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HOUSE COMMITTEE REPORT

(11)

Date Referred: March 3, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/13/89

The FINANCE Committee considered:

HB 80

HOUSE BILL NO. 80 [INCREASE CIGARETTE TAX]

"An Act increasing the excise tax on cigarettes."

RECOMMENDATIONS:

- [] be replaced with CS HB 80 (HESS) [] the same title
- [] have attached amendment(s) [] a new title
- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [] fiscal impact Rev.
- [] zero fiscal note
- [] zero with analysis

- [] fiscal note(s) Rev. 3/17/89
- [] zero fiscal note(s)
- [] zero fn/analysis

SIGNING DO PASS:

SIGNING:

(Check approp. column)

[Signature] Hoffman
[Signature] Smuckhammer
[Signature] Brown
[Signature] Koponen
[Signature] Ulmer

	Do Not Pass	No Rec	Amend
<u>[Signature]</u> Larson		X	
<u>[Signature]</u> Barnes	✓		
<u>[Signature]</u> Shultz	✓		
<u>[Signature]</u> Phillips	✓		
<u>[Signature]</u> Rieger		✓	
<u>[Signature]</u> Wallis		✓	

CO- [Signature]
 CO- [Signature]
 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Increasing the Excise
Tax on Cigarettes
Sponsor: Ellis and Koponen
Requestor: (H)HESS Committee

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	9128.7	8854.8	8854.8	8854.8	8854.8	8854.8

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
TOTAL	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: See attached.

Prepared By: Steven E. Kettel *Steven E. Kettel*
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: March 9, 1989

Approved by Commissioner: Hugh Malone *Royce FOR*
Agency: Department of Revenue

Date: March 9, 1989

- Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Adopted

CS HB 80
March 9, 1989

Analysis

1. Assumes effective date of legislation is July 1, 1989.
2. Total cigarette consumption has fallen six percent per year for the three year period ending in FY88. Forecasts under present law assume consumption will drop three percent in FY89 and FY90, then remain level through FY94.
3. The increase in cigarette prices due to the higher tax will reduce consumption. It is estimated that the quantity of cigarettes sold will fall by three percent from the level presently forecast.
4. Revenues to the School Fund will decrease by about \$72,000 each year as that tax rate is not changed by the proposed legislation.

Comment

The latest information indicates that Alaska ranks somewhere in the bottom one-third among states that levy a tax on cigarettes. The highest tax is assessed by Minnesota at 38 cents per pack and the lowest by North Carolina at 2 cents per pack. The state of Alaska levies 16 cents per pack on cigarettes. There are thirty-five states that levy a higher rate than Alaska.

Original sponsors: Ellis, Koponen,
and M.Davis

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 80 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act increasing the excise tax on cigarettes, and
7 authorizing municipalities to levy and collect taxes
8 on the retail sale of cigarettes and tobacco products
9 without limitation."

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

11 * Section 1. AS 29.45.650(a) is amended to read:

12

(a) Except as provided in (f) and (g) of this section, a borough
13 may levy and collect a sales tax not exceeding six percent on sales,
14 rents, and on services provided in the borough. The sales tax may
15 apply to any or all of these sources. Exemptions may be granted by
16 ordinance.

17

* Sec. 2. AS 29.45.650 is amended by adding a new subsection to read:

18

(g) The limitation on the rate of levy specified in (a) of this
19 section does not apply to taxes imposed on sales of cigarettes and
20 tobacco products at retail. For purposes of this subsection,

21

(1) "cigarette" has the meaning given in AS 43.50.170;

22

(2) "tobacco product" has the meaning given in AS 43.50.-

23

390.

24

* Sec. 3. AS 43.50.190(a) is amended to read:

25

(a) There is levied an excise tax of 15 [FIVE AND ONE-HALF]

26

mills on each cigarette imported or acquired in this state.

EFFECT OF CSHB 80

CURRENT LAW

UNDER CSHB80

MILL RATE PER
CIGARETTE
dedicated to
School Fund

AS 43.50.090 = 2.5 MILLS

AS 43.50.090 = 2.5 MILLS
(NO CHANGE)

MILL RATE PER
CIGARETTE
collected for
General Fund

AS 43.50.190 = 5.5 MILLS

AS 43.50.190 = 15.0 MILLS
(10 MILL INCREASE)

COMBINED MONETARY EFFECT ON EACH
20 cigarette
pack

16 CENTS

35 CENTS
(19 CENT INCREASE)

There are currently two separate excise taxes levied on cigarettes. Taxes collected under AS 43.50.090, which predates the prohibition against dedicated funds, are deposited in the School Fund. Taxes collected under AS 43.50.190 are deposited in the General Fund. CSHB 80 amends AS 43.50.190 and increases General Fund revenues.

ormation indicates that Alaska ranks somewhere, one-third among states that levy a tax on the highest tax is assessed by Minnesota at 38 and the lowest by North Carolina at 2 cents per cent of Alaska levies 16 cents per pack on here are thirty-five states that levy a higher ka.

11-15-88

27

CIGARETTE TAXES—RATES, INCIDENCE, PAYMENT, REPORTS

§286 The main features of the state taxes on cigarettes are given in the chart below. If incidence of the tax is on consumer, tax will be deductible on income tax returns in some states (by law). It isn't deductible under IRC, nor in state law in line with current Fed.

