  
16 who consigns shipments of alcoholic beverages into the state, whether  
17 or not the alcoholic beverages are brewed, distilled, bottled, or  
18 manufactured in the state, shall pay on all malt beverages (alcoholic  
19 content of one percent or more by volume), wines, and hard or dis-  
20 tilled alcoholic beverages, the following taxes: (1) malt beverages  
21 at the rate of 64 [35] cents a gallon or fraction of a gallon; (2)  
22 wine or other beverages of 21 percent alcohol by volume or less, at  
23 the rate of \$1.56 [85] cents a gallon or fraction of a gallon; and (3)  
24 other beverages having a content of more than 21 percent alcohol by  
25 volume at the rate of \$6.00 [\$5.60] a gallon.

Testimony of  
Charlie Selman, CHARR President  
Presented to the  
House State Affairs Committee  
March 26, 1986

Madam Chairman, Committee members, my name is Charlie Selman and I am President of the Alaska Cabaret, Hotel, Restaurant and Retailers Association. I greatly appreciate the opportunity to present testimony to you on House Bill 609.

In reviewing H.B. 609, we have attempted to determine the public policy basis for this legislation. If the concern of the bill's sponsors is to raise additional revenue to fund alcohol treatment programs--as is implied in Section 1--then we submit that more than \$17 million is already targeted at this area in the Governor's proposed operating budget. In addition, as you know, Alaska's Constitution prohibits the dedication of state funds for a specific purpose. Therefore, while the intent section of H.B. 609 may not violate the letter of Article IX, Section 7 of the Constitution, it certainly violates the public policy principles which led the Constitution's drafters to place the dedicated fund prohibition in this historic document.

If the sponsors' intent is to assist victims of those who abuse alcohol--as Section 1 implies--then we believe it would be in the public interest to have companion legislation introduced which would authorize such a new program. In addition, clearly defined goals and objectives for such a program should be included in the companion legislation, as well as a carefully crafted fiscal note which accurately states the cost of program implementation.

If the sponsors' intent is to establish "tax parity," that is, to equalize tax rates on a per unit volume of alcohol content, then we suggest that the parity issue cuts two ways. Instead of raising the excise tax on wine and beer to achieve parity with distilled spirits, we suggest that an equally compelling public policy argument can be made to lower the tax rate on distilled spirits to be commensurate with that of beer and wine.

If the sponsors' intent is simply to raise taxes due to a belief that Alaska's hospitality industry is not paying its fair share of taxes, we believe this legislation is misdirected. In the document which has been given to you, the data clearly show that Alaska's consumers pay among the highest alcohol tax rates in the nation.

Alaskans bear the second highest tax rate in the nation for distilled spirits, the seventh highest rate for wine, and fourth highest for beer. And it might be appropriate to remind Committee members, that the Legislature raised state alcohol excise taxes just two years ago.

In closing I want to add one final note to this testimony. As members of this Committee are fully aware, CHARR members and Representative Clocksin often have divergent policy viewpoints on alcohol legislation. However, it may be that with a continued and constructive dialogue we can find common ground.

Last April, Representative Clocksin appeared before this Committee to testify on two difficult issues facing the

hospitality industry: pending dram shop legislation and the liability insurance crisis. In his testimony, Representative Clocksin expressed concern about insurance legislation which had been introduced by Senator Josephson. The legislation proposed a temporary doubling of the alcohol tax for a short period of time.

Representative Clocksin stated that inadequate time remained in the session to address the complex liability insurance problem. In addition, he stated, and I quote:

"Furthermore, I am concerned that the consumers will pay for this problem with drastic increases in alcohol at a time when many of us do not believe that consumer taxes need to be increased."

We believe that Representative Clocksin was right on target with his comments last session, and believe they are as timely today as they were a year ago. We believe there is no valid public policy reason to raise consumer taxes on any product, especially given Alaska's current economic circumstances.

We urge the Committee not to pass this bill out. If, however, the Committee is seriously considering taking action on this bill, we urgently request that a statewide teleconference be held to allow Alaskans throughout the state an opportunity to share their views on H.B. 609 with you. If this bill moves out of Committee without such an opportunity, it will be the first time that our organization in particular--and Alaskans in

general--will have been shut out of a meaningful public participation process before this Committee.

Thank you for giving us the opportunity to present this testimony.

