

HB

250

STATE OF ALASKA

DEPARTMENT OF REVENUE

ALCOHOLIC BEVERAGE CONTROL BOARD

STEVE COWPER, GOVERNOR

550 W. 7TH AVE
ANCHORAGE, ALASKA 99501-6698

April 11, 1989

The Honorable Dave Donley, Chairman
Labor & Commerce Committee
Alaska State House of Representatives
P.O. Box V
Juneau, AK 99811

RE: HB 250

Dear Representative Donley:

Representative Gruenberg suggested that I convey my suggestion to you in writing.

House bill 250 raises liquor license fees but does not provide an effective date.

All license fees cover a calendar year period. Additionally, wholesale license fees are based on gross sales by a wholesale licensee in a calendar license year. If wholesale license fees are changed during a license year, fees must be computed using both the old and new fee schedule. This is burdensome and confusing for completion of annual sales affidavits by wholesale licensees under AS 04.11.160(c). A similar situation occurred in 1980 when Alaska Statute Title 4 was rewritten and the effective date was July 1, 1980.

I suggest that the bill show an effective date of January 1, 1990.

If I can provide additional clarification, please do not hesitate to call.

Sincerely,



Patrick L. Sharrock
Director
(907) 277-8638

PLS:cr

cc: Representative Max Gruenberg, Vice-Chairman

CTS: 89-112

STATE OF ALASKA

DEPARTMENT OF REVENUE

ALCOHOLIC BEVERAGE CONTROL BOARD

STEVE COWPER, GOVERNOR

550 W. 7TH AVE
ANCHORAGE, ALASKA 99501-6698

April 12, 1989

The Honorable Dave Donley, Chairman
Labor & Commerce Committee
Alaska State House of Representatives
P.O. Box V
Juneau, AK 99811

RE: HB 250

Dear Representative Donley:

Because HB 250 concerns liquor license fees, your memo of April 7 to Steve Kettel, Director of Income Excise Tax, has been referred to me for response.

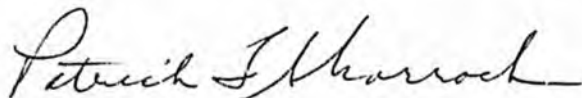
The enclosed schedule reflects annual fee revenues by type of license. Because we treat gross sales information as proprietary information from wholesale licensees, I cannot provide sales dollars by specific wholesalers. However, I am providing a brief summary which shows sales ranges and the number of wholesale licensees within each range.

Answers to specific questions in your second paragraph are:

1. Current fees collected from wholesale licensees for calendar year 1988 132.9 (thousands)
2. Fees proposed in HB 250 265.8
3. Approximate fees at 2% of gross sales 2,695.1

If I can provide you with any clarification or additional information, please do not hesitate to call.

Sincerely,



Patrick L. Sharrock
Director
(907) 277-8638

PLS:cr
Enclosure

CTS: 89-115

LICENSE TYPES AND FEES

<u>License Type</u>	<u>Number</u>	<u>Annual Fee</u>	<u>Total</u>
Pub	1	\$ 400.00	\$ 400.00
Brewery	2	500.00	1,000.00
Distillery	1	500.00	500.00
Beverage Dispensary	647	1,250.00	808,750.00
Beverage Disp. 1/2 yr	42	625.00	26,250.00
Club	86	600.00	51,600.00
Club 1/2 yr	1	300.00	300.00
Common Carrier	112	350.00	39,200.00
Common Carrier 1/2 yr	46	175.00	8,050.00
Restaurant/Eat. Place	309	300.00	92,700.00
Restaurant/Eat. 1/2 yr	10	150.00	1,500.00
Package Store	456	750.00	342,000.00
Package Store 1/2 yr	18	375.00	6,750.00
Wholesale	16	1,000.00	16,000.00
Wholesale Malt Bev. & Wine	7	200.00	1,400.00
Recreational Site	10	400.00	4,000.00
Recreational Site 1/2 yr	9	200.00	1,800.00
 Grand Total.....	 <u>1,773</u>		 <u>\$1,402,200.00</u>

SUMMARY

Wholesale Liquor License Gross Sales
Calendar Year 1988

AS 04.11.160(a)
General Wholesale

<u>Range</u>	<u>Number of Licenses</u>	<u>Sales</u>
0-5,000,000.	6	\$ 2,956,442.00
5,000,000.-15,000,000.	6	55,716,359.00
over 15,000,000.	3	75,615,765.00