RATE PER PACK OF 20	INCIDENCE	PAYMENT METHOD	MONTHLY REPORT REQUIREMENTS (Who, when and to whom)
ALA. 16.5¢ (5)	Stamps	Consumer(13)	Wholesaler jobber, 20th. Dept. Rev.
ALASKA 16¢	Seller	Reports	Licensee, last day, Tax Commr.
ARIZ. 15¢	Seller	Report	Distributor, 1st. Dept. Rev.
ARK. 21¢	Seller	Stamps(1)	Distributor, 10th. Dept. Fin. & Adm.
CALIF. 35¢ (eff. 1-1-89; was 10¢)	Consumer(13)	Stamps(2)	Distributor, 25th. State Eq. Bd.
COLO. 20¢	Seller	Stamps	Wholesaler, 10th (eff 7-1-88; was 20th); Dept. Re
CONN. 26¢	Consumer	Stamps	Distributor (4), 15th. Commr. Rev. Serv.
DEL. 14¢	Consumer	Stamps	Wholesaler, agent, 20th. Dir. Rev.
D.C. 17¢	Seller(14)	Stamps	Wholesaler, retailer, 15th. Dept. Fin. & Rev.
FLA. 24¢ (11)	Seller	Stamps	Agent, 10th. Tax Dept.
GA. 12¢	Distributor	Stamps	Distributor, 10th. Commr. Rev.
HAW. 40¢(6)	Seller	Stamps	Wholesaler, retailer, last day, Dept. Tax.
IDA. 18¢	Seller	Stamps	Wholesaler, 15th. Tax Comm.
ILL. 20¢ (16)	Seller	Report	Distributor (7), 15th. Dept. Rev.
IND. 15.5¢	Consumer	Stamps	Distributor, 15th (8), ABC
IOWA 34¢ (31¢ eff 7-1-89)	Seller	Stamps	Permittees, 20th. Dept. Rev. & Fin.
KAN. 24¢	Seller	Stamps	Wholesaler, 10th. Dir. Tax.
KY. 3¢	Consumer	Stamps	Wholesaler, 20th. Cabinet Rev.
LA. 16¢	Seller	Stamps	Dealer, 15th. Sec'y Rev. & Tax.
ME. 28¢	Consumer	Stamps	Distributor, 10th. Bur. Rev.
MD. 13¢	Seller	Stamps	Distributor, 20th. Compr.
MASS. 26¢	Consumer(13)	Stamps	Distributor, 20th. Commr. Rev.
MICH. 25¢	Seller	Report	Licensee, 20th. Dept. Treas.
MINN. 38¢	Seller	Report	Distributor, 25th. Dept. Rev.
MISS. 18¢	Consumer(13)	Stamps	Distributor (9), 15th. Tax Comm.
MO. 13¢ (5)	Consumer	Stamps	Wholesaler, 20th. Dept. Rev.
MONT. 16¢	Consumer	Stamps	Interstate Carriers, (no fixed dates), Dept. Rev.
NEB. 27¢	Consumer	Stamps	Retailer, wholesaler, 10th. Tax Comm.
NEV. 20¢ (15¢ eff 6-1-89)	Seller	Stamps	Wholesaler, 15th (15), Div. Tax.
N.H. 17¢	Consumer	Stamps	(Monthly reports not required)
N.J. 27¢	Consumer	Stamps	Distributor, 20th. Dir. Tax.
N.M. 15¢	Seller	Stamps	Distributor, 25th. Tax. & Rev. Dept.
N.Y. 21¢ (17)	Consumer	Report	Agent, 15th. Dept. Tax. & Fin.
N.Y.C. 8¢ (17)	Consumer	Stamps	Agent, 15th. Comm. Fin.
N.C. 2¢	Consumer	Stamps	Distributor, 20th. Sec'y Rev.
N.D. 27¢	Seller	Stamps	Distributor, quarterly (10), Tax Comm.
OHIO 18¢	Consumer	Stamps	Dealer, 1-31 & 7-31, Tax Comm.
OKLA. 23¢	Consumer	Stamps	Wholesaler, retailer, 10th. Tax Comm.
ORE. 27¢	Consumer	Stamps	Distributor, 20th (reports: payment, quarterly), Dept. Rev.
PA. 18¢	Consumer	Stamps	Dealer, 10th. Dept. Rev.
R.I. 27¢ (eff 7-1-88; was 25¢)	Consumer	Stamps	Dealer, distributor, 10th. Tax Admr.
S.C. 7¢	Seller	Stamps	(Monthly reports not required)
S.D. 23¢	Consumer	Stamps	Distributor, wholesaler, 15th. Dept. Rev.
TENN. 13¢	Consumer	Stamps	Distributor, 15th. Dept. Rev.

RATE PER PACK OF 20	INCIDENCE	PAYMENT METHOD	MONTHLY REPORT REQUIREMENTS (Who, when and to whom)
TEX. 26¢ UTAH 23¢	Consumer Seller	Stamps Stamps	Distributor, 30th. Compr. Pub. Accts. (Monthly reports not required)
VT. 17¢ VA. 2.5¢ (3) WASH. 31¢ W.VA. 17¢ WIS. 30¢ WYO. 8¢	Seller Seller Consumer Consumer Consumer Consumer	Stamps Stamps Stamps Stamps Stamps Stamps	Distributor, wholesaler, 15th. Comm. Taxes Wholesaler, storer, 10th. Dept. Tax. Wholesaler, retailer, 15th. Dept. Rev. Wholesaler, 15th. Tax Dept. Mfg. wholesalers, 15th. Dept. Rev. Wholesaler, 20th. Dept. Rev. & Tax.

FOOTNOTES to chart (corresponding to numbers in parentheses in the chart):

- (1) Payment with report for stamps purchased on consignment.
- (2) Payment with report for tax not paid by stamp or meter.
- (3) City taxes are also in effect in some cities.
- (4) Machine dealer and operator with over 5 machines, report on 15th.
- (5) City and county taxes may be levied.
- (6) Wholesale price is basis.
- (7) Manufacturer reports on 5th.
- (8) Report drop shipment on 15th.
- (9) Wholesaler and manufacturers also report.
- (10) 10th of Jan., Apr., July, and Oct.; monthly reports may be allowed.
- (11) State tax is net after credit for 16¢ Fed excise tax.
- (12) (Reserved.)
- (13) Not deductible on state return.
- (14) Deductible on state return.
- (15) Metered stamping machine report by 10th.
- (16) Cook Cty. has added 5¢ tax per pack.
- (17) Added 5.25¢ (2¢ in NYC) per 5 cigarettes if pack over 20 cigarettes.

The

Case for

Increasing

California's

Tobacco Tax

COALITION

for a

HEALTHY

CALIFORNIA



5858 Wilshire Blvd., Suite 400
Los Angeles, CA 90036-9930
(213) 937-6464

American Academy of Pediatrics • American Cancer Society, California Division • American Heart Association
American Lung Association of California • Blue Cross of California • Americans for Non-Smokers Rights
California Association of School Health Educators • California Association for Medical Laboratory Technology
California Dental Association • California Association of Hospitals and Health Systems
California Association of Public Hospitals • California Medical Association • California Nurses Association
California Professional Firefighters • California Public Health Association • California School Boards Association
California Society of Periodontists • California State Fireman's Association • California Thoracic Society
Campaign California • Health Officers Association of California • Kaiser Foundation Health Plan, Inc.
Los Angeles City Council • The Planning and Conservation League of California

TECHNICAL AND POLITICAL FACTORS TO CONSIDER IN
CHANGING TAX POLICY TO INCREASE
THE CALIFORNIA TOBACCO TAX

1. Substance of the tobacco tax increase proposal

a. Amount of increase

- 1) How much should it be? Comparison with other states?
- 2) What number would minimize problem for machine vendors?
- 3) Cigarettes only or proportionate increase for other tobacco products?
- 4) Is the amount of the increase and the amount of revenue raised in consonance with the social rationale for the increase?

b. Effective date of the increase

- 1) What date would create the fewest administrative problems for the agency which would collect the tax?
- 2) What date would create the fewest problems for those who pay the tax...distributors, machine vendors, etc.?

c. Collection of the tax

- 1) Which agency should be responsible for collection?
- 2) Administrative costs of collecting 35 cents as compared to 10 cents.

d. Use of revenue derived from the tax

- 1) Should entitlements to proceeds from current tax be preserved? What are the rationales?
- 2) Earmarking assuming proceeds of the increase would go toward smoking prevention education, research for smoking-related diseases and provision of health care for the indigent, how will decisions be made as to:
 - a) Operational definitions of "education", "research" and "health care"?
 - b) Specific activities which fall within the operational definitions.
 - c) Whether all implementing programs are administered by public employees only or whether the state will contract with private agencies for services.
 - d) Percentage distribution among education, research and health care.

e. Administration of distribution of tax proceeds

- 1) Should statutory provision be made for a gross division of proceeds to administering agencies (e.g., 1/3 to department of Education to administer research and health care programs) and rely on each Department to implement by regulation?
- 2) Create advisory committee and stipulate composition?