EXCISE TAX RATES ON SPECIFIED ALCOHOLIC BEVERAGES  
LEVIED BY 32 LICENSE STATES AND THE DISTRICT OF COLUMBIA  
RANKED ACCORDING TO MAGNITUDE AND BY THE FEDERAL GOVERNMENT<sup>1</sup>

October 1984

Distilled Spirits		Table Wine		Dessert Wine		Beer	
State	Rate per Gallon	State	Rate per Gallon	State	Rate per Gallon	State	Rate per Gallon
1	2	3	4	5	6	7	8
Florida	\$ 6.50	Florida	\$ 2.25	Florida	\$ 3.00	South Carolina	\$ .768
Alaska <sup>2</sup>	5.60	Georgia	1.51	Georgia	2.54	Florida	.480
Oklahoma	5.00	Tennessee	1.10	South Dakota	1.40	Oklahoma	.403
South Carolina	4.91	South Carolina	1.08	Nebraska	1.25	Alaska <sup>2</sup>	.350
Minnesota	4.39 <sup>2</sup>	New Mexico	.95	Oklahoma	1.25	Georgia	.322
New York	4.09 <sup>3</sup>	South Dakota	.90	Tennessee	1.10	Louisiana	.322
Massachusetts	4.05	Alaska <sup>2</sup>	.85	South Carolina	1.08	South Dakota	.267
North Dakota	4.05	Arizona	.84	New Mexico	.95	Arkansas	.234
Tennessee	4.00	Arkansas	.75	Alaska <sup>2</sup>	.85	Texas	.194
New Mexico	3.94	Nebraska	.65	Arizona	.84	New Mexico	.180
South Dakota	3.80	Oklahoma	.63	Minnesota	.79	Kansas	.180
Georgia	3.79	Massachusetts	.55	Arkansas	.75	North Dakota	.160
Wisconsin	3.25	Kentucky	.50	Kansas	.75	Arizona	.160
Arizona	3.00	North Dakota	.50	Nevada	.75	Nebraska	.140
Connecticut	3.00	Indiana	.47	Illinois	.60	Minnesota	.129
New Jersey	2.80	Delaware	.40	North Dakota	.60	Tennessee	.126
Nebraska	2.75	Maryland	.40	Massachusetts	.55	Indiana	.115
Indiana	2.68	Rhode Island	.40	Kentucky	.50	Massachusetts	.106
Arkansas	2.50	Nevada	.40	Indiana	.47	Connecticut	.100
Kansas	2.50	Kansas	.30	Wisconsin	.45	Maryland	.090
Louisiana	2.50	Missouri	.30	Texas	.408	Nevada	.090
Rhode Island	2.50	New Jersey	.30	Delaware	.40	Kentucky	.081
Texas	2.40	Connecticut	.30	Maryland	.40	Colorado	.080
Colorado	2.28	Colorado	.28	Rhode Island	.40	D. C.	.073
Delaware	2.25	Minnesota	.27	D. C.	.33	Illinois	.070
Nevada	2.05	Wisconsin	.25	Missouri	.30	Delaware	.065
California	2.00	Illinois	.23	New Jersey	.30	Rhode Island	.065
Illinois	2.00	Texas	.204	Connecticut	.30	Wisconsin	.065
Missouri	2.00	D. C.	.15	Colorado	.28	Missouri	.060
Kentucky	1.92	New York	.12	Louisiana	.23	New York	.055
D. C.	1.50	Louisiana	.11	New York	.12	California	.040
Maryland	1.50	California	.01	California	.02	New Jersey	.033
Federal Tax	10.50	Federal Tax	.17	Federal Tax	.67	Federal Tax	.29

<sup>1</sup>Hawaii, the only other license state, levies an excise tax on alcoholic beverages of 20 percent of the wholesale price.

<sup>2</sup>Based on one three-gallon case of spirits and including all "additional" taxes.

<sup>3</sup>New York City has an additional tax \$1.00/gal. on distilled spirits and 12¢/gal. on beer.

Source: Federation of Tax Administrators

Introduced: 1/13/86  
Referred: State Affairs and Finance

Funding Information  
General Fund \$500,000  
Other Funds -0-  
\$500,000

BY FERGUSON, ZIEGLER,  
ZHAROFF AND V. FISCHER

1 IN THE SENATE

2

SENATE BILL NO. 326

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation to the Office  
7 of Management and Budget for study of tax policy; and  
8 providing for an effective date."

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

10 \* Section 1. The sum of \$500,000 is appropriated from the general fund  
11 to the Office of Management and Budget for the purpose of analyzing the  
12 state tax structure to determine the effectiveness of existing state taxes,  
13 tax credits, licenses, and user fees in providing a broad, stable, and ac-  
14 countable source of revenue for the state; to provide information to the  
15 legislature to assist the formulation of long-term tax policy; to  
16 specifically examine the balanced use of conventional revenue sources,  
17 uniformity in taxation among taxpayers, and the relationship between mini-  
18 mizing taxes and fostering economic growth; and to report results of the  
19 study to the legislature by June 30, 1987.

20 \* Sec. 2. The unexpended and unobligated portion of the appropriation  
21 made by this Act lapses into the general fund June 30, 1987.

22 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
23 10.070(c).