AS 04.11.160(b)
Wholesale Malt. Beverage & Wine

<u>Range</u>	<u>Number of Licenses</u>	<u>Sales</u>
0-160,000.	9	\$462,713.00

March 27, 1989

TO: Ron Larson, co-chairman
House of Representatives
House Finance Committee
PO Box V
Juneau, AK 99811

FROM: Gary Griffeth
Specialty Imports, Inc.
1143 East 70th Avenue
Anchorage, AK 99518
(907) 344-2020

SUBJECT: House Bill No. 6-0983A - ^{HB 250} "An Act increasing the tax on alcoholic beverages"

Dear Representative Larson,

I would like to call your attention to a problem with the proposed amendment to Section 9. AS 04.11.160 paragraphs (a) and (b). These paragraphs refer to gradations of fees assessed on wholesale licenses based on business transacted during the calendar year.

The intent of the legislature in establishing this tax schedule was to minimize the impact on small wholesale businesses by assessing a fee of 1% of the gross income up to \$1,000,000. However, this cap has proven to be a great advantage to the three large Seattle based wholesalers that dominate the industry in the state. A small Alaskan company such as Specialty Imports, which is in the 1.5 to 2 million dollar range, has paid the same amount as large wholesalers conducting business in the 20 to 50 million dollar range. This inequity will now be greatly increased with the tripling of the fee in this bill. The \$30,000 fee would only represent .06% of the Seattle based wholesaler's gross income while Specialty Imports would be paying up to 2.0%.


This inequity will only exacerbate the problems of a small wholesaler faced with a sagging economy and a nationwide industry trend towards consolidation of brands into a few large wholesale companies. Since Specialty Imports began business in 1979, we have seen six small Alaskan wholesalers go out of business (one in the last few weeks). This only leaves K&L, Alaska Distributors, Odom, Specialty Imports and Fine Wines as wholesalers with warehouse and delivery facilities. Only Fine Wines falls below the \$1,000,000 cap.

Rather than increase fees for sales up to \$1,000,000, why not maintain fees at current levels but remove the cap so that all wholesalers are paying the same 1% of their gross receipts.

Another matter that may be germane to this bill and has been receiving a great deal of press lately is the issue of non-alcoholic products. As you may be aware, the Alcoholic Beverage Control Board is interpreting current regulations to mean that any beverage meant for human consumption and containing any amount of alcohol is subject to regulation. This prohibits non-alcoholic wines and malt beverages from being sold in grocery stores. We have laboratory evidence that indicates many food products, soft drinks and fruit juices contain minimal amounts of alcohol (some exceeding that of non-alcoholic products). I would appreciate it if language could be included in this bill clarifying that only beverages over one half of one percent alcohol be considered an alcoholic beverage and subject to regulation.

Please make a copy of this letter available to other members of the House Finance Committee.

Thank you,


Gary Griffeth

Anchorage Daily News



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A non-alcoholic haze

A sloppily written law sometimes mocks the intentions of its author. Look at the statute governing the definition of alcoholic beverages.

In 1986, concerned but careless lawmakers decided that any beverage with even a miniscule amount of alcohol in it should meet the same sales restrictions as beer, wine and the hard stuff. The law also implicitly required the same taxes for real and imitation alcoholic beverages.

Meanwhile, supermarkets, groceries and gourmet shops already were selling beers and wines containing traces of alcohol. That made them lawbreakers, although the Alcoholic Beverage Control Board never enforced the law — and distributors, until at least perhaps a few days ago, never paid taxes.

Near-beers and non-alcoholic wines have less than a half a percent of alcohol in them. Vanilla extract (35 percent alcohol) or Nyquil (25 percent) are far more potent common supermarket products. A tippler will become exhausted drinking fake beer and wine substitutes long before feeling even the slightest effects of alcohol.

Lawmakers should go back and make the statute congruent with common sense. Why not adopt the federal standard that defines an alcoholic beverage as anything with .5 percent or more alcohol? That standard would at least make present practices legal.

Customers who want near-beer and wine substitutes shouldn't have to patronize liquor stores. Let them pick up bread, milk and a punchless six-pack in a supermarket that's not violating a flaky section of the law.