3. Require distribution to go through budget appropriation process with all proposed expenditures subject to legislative review?

f. Administering state agencies

- 1) One (e.g., DHS) or several (e.g., DHS, DOE, UC).
- 2) Existing agency or create new one?
- 3) How do other states do it?

g. Maintenance of effort

- 1) Device to be used (e.g., "State shall not expend less dollar amounts than expended in 1987-88 fiscal year for Medi-Cal, health care for the indigent, etc.").
- 2) Important that all new revenues seen as funds to augment existing programs, not as substitute for present funding. Critical because tax is designed to reduce smoking, will therefore eliminate itself if successful.

- h. Should bill proposal be identical to initiative proposal so that proponents can argue that the legislative process was attempted without success and therefore the people must take the matter into their own hands?

- i. Who are the interested parties in a proposed tax increase? Which among them have sufficient power that they can influence the policy outcome?

2. Political questions which must be addressed whether attempting to enact legislation or passing an initiative

- a. Legislative strategy must be consistent with initiative strategy.

- b. A thoughtfully developed, philosophically consistent, rationale is needed for:

- 1) Earmarking for specific purposes and no others.
- 2) Why cigarettes (all tobacco?) and not other harmful substances (e.g., alcohol).
- 3) The user-fee concept.
- 4) Social justification for requiring smokers to pay health care costs, smoking prevention education costs, and smoking-related disease research costs.

- c. Should the coalition which sponsors the bill be the same as the one which sponsors the initiative?

- 1) Who would do the lobbying?
- 2) Who would finance the initiative?

- d. Public opinion survey research on fundamental policy questions.
 - 1) To what extent would non-smokers support an increase in tax?
 - 2) To what extent would smokers support an increase?
 - 3) How much of an increase?
 - 4) Priority uses of the proceeds.
 - 5) Support for user-fee concept.
 - 6) Support for distributing proceeds to non-health related uses.
- e. Coordinate vs. separate individual media relations strategy.
- f. Possibility of developing a lobbying "game plan", creating a lobbying control committee, and getting advance commitments for execution. Hold weekly strategy sessions during legislative consideration.
- g. Development of major arguments which can be made:
 - 1) In favor
 - 2) against
 - 3) proponent's responses to opponent's arguments
- h. Strategy for approaching the opposition
 - 1) Who will comprise the opposition—cigarette manufactures, distributors, retailers, vending machine operators, etc.?
 - 2) How committed is each likely to be?
- i. Authorship of legislation
 - 1) Chairman of Revenue and Taxation Committees in each house?
 - 2) As many co-authors as possible?
 - 3) Bi-partisan?
 - 4) Better one party or the other?

3. Pre-initiative planning

- a. Survey of potential supporters
 - 1) Will you support?
 - 2) Resource Commitment?
 - 3) When?
- b. Public opinion survey research
 - 1) Benchmark Survey
 - 2) Who pays?
- c. Creation of preliminary planning committee
 - 1) Small as possible?
 - 2) Comprised of certain supporters only?

d. PPC discuss possibilities with campaign management firms

- 1) Interest in taking the yes campaign.
- 2) Possible strategy?
- 3) Probable cost of a winning campaign.

e. PPC discuss possibilities with professional fundraisers

- 1) Interest
- 2) Potential

4. Initiative planning

a. Organizational structure of sponsoring coalition

- 1) Umbrella for all supporting parties.
- 2) Steering committee (money).
- 3) Executive committee (more money).
- 4) Control committee which will direct campaign consultants and other officers of the campaign committee (lots of money).

b. Retain:

- 1) Legal counsel
- 2) Professional fundraiser
- 3) Campaign consultant

c. Campaign budget:

- 1) Minimum/optimum.

d. Public opinion survey research.

e. Initiative timing flow chart.

f. Draft Initiative proposal.

g. Circulation of petitions/qualification strategy.

COALITION



for a
HEALTHY

CALIFORNIA



The Facts About

CHILDREN AND TOBACCO

Efforts which prevent or postpone the onset of tobacco use have the greatest potential to reduce the number of users.

- ▶ 90% of all smokers start by age 19 and 60% start by age 14, four years before they are legally entitled to smoke in California.
- ▶ 34% of California 9th graders and 31% of 11th graders smoked within the last six months. (January, 1986)
- ▶ Smoking rates among young people have not declined at the same rate as smoking among adults. Smoking among young females is significantly above their male counterparts.
- ▶ 16 percent of males between the ages of twelve and twenty-five use some form of smokeless tobacco. 25-35 percent of adolescent males (in some regions) currently use smokeless tobacco.
- ▶ 34% of Californians between the ages of eighteen and twenty-four smoke compared to 18% of those over the age of 65.
- ▶ Nationally, 3,279,000 children between the ages of twelve and seventeen smoke an average of 16 cigarettes each day.

CAN A TOBACCO TAX KEEP CHILDREN OFF TOBACCO?

- ▶ The proposed tobacco tax will earmark 20% of revenues — \$130 million annually — to "programs for the prevention and reduction of tobacco use, primarily among children, through school and community health education programs."
- ▶ Health education taught well, works. The Centers for Disease Control in Atlanta report "one of the most interesting behavior changes is the delay of onset of cigarette smoking." If all elementary school children participated in a good program, 150,000 fewer 12-year olds would start smoking each year.
- ▶ A good health education program costs as little as \$6 per student each year.
- ▶ Children and teenagers are influenced by the price of cigarettes when deciding to smoke. Experts predicted that a 16 cent increase in the Federal tobacco tax would cut the number of smokers under the age of 19 by 800,000 nationwide.
- ▶ A 25 cent tax increase in California could discourage as many as 100,000 children and teenagers from using tobacco each year.

COALITION

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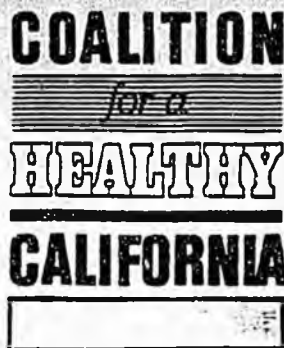
Public Opinion

About Tobacco Use

What voters know and feel about tobacco use affects the final outcome of the campaign, but it may not be decisive. Advertising by the tobacco industry can confuse and mislead voters.

However, the declining number of smokers and changing public opinion about the issue may create obstacles which the tobacco companies cannot overcome.

- ▶ Only 25% of California adults smoke, down from 32% in 1980. Of the five million Californians still smoking approximately 25% tried to quit during the last Great American Smokeout in November 1987.
- ▶ 68% of Californians favor the provisions of the Tobacco Tax and Health Protection Act, 27% are opposed and 5% are undecided. Of the 68% in favor, 56% are "strongly" in favor. The 56% "strong" support will be exceptionally difficult for tobacco industry advertising to overcome. (1987)
- ▶ 77% of smokers surveyed by the Gallup Poll said they would like to stop smoking, up from 66% in 1981. (1987)
- ▶ 47% of teenagers support a nationwide ban on tobacco sales. Well over 50% of above average students living in the East support the idea. Roughly 70% of the same students support a ban on selling tobacco to those under 21 years of age. (1988)
- ▶ College students assign smoking the rank of 3rd among activities with the greatest risk. (1987)
- ▶ 87% of Americans, smokers and non-smokers alike, now believe companies should either ban smoking at work totally or restrict it to designated areas. (1986)
- ▶ 94% of Americans believe smoking is hazardous to health. (1986)
- ▶ 75% of all Americans believe that smokers should not light up in the presence of non-smokers. (1986)
- ▶ 67% of Californians support increasing the tax on tobacco products to fund parks and recreation areas. (1987)



What Smoking Costs

Your Company

- ▶ An employer can save at least \$345 per employee every year during the first three years after they quit smoking. In Los Angeles, the savings estimate is \$675 each year.
- ▶ Employees who quit smoking continue to save company money in years four through ten at the rate of \$224 per year.
- ▶ Assuming 30% of employees smoke, a company which has 5000 employees will save \$1,552,500 over the first three years if all its employees stop smoking. A similar sized Los Angeles company will save \$4,657,500 over three years.
- ▶ A large employer with 50,000 employees would have 15,000 smokers and save \$15,525,000 in the first three years of its smoke free environment.

It is unrealistic for any company to plan on total success in smoking cessation efforts, but savings are evident at every level of success. Where do the savings come from?

- ▶ Smokers use 50 percent more sick leave, and have fifty percent more use of the health care system.
- ▶ Smokers have twice the mortality rate during working years.
- ▶ Smoking wastes 6 percent of an employees work time.
- ▶ Smoking increases the health care costs for employees affected by "second-hand" smoke.
- ▶ Working in the presence of smokers reduces morale and productivity among non-smoking personnel.
- ▶ Smoking increases maintenance and cleaning costs and requires a much larger investment in air conditioning and circulation.
- ▶ Of the total California health care bill of \$35.4 billion in 1983, it is estimated that \$5.6 billion was spent treating tobacco related diseases.
- ▶ Nationally, middle range estimates put 1985 health care costs attributable to smoking at \$22 billion and lost productivity at \$43 billion for a total of \$65 billion or \$2.17 cost for each pack of cigarettes sold.

The Tobacco Tax and Health Protection will:

- ▶ Reduce the flow of new smokers and tobacco users into the workplace.
- ▶ Fund uncompensated medical care for patients without medical insurance thereby reducing the need for doctors and hospitals to charge their insured patients more.
- ▶ Support medical research which will improve prevention and treatment of tobacco related diseases.

I. What is Tobacco?

1. The tobacco industry is a \$32 billion enterprise in this country. (Wall Street Journal, 11-14-86)
2. 98% of all cigarettes manufactured in this country are made by six companies. (Coalition on Smoking or Health)
3. Cigarettes contain at least 48 known carcinogens including nicotine, tar, carbon monoxide, ammonia, and benzopyrene. There is no such thing as a safe level of exposure to cigarette smoking. (Office of Smoking and Health)
- * 4. The nicotine in tobacco is six to eight times more addictive than alcohol. Its addictive power bears a "stunning" resemblance to opium and heroin. (Harvard University; National Institute on Drug Abuse)

II. Who decides to Smoke? - Kids!

1. Approximately 30% of Americans now smoke; 33% male and 28% females.
- * 2. In general, adults don't make the decision to smoke—kids do. 90% of all smokers make their decision to start smoking before the age of 20. 60% begin by the age of 14; 22% by the age of nine. (Health Affairs)
- * 3. 80% of teenage smokers are addicted before they leave the 9th grade. (Health Notes)
4. Each day, approximately three to five thousand U.S. kids smoke for the first time. (Cahan, G., "Smoking as a form of child Abuse," Washington Post May 22, 1985)
- * 5. The tobacco industry spent \$2.6 billion in the U.S. on advertising and promotion in 1985 primarily targeting the young and depicting users as healthy, athletic, active and attractive and relating tobacco use with pleasure and glamour. (Nonsmokers' Rights Foundation)
- * 6. A 10% increase (approximately 10 cents) in the price of cigarettes will lead to an overall 4.2% drop in cigarette smoking but a 14% drop in teenage smoking (U.S. Department Agriculture; JAMA, February 28, 1988)

III. The Cost of Tobacco Smoking to Society

- * 1. The U.S. Government spends approximately \$4.2 billion each year on the Medicare and Medicaid programs to pay for the cost of smoking related-illnesses. This cost to society works out to 14 cents for each pack of cigarettes. (Office of Technology and Assessment)

2. The U.S. Health care system spends approximately \$22 billion each year to treat smoking-related diseases. This cost to society computes to 72 cents for each pack of cigarettes sold. (Office of Technology and Assessment)
3. Another \$43 billion in productivity losses in the U.S. economy are attributable to cigarette smoking. This amounts to \$1.45 for each pack of cigarettes sold. (Office of Technology and Assessment).
- * 4. The total cost of cigarette smoking to society totals (#2 and #3 above) to \$65 billion. This amounts to \$2.17 per pack of cigarettes sold. (Office of Technology and Assessment)
5. Nevertheless, taxes for a pack of cigarettes in California are only 16 cents for federal tax and 10 cents of state tax, totalling to 26 cents per pack. The rest of the costs caused by cigarettes are subsumed in individual private health insurance premiums and taxes.

IV. California's Cigarette Tax

1. California's cigarette tax has remained at 10 cents per pack since 1967. (Board of Equalization)
2. Only six other states, primarily tobacco growing states have a lower rate than California. Nevada and Arizona tax at 15 cents per pack while Oregon taxes at 27 cents per pack (Board of Equalization).

V. Human Costs of Cigarette Smoking

- * 1. Approximately 350 thousand people die each year due to smoking related illnesses. This accounts for one of every six deaths. (Office of Technology and Assessment).
2. Smoking is associated with 30% of all cancers. (American Cancer Society)
3. Smoking causes 85% of all lung cancer deaths (130 thousand in 1984 in the U.S.) and is the major cause of lung cancer in women. (American Cancer Society)
4. Smoking causes 90% of all cases of bronchitis and emphysema (American Cancer Society)
5. Besides being the primary cause of lung cancer, smoking is also a major cause of cancer of the larynx, oral cavity and esophagus. It contributes to cancer of the urinary bladder, kidney and pancreas. (American Cancer Society)

6. Smoking is the major cause of coronary heart disease (American Cancer Society)
7. Smoking results in low birth weight babies and contributes to higher miscarriages (American Cancer Society)

VI. Miscellaneous Statistics

1. Polls indicate that 85% of smokers would like to quit (American Cancer Society)
2. Employers will save approximately \$850 per employee per year for each employee who quits smoking. (IBM)
4. Cigarette-caused fires kill over 2,300 people and burn 5,000 others each year in the U.S. and cause over 30 million in property damage. (IBID, pg. 5)
5. The December 1984 Report of the U.S. Surgeon General concluded that cigarette smoking represents a greater cause of death and disability than any other factor in the workplace. (U.S. Surgeon General).
6. In 1985, Canada raised its cigarette taxes an additional 25 cents per pack, bringing the total Canadian federal tax to 82 cents per pack of 25 cigarettes. Heavy provincial taxes increase the average selling price of a pack of 25 cigarettes to \$2.54 (CDN). In Newfoundland the average price is \$3.39 (CDN) per pack.

TABLE 1
CIGARETTE TAX RATE AND REVENUE, 1949 - 1987

YEAR	CIGARETTE TAX RATE (CENTS PER PACK)			CIGARETTE TAX REVENUE (\$1,000)			NOTES:
	DEDICATED TAX	ADDITIONAL TAX	TOTAL	DEDICATED TAX	ADDITIONAL TAX	TOTAL	
49	5	0	5	299.8	0.0	299.8	1949--Tobacco Tax Act enacted. Tax levied on all types of tobacco products at varying rates. Receipts deposited in the School Fund and dedicated to school construction.
50	5	0	5	442.6	0.0	442.6	
51	5	0	5	643.1	0.0	643.1	
52	5	0	5	808.6	0.0	808.6	
53	5	0	5	825.1	0.0	825.1	
54	5	0	5	825.5	0.0	825.5	
55	5	0	5	1,015.8	0.0	1,015.8	1955--Tobacco Tax Act repealed and replaced with the Cigarette Tax Act. Tax of 2.5 mills levied on cigarettes. Receipts deposited in the School Fund.
56	5	0	5	1,127.0	0.0	1,127.0	
57	5	0	5	1,041.6	0.0	1,041.6	
58	5	0	5		0.0		
59	5	0	5		0.0		
60	5	0	5		0.0		1959--Statehood. Dedicated taxes, except for those existing prior to ratification of the constitution, prohibited.
61	5	0	5		0.0		
62	5	3	8				1961--Additional tax of 1.5 mills levied on cigarettes. Receipts deposited in the general fund.
63	5	3	8				
64	5	3	8				
65	5	3	8	1,303.1	781.9	2,085.0	
66	5	3	8	1,638.1	982.9	2,621.0	
67	5	3	8	1,530.0	918.0	2,448.0	
68	5	3	8	1,576.3	945.8	2,522.0	
69	5	3	8	1,643.8	986.3	2,630.0	
70	5	3	8	1,694.4	1,016.6	2,711.0	
71	5	3	8	1,854.4	1,112.6	2,967.0	
72	5	3	8	2,015.0	1,209.0	3,224.0	
73	5	3	8	2,015.0	1,209.0	3,224.0	
74	5	3	8	2,143.8	1,286.3	3,430.0	
75	5	3	8	2,521.1	1,511.6	4,032.7	
76	5	3	8	2,883.7	1,733.6	4,617.3	
77	5	3	8	3,033.0	1,817.7	4,850.7	
78	5	3	8	2,886.6	1,740.6	4,627.2	
79	5	3	8	2,756.5	1,654.0	4,410.5	
80	5	3	8	2,679.7	1,602.8	4,282.5	
81	5	3	8	2,837.0	1,714.7	4,551.7	
82	5	3	8	3,067.0	1,827.0	4,894.0	
83	5	3	8	3,306.0	2,000.0	5,306.0	
84	5	3	8	3,391.0	2,000.0	5,391.0	
85	5	3	8	3,295.0	2,000.0	5,295.0	1985--Additional tax raised to 5.5 mills.
86	5	11	16	2,833.0	4,938.2	7,771.2	
87	5	11	16	3,239.0	6,657.2	9,896.2	

SOURCE: Alaska Department of Revenue.

1. Revenue from the dedicated portion of the tax are deposited in the "School fund" and are available for appropriation to the Department of Education for the exclusive purpose of school construction.
2. Revenue from the additional tax are deposited in the general fund and may be appropriated for any purpose.

Prepared by the House Research Agency, February 1988, (88-173).

TABLE 1
CIGARETTE TAX RATE AND REVENUE, 1949 - 1987

YEAR	CIGARETTE TAX RATE (CENTS PER PACK)			CIGARETTE TAX REVENUE (\$1,000)			NOTES:
	DEDICATED TAX	ADDITIONAL TAX	TOTAL	DEDICATED TAX	ADDITIONAL TAX	TOTAL	
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50	5	0	5	442.6	0.0	442.6	
51	5	0	5	643.1	0.0	643.1	
52	5	0	5	808.6	0.0	808.6	
53	5	0	5	825.1	0.0	825.1	
54	5	0	5	825.5	0.0	825.5	1955--Tobacco Tax Act repealed and replaced with the Cigarette Tax Act. Tax of 2.5 mills levied on cigarettes. Receipts deposited in the School Fund.
55	5	0	5	1,015.8	0.0	1,015.8	
56	5	0	5	1,127.0	0.0	1,127.0	
57	5	0	5	1,041.6	0.0	1,041.6	1959--Statehood. Dedicated taxes, except for those existing prior to ratification of the constitution, prohibited.
58	5	0	5		0.0	0.0	
59	5	0	5		0.0	0.0	
60	5	0	5		0.0	0.0	1961--Additional tax of 1.5 mills levied on cigarettes. Receipts deposited in the general fund.
61	5	0	5		0.0	0.0	
62	5	3	8				
63	5	3	8				
64	5	3	8				
65	5	3	8	1,303.1	781.9	2,025.0	
66	5	3	8	1,638.1	982.9	2,621.0	
67	5	3	8	1,530.0	918.0	2,448.0	
68	5	3	8	1,576.3	945.8	2,522.0	
69	5	3	8	1,643.8	986.3	2,630.0	
70	5	3	8	1,694.4	1,016.6	2,711.0	
71	5	3	8	1,854.4	1,112.6	2,967.0	
72	5	3	8	2,015.0	1,209.0	3,224.0	
73	5	3	8	2,015.0	1,209.0	3,224.0	
74	5	3	8	2,143.8	1,286.3	3,430.0	
75	5	3	8	2,521.1	1,511.6	4,032.7	
76	5	3	8	2,883.7	1,733.6	4,617.3	
77	5	3	8	3,033.0	1,817.7	4,850.7	
78	5	3	8	2,886.6	1,740.6	4,627.2	
79	5	3	8	2,756.5	1,654.0	4,410.5	
80	5	3	8	2,679.7	1,602.8	4,282.5	
81	5	3	8	2,837.0	1,714.7	4,551.7	
82	5	3	8	3,067.0	1,827.0	4,894.0	
83	5	3	8	3,306.0	2,000.0	5,306.0	
84	5	3	8	3,391.0	2,000.0	5,391.0	
85	5	3	8	3,295.0	2,000.0	5,295.0	1985--Additional tax raised to 5.5 mills.
86	5	11	16	2,833.0	4,938.2	7,771.2	
87	5	11	16	3,239.0	6,657.2	9,896.2	

SOURCE: Alaska Department of Revenue.

1. Revenue from the dedicated portion of the tax are deposited in the "School Fund" and are available for appropriation to the Department of Education for the exclusive purpose of school construction.
2. Revenue from the additional tax are deposited in the general fund and may be appropriated for any purpose.

Prepared by the House Research Agency, February 1988, (88.173).

ATTACHMENT D
Cigarette Tax Act, AS 43.50.010 - 190

(4) "user" means a person consuming or using motor fuel, who either (A) purchases the fuel out of the state and ships it into the state for personal use in the state;

(B) manufactures the fuel in the state; or

(C) purchases or receives fuel in the state that is not taxed at the time of purchase or receipt or is taxed at a rate that is less than the rate prescribed by AS 43.40.010. (§ 48-5-1 ACALA 1949; am § 1 ch 56 SLA 1949; am § 9 ch 47 SLA 11:55; am § 26 ch 70 SLA 1964; am §§ 6, 7 ch 158 SLA 1970; am § 1 ch 74 SLA 1972; am § 5 ch 116 SLA 1977; am § 10 ch 83 SLA 1980; am §§ 10 — 12 ch 82 SLA 1982; am § 4 ch 87 SLA 1983)

Revisor's notes. — Paragraphs (3) and (4) were renumbered in 1983 to achieve alphabetical order.

Effect of amendments. — The 1980 amendment added subparagraph (F) in paragraph (2).

The 1982 amendment, in paragraph (2), added subparagraphs (G)-(H), in paragraph (3) added the subparagraph (A) and

(B) designations, substituted "personal use" for "his own use" and deleted "or" from the end, in subparagraph (A), added "or" to the end of subparagraph (B), and added subparagraph (C); and added paragraph (4).

The 1983 amendment added paragraph (2)(L).

Secs. 43.40.110 — 43.40.120. *Additional tax levy on transfers or consumption of motor fuel. [Repealed, § 8 ch 158 SLA 1970.]*

Chapter 43. Disaster Taxes.

Secs. 43.43.010 — 43.43.060. *Disaster relief tax. [Repealed, § 1 ch 48 SLA 1969.]*

Secs. 43.43.110 — 43.43.160. *Disaster Severance tax. [Repealed, § 2 ch 247 SLA 1970.]*

Chapter 45. School Tax.

[Repealed, § 3 ch 166 SLA 1976; § 2 ch 64 SLA 1980; § 46 ch 113 SLA 1980.]

Chapter 50. Tobacco Tax.

Article

- 1 Cigarette Tax Act (§§ 43.50.010 — 43.50.180)
- 2 Additional Cigarette Tax (§ 43.50.190)

Collateral references. — 51 Am. Jur. 2d, Licenses and Permits, § 5, 16; 71 Am. Jur. 2d, State and Local Taxation, § 616; 53 C.J.S., Licenses, § 30

Article 1. Cigarette Tax Act.

Section

- 10. Licenses
- 20. Separate licenses
- 30. License fees
- 35. Wholesaler-distributor license
- 40. Expiration of licenses
- 50. Transfer of licenses
- 60. Refunds
- 70. Revocation of licenses

Section

- 80. Returns
- 90. Tax imposed
- 100. Civil penalties
- 130. Records
- 140. Disposition of proceeds
- 150. Administration
- 170. Definitions
- 180. Short title

Sec. 43.60.010. **License.** (a) No person may sell, purchase, possess, or acquire cigarettes as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer without a license.

(b) The department, upon application and payment of the fee, shall issue a license to each manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer. The department shall make reasonable regulations which it considers necessary in respect to the application for and the issuance of licenses.

(c) The department may refuse to issue a license if there is reasonable cause to believe that the applicant has wilfully withheld information requested to determine the applicant's eligibility to receive a license, or if there is reasonable cause to believe that information submitted in the application is false or misleading and is not made in good faith.

(d) A license required by this chapter is in addition to any other license required by law.

(e) A license issued under this chapter shall include

- (1) the name and address of the licensee;
- (2) the type of business to be conducted; and
- (3) the year for which the license is issued. (§ 3 ch 187 SLA 1955; am § 38 ch 113 SLA 1980)

Effect of amendments. — The 1980 amendment added subsection (e).

Sec. 43.60.020. **Separate licenses.** If a person operates more than one place of business, the person must obtain a separate license for each place of business, except that a person operating one or more cigarette vending machines is considered to have only one place of business for the purpose of a license under AS 43.60.010 — 43.60.180. A person licensed only as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer may not operate in another capacity unless the appropriate license for it is first secured. Each license shall be exhibited at the place of business for which it is issued and in the manner prescribed by the department. (§ 4 ch 187 SLA 1955)

Sec. 43.50.030. License fees. (a) For each license issued to a manufacturer, and for each renewal, the fee is \$5.

(b) For each license issued to a distributor or wholesaler-distributor, and for each renewal, the fee is \$50.

(c) For each license issued to a vending machine operator, and for each renewal, the fee is \$25.

(d) For each license issued to a direct-buying retailer, and for each renewal, the fee is \$25.

(e) For each license issued to a buyer, and for each renewal, the fee is \$25.

(f) No license may be issued except upon the payment of the fee notwithstanding a statute or exemption to the contrary. (§ 5 ch 187 S.L.A. 1955; am § 1 ch 47 S.L.A. 1964)

Sec. 43.50.035. Wholesaler-distributor license. A person may qualify for a wholesaler-distributor license by furnishing a good and sufficient surety bond in an amount equal to twice the average monthly return and in no case less than \$5,000, payable to the department and approved by the Department of Law. If a wholesaler-distributor fails to pay the cigarette tax when due, the bond may be forfeited and the license revoked. The department may issue permits in place of bonds to resident holders of wholesaler-distributor licenses doing business wholly in the state who pay the tax before shipment. (§ 2 ch 47 S.L.A. 1964)

Sec. 43.50.040. Expiration of licenses. A license issued under AS 43.50.010 expires on June 30, following the date of issue. If a license is revoked, or the business for which the license is issued changes ownership or the licensee changes the place of business from the premises covered by the license, the licensee shall immediately return the license to the department. If the licensee moves the business to another location in the state, the license shall, upon the payment of a fee of 50 cents, be reissued for the new location for the balance of the unexpired term. The licensee, on application to the department accompanied by the renewal fee, may, before the expiration of the license, renew the license for one year from the expiration date of the license. (§ 6 ch 187 S.L.A. 1955)

Sec. 43.50.050. Transfer of licenses. A license is not assignable or transferable. However in the case of death, bankruptcy, receivership, or incompetency of the licensee, or if the business of the licensee is transferred to another by operation of law, the department may extend the license for a limited time to the executor, administrator, trustee, receiver, or the transferee. (§ 7 ch 187 S.L.A. 1955)

Sec. 43.50.060. Refunds. The department may not refund the license fee upon the surrender or revocation of a license. The department may refund a license fee that is paid or collected in error. If a

license is lost, destroyed, or defaced, the department may issue a duplicate license upon payment of a fee of 50 cents. (§ 8 ch 187 S.L.A. 1955)

Sec. 43.50.070. Revocation of licenses. The department may suspend or revoke a license issued under AS 43.50.010 — 43.50.180 (1) for violation of AS 43.50.010 — 43.50.180 or a regulation of the department adopted under AS 43.50.010 — 43.50.180, or (2) if a licensee ceases to act in the capacity for which the license was issued. No person whose license is suspended or revoked shall sell cigarettes or permit cigarettes to be sold during the period of the suspension or revocation on the premises occupied or controlled by that person. No disciplinary proceeding or action is barred or abated by the expiration, transfer, surrender, renewal, or extension of a license issued under AS 43.50.010 — 43.50.180. The department shall comply with the provisions of the Administrative Procedure Act (AS 44.62). (§ 9 ch 187 S.L.A. 1955)

Sec. 43.50.080. Returns. (a) On or before the last day of each calendar month a licensee shall file with the department a return, under penalty of perjury, for each place of business. The return shall state the number of cigarettes manufactured, imported, or acquired by the licensee during the preceding calendar month, and other information which the department requires. If a licensee ceases to import or acquire cigarettes, the licensee shall immediately file with the department a return for the period ending with the cessation.

(b) A person holding a wholesaler-distributor license under AS 43.50.035 shall file a return with the department on or before the last day of each calendar month. The return shall state the number of cigarettes sold, including those cigarettes exempt from tax, and remit the tax due by the wholesaler-distributor for the preceding calendar months and other information which the department may require. (§ 10 ch 187 S.L.A. 1955; am § 3 ch 47 S.L.A. 1964)

Sec. 43.50.090. Tax imposed. (a) There is levied an excise tax of two and one-half mills on each cigarette imported or acquired in the state. Each licensee shall, at the time of filing the return required by AS 43.50.080, pay to the department the excise for the calendar month covered by the return, deducting one per cent of the total tax due, which the licensee shall retain to cover the expense of accounting and filing returns. Cigarettes upon which the excise is imposed are not again subject to the excise when acquired by another person.

(b) It is the intent and purpose of this section to provide for the collection of this excise from the person who first acquires the cigarettes in this state.

(c) The tax imposed under (a) of this section does not apply to cigarettes imported or acquired in the state by an exchange, commissary, or ship's stores operated by one of the uniformed services of the United States as defined in 5 U.S.C. 2101. (§ 11 ch 187 S.L.A. 1955; am § 5 ch 94 S.L.A. 1977)

Constitutionality of 1977 art. Chap-
ter 94, SLA 1977, relating to both state
and local taxation, does not violate Alaska
Const. art. II, § 13, which requires every

bill to be confined to one subject. *North
Slope Borough v. Sibiru Petroleum Corp.*,
Sup Ct Op No 1750 (File No. 3460,
3513, 3659), 585 P 2d 534 (1976).

Sec. 43.50.100. Civil penalties. (a) *[Repealed, § 45 ch 113 SLA
1980.]*

(b) *[Repealed, § 3 ch 166 SLA 1976.]*

(c) *[Repealed, § 45 ch 113 SLA 1980.]*

(d) A person or licensee who is in control or possession of cigarettes
contrary to AS 43.50.010 — 43.50.180, or who offers to sell or dispose
of cigarettes to others for the purpose of resale without being licensed
to do so is considered to have possession of the cigarettes as a consumer
and is personally liable for the tax, plus a penalty of 100 per cent.

(e) *[Repealed, § 45 ch 113 SLA 1980.]* 12 ch 187 SLA 1955; am § 4
ch 47 SLA 1964; am § 3 ch 166 SLA 1976; am § 45 ch 113 SLA 1980)

Cross references. -- For present provi-
sions concerning civil penalties, see AS
43.05.240

Effect of amendments. -- The 1980
amendment repealed subsection (a), (c),
and (e)

Sec. 43.50.110 Taxpayer's remedies. *[Repealed, § 3 ch 166 SLA
1976. For current law, see AS 43.05.240.]*

Sec. 43.50.120 Lien. *[Repealed, § 4 ch 94 SLA 1976. For current
law, see AS 43.10.035.]*

Sec. 43.50.130. Records. (a) Every licensee shall keep a complete
and accurate record of all cigarettes manufactured, purchased, or
acquired. The records, except in the case of a manufacturer, shall
include a written statement containing the name and address of the
seller and the purchaser, the date of delivery, the quantity of cig-
arettes, the trade name and brand, and the price paid for each brand
of cigarettes purchased. The licensee shall keep such other records as
the department prescribes. All statements and records required by this
section shall be in the form prescribed by the department, shall be
preserved for three years, and shall be offered for inspection upon
demand by the department.

(b) No licensee may issue or accept a written statement which
falsely indicates the name of the customer, the type of merchandise, the
price, the discounts, or the terms of sale.

(c) Where an invoice is given or accepted by a licensee (1) a
statement which makes the invoice a false record of the transaction
may not be inserted in the invoice; and (2) a statement which should
be included in the invoice may not be omitted from the invoice if the
invoice does not reflect the transaction involved without the statement.

(d) An invoice for the sale of cigarettes given or accepted by a
licensee under AS 43.50.010 — 43.50.180 shall state whether the tax
imposed by AS 43.50.010 — 43.50.180 has been paid. (§ 15 ch 187 SLA
1955)

Sec. 43.50.140. Disposition of proceeds. The proceeds derived
from the payment of taxes, fees, and penalties, provided for under AS
43.50.010 — 43.50.180, and the license fees received by the department
shall be paid into a state fund entitled "School Fund," and shall be used
exclusively to rehabilitate, construct, and repair the state's school
facilities, and for costs of its share on buildings comprising school
facilities during the rehabilitation, construction, and repair, and for
the life of the buildings. (§ 16 ch 187 SLA 1955)

Opinions of attorney general. -- In
order to insure that tobacco tax funds are
used most effectively in being a part of
major rehabilitation, construction and
major repair projects, the law requires that
expenditures from such funds be made
only after study and concurrence by the
city school board, the city council, and the
commissioner of education (now Depart-
ment of Education) 1962 Op. Att'y Gen.,
No. 24.

It is necessary for the city council to con-
cur by resolution in any expenditure of
tobacco tax funds. 1962 Op. Att'y Gen., No.
24.

In addition to the approval of the city
council, any disbursement of tobacco tax
funds must be made with the
authorization of the local school board.
1962 Op. Att'y Gen., No. 24.

Sec. 43.50.160. Administration. (a) The department shall (1)
administer this chapter, and (2) collect, supervise, and enforce the
collection of taxes due under this chapter and penalties as provided in
AS 43.05.

(b) The department may adopt regulations necessary for the admin-
istration of this chapter. (b) 17 ch 187 SLA 1955; am § 39 ch 113 SLA
1980)

Effect of amendments. -- The 1980
amendment in subsection (a), substituted
"this chapter" for "AS 43.50.010 —
43.50.180," deleted "and penalties"
following "the collection of taxes," and sub-
stituted "this chapter and penalties as pro-
vided in AS 43.05.010 — 43.05.290" for

"AS 43.50.010 — 43.50.180", in subsection
(b), substituted "adopt" for "publish," and
"AS 43.05" for "AS 43.50.010 — 43.50.180,
(1) to enforce AS 43.50.010 — 43.50.180,
and (2) to collect the taxes, fees, and penal-
ties imposed by AS 43.50.010 —
43.50.180"

Sec. 43.50.160. Criminal penalties. *[Repealed, § 46 ch 113 SLA
1980. For current law, see AS 43.05.290.]*

Sec. 43.50.170. Definitions. In this chapter, unless the context
otherwise requires,

(1) "buyer" means a person who imports or acquires cigarettes for
his own consumption from any source other than a manufacturer, dis-
tributor, direct-buying retailer, or retailer;

(2) "cigarette" means a roll for smoking of any size or shape, made wholly or partly of tobacco, whether the tobacco is flavored, adulterated, or mixed with another ingredient, if the wrapper or cover of the roll is made of paper or a material other than tobacco;

(3) "department" means the Department of Revenue;

(4) "direct-buying retailer" means a person who is engaged in the sale of cigarettes at retail in this state, and who brings or causes to be brought cigarettes into the state;

(5) "distributor" means a person who brings cigarettes, or has cigarettes brought into the state, and who sells or distributes at least 75 per cent of the cigarettes to others for resale in the state;

(6) "licensee" means a person licensed under AS 43.50.010 — 43.50.180;

(7) "manufacturer" means a person who makes, fashions, or produces cigarettes for sale to distributors or other persons;

(8) "person" includes an individual, company, partnership, joint venture, joint agreement, association, mutual or otherwise, corporation, estate, trust, business trust, receiver or trustee, syndicate, or political subdivision of this state, or combination acting as a unit;

(9) "place of business" means a place where cigarettes are sold, or where cigarettes are brought or kept for the purpose of sale or consumption, including a vessel, vehicle, airplane, or train;

(10) "retailer" means a person in the state who is engaged in the business of selling cigarettes at retail;

(11) "sale" includes a sale, barter, exchange, and every other manner of transferring the ownership of personal property. (§ 2 ch 187 SLA 1955, am § 27 ch 70 SLA 1964)

Sec. 43.50.180. Short title. AS 43.50.010 — 43.50.180 may be cited as the Cigarette Tax Act. (§ 1 ch 187 SLA 1955)

Article 2. Additional Cigarette Tax.

Section

190 Additional tax levy on cigarettes

Sec. 43.50.190. Additional tax levy on cigarettes. (a) There is levied an excise tax of one and one-half mills on each cigarette imported or acquired in this state.

(b) The tax levied by this section is in addition to the tax levied by AS 43.50.010 — 43.50.180. The tax shall be administered and collected in the same manner as the tax levied by AS 43.50.010 — 43.50.180, except that receipts from the tax shall be deposited in the general fund. The penalties provided in AS 43.05 apply to the tax levied in this section. (§§ 1, 2 ch 53 SLA 1961; am § 40 ch 113 SLA 1980)

Effect of amendments. — The 1980 amendment substituted "provided in AS 43.05" for "established in AS 43.05" in the third sentence of subsection (b).

Chapter 55. Oil and Gas Properties Production Tax.

Section

11 Oil production tax
12 Adjustment in tax rates
13 Economic limit factor
16 Gas production tax
17 Relation to other taxes
20 Payment of tax
30 Filing of statements
40 Powers of Department of Revenue

Section

50 Incorrect returns
60 Delinquency
80 Collection and deposit of revenue
90 Refunds
110 Administration
135 Measurement
140 Definitions
150 Determination of gross value

Collateral references. — 71 Am Jur 2d, State and Local Taxation, §§ 218 — 220.

84 C.J.S., Taxation, §§ 404, 410.
State tax on or in respect of goods shipped in interstate commerce to consignee for sale on consignee's account without previous sale or order for purchase, 4 ALR2d 244.

Constitutional exemption from taxation as subject to legislative regulation respecting conditions of its assertion, 4 ALR2d 744.

Power of legislature to remit, release, or compromise tax claim, 28 ALR2d 1425.

When right to refund of state or local taxes accrues, within statute limiting time for applying for refund, 46 ALR2d 1350.

Legislative power to exempt from taxation property, purposes, or uses additional to those specified in constitution, 61 ALR2d 1031.

Financial hardship or inability to pay taxes as rendering inapplicable statutes denying remedy by injunction against assessment or collection of tax, 65 ALR2d 550.

Expenses and taxes deductible by lessee in computing lessor's oil and gas royalty or other return, 73 ALR2d 1056.

Sec. 43.55.010. Gross production tax. [Repealed, § 9 ch 136 SLA 1977.]

Sec. 43.55.011. Oil production tax. (a) There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation. The tax is equal to either the percentage-of-value amount calculated under (b) of this section or the cents-per-barrel amount calculated under (c) of this section, whichever is greater, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013. If the amounts calculated under (b) and (c) of this section are equal, the amount calculated under (b) of this section shall be treated as if it were the greater for purposes of this section.

(b) The percentage-of-value amount equals 12.25 percent of the gross value at the point of production of taxable oil produced on or before June 30, 1981, from the lease or property and 15 percent of the gross value at the point of production of taxable oil produced from the lease or property after June 30, 1981; except that for a lease or property coming into commercial oil production after June 30, 1981, the percentage-of-value amount equals 12.25 percent of the gross value at the point of production of taxable oil produced from the lease or prop-

§ 43.40.035

15.260. (§ 2 ch 24

ces and

.030)

Gaming Devices.

tor of coin-operated

artment, to be depos-

citizen of the United
ast one year, and has
corporation an affida-
vee of the corporation.
); § 118 ch 6 SLA

e year" for "and a bona fide
e state for more than three
agraph (2).

l Tax.

ts. (a) A person who re-
(a) or (b) was previously
x if (1) the resold fuel is
43.40.010(l) have been
paid exceeds the tax due
und under this section is
n the resold fuel less the
a) or (b).
is written consent of the
dit or refund under this

§ 43.50.140

REVENUE AND TAXATION

§ 43.50.190

section directly from the supplier rather than by filing a claim for the credit or refund with the department. When an election is properly made under this subsection, the supplier may claim the credit or refund from the department. To be effective an election under this subsection must be signed in quadruplicate by the reseller and by the supplier. The reseller and the supplier shall each file one copy of the election, with original signatures, with the department. The reseller and supplier shall each retain a copy of the election with original signatures for audit review by the department. If an election is made under this subsection, it may not be revoked without the express written consent of the supplier. (§ 6 ch 82 SLA 1982; am § 3 ch 87 SLA 1983)

Editor's notes. — This section is set out above to correct a minor error in the main pamphlet.

Chapter 50. Tobacco Tax.

Article

2. Additional Cigarette Tax (§ 43.50.190)

Article 1. Cigarette Tax Act

Sec. 43.50.140. Disposition of proceeds.

NOTES TO DECISIONS

Distribution to particular recipients not required. — There is no express requirement in this section that school fund proceeds be distributed to any particular recipient and, in the view of the Alaska

Supreme Court, there are no grounds for implying such a requirement. Southwest Region School Dist. v. Department of Educ., Sup. Ct. Op. No. 3099 (File No. S-1030), P.2d (1986).

Article 2. Additional Cigarette Tax.

Section

190. Additional tax levy on cigarettes

Sec. 43.50.190. Additional tax levy on cigarettes. (a) There is levied an excise tax of five and one-half mills on each cigarette imported or acquired in this state.

(b) The tax levied by this section is in addition to the tax levied by AS 43.50.010 — 43.50.180. The tax shall be administered and collected in the same manner as the tax levied by AS 43.50.010 — 43.50.180, except that receipts from the tax shall be deposited in the general fund. The penalties provided in AS 43.05 apply to the tax levied in this section. (§§ 1, 2 ch 53 SLA 1961; am § 40 ch 113 SLA 1980; am § 2 ch 24 SLA 1985)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Revenue
 Title: An Act Increasing the Excise
Tax on Cigarettes BRU: _____
 Sponsor: Ellis and Koponen Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	4324.1	4194.5	4194.5	4194.5	4194.5

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
TOTAL	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: Attach a separate page for analysis.

See attached page.

Prepared By: David Tonkovich
 Division: Research

Phone: 465-2173
 Date: January 19, 1989

Approved by Commissioner: _____
 Agency: Department of Revenue

Date: 1/29/89

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

ANALYSIS

1. Assumes effective date of legislation is July 1, 1989.
2. Total cigarette consumption has fallen six percent per year for the three year period ending in FY88. Forecasts under present law assume consumption will drop three percent in FY89 and FY90, then remain level through FY94.
3. The increase in cigarette prices due to the higher tax will reduce consumption. It is estimated that the quantity of cigarettes sold will fall by three percent from the level presently forecast.
4. Revenues to the School Fund will decrease by about \$72,000 each year as that tax rate is not changed by the proposed legislation.

COMMENT

The latest information indicates that Alaska ranks somewhere in the bottom one-third among states that levy a tax on cigarettes. The highest tax is assessed by Minnesota at 38 cents per pack and the lowest by North Carolina at 2 cents per pack. The state of Alaska levies 16 cents per pack on cigarettes. There are thirty-five states that levy a higher rate than Alaska.