

HB

96

Legislative Information Office
716 W. 4th Ave., #420
Anchorage, AK 99501-2133
(907) 258-8162

During Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4998

Memorandum

DATE: February 8, 1995
TO: Representative Jeanette James, Chair
State Affairs Committee
FROM: Representative Kay Brown
RE: Hearing request for HB 96

This is to request at the earliest convenience of the committee for HB 96, an act increasing and requiring the annual adjustment of the tax on alcoholic beverages; and providing for an effective date.

Attached please find:

1. Bill copy.
2. Sectional Analysis.
3. Sponsor Statement.
4. Fiscal Note (Department of Revenue)
5. Technical Amendment and cover memo.

If you have any questions, please contact me at 465-4998 or my staff (Dan Austin) at 465-3768.

SPONSOR STATEMENT

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

On November 30, 1994, Governor Walter J. Hickel's Criminal Justice Work Group published their report entitled, "Options For Cost Containment In The Criminal Justice System." On only one particular topic could the group achieve consensus:

"It was the unanimous observation by all the members of the work group that what "drives" the system is alcohol, and that real progress cannot be made in cost *reduction*--or in the reduction of a wide range of social problems--unless the legislative and executive branches are serious about controlling alcohol."

"The work group unanimously agrees that alcohol is far and away the number one cause of crime in Alaska and that reducing alcohol use by even a small amount would reduce crime and the resulting pressure on criminal justice agencies."¹

- The work group's number one suggestion for stemming alcohol use and abuse is to increase the state tax on alcohol.

The Alaska Sentencing Commission found that 73% of a sample of felony offenders sentenced between 1986--1991 were chronic alcohol users. Fifty-three percent were under the influence of alcohol at the time they committed their offense.

In the early 1980's the Judicial Council found that up to 78% of offenders sentenced for murder and kidnapping and 66% of other violent offenders had used alcohol at the time of the offense. Nearly three-fourths (71.3%) of misdemeanants had used alcohol or alcohol in combination with other drugs at the time of the offense. The Department of Health and Social Services tells us that alcohol abuse is often associated with domestic violence and child abuse.²

¹ Cost Containment in the Criminal Justice System, Part I: Alcohol in Alaska, page 1.

² Meeting the Challenge, A Strategic Plan for the Division of Alcoholism and Drug Abuse, 1994, page 11.

- The Division of Alcoholism and Drug Abuse has adopted strategies for reducing the adverse health and social consequences of alcohol abuse. The first strategy is:

"Increase excise taxes on alcohol and establish a statutory mechanism for automatic increases indexed to inflation as determined by the consumer price index."

That is what HB 96 would do.

Alaska's \$200 million annual subsidy to the Alcohol Industry:

- In 1989, the State Office of Alcohol and Drug Abuse completed a comprehensive study of the costs to the state of alcohol abuse and alcoholism. Many people were shocked to find that the state spends approximately \$200 million per year on services directly related to the abuse of alcohol and drugs. Public assistance, criminal justice, health and medical expenses, not to mention public safety enforcement and prevention programs, cost Alaskans millions every month.

Paying their share?

- The state alcohol beverage tax has not seen an increase *since 1983*. Can the same be said of local property or sales taxes? At the current rate of taxation (about 3 cents per glass of beer and 4 cents per glass of wine or shot of liquor), the state collects about \$12 million per year. A subtraction of state tax revenues from the cost of alcohol and drug abuse related services shows the state spending about \$186 million more for these services than it recovers in taxes. The Department of Revenue, estimates that by implementing the proposed increase (to about 10 cents per drink) the state could see an additional \$20 million to the general fund, or about *10% of the cost of state programs*.

SECTIONAL ANALYSIS

HB 96

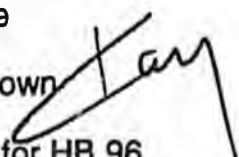
"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

- Section 1.** Increases the state alcoholic beverage tax on:
- malt beverages--from 35 cents a gallon or fraction of a gallon, to \$1.05 a gallon or fraction of a gallon,
- wine (beverages 21 percent alcohol by volume or less) from 85 cents a gallon or fraction of a gallon to \$2.15 a gallon or fraction of a gallon,
- beverages over 21 percent alcohol by volume (spirits) from \$5.60 a gallon to \$12.75 a gallon.
- Section 2.** Amends AS 43.60.010 to provide for an increase in the alcohol tax rate by the annual rate of increase of the consumer price index for Anchorage.
- Section 3.** Directs the Department of Revenue to determine on June 1, 1996, what will be the alcoholic beverage tax rate for fiscal year 1997 and to impose that rate on July 1, 1996.
- Section 4.** Effective date, July 1, 1995.

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Memorandum

DATE: February 8, 1995
TO: Representative Jeanette James, Chair
State Affairs Committee
FROM: Representative Kay Brown 
RE: Technical Amendment for HB 96

The purpose of the attached technical amendment I propose for HB 96 is to clarify and correct drafting language.

Page 2, line 4:.

Delete "taxes" and insert "tax rate".

This clarifies that what we are speaking of is the rate of taxation (amount per gallon etc.), not the tax itself.

Line 7:

Delete "the second half of".

Even though the CPI is reported semiannually, it is the cumulative, annual percent of change that will used to calculate the tax rate.

Line 8:

Delete "The semiannual index for the second half of" and insert "the index for".
Again, clarifies that the annual percent of change will be used to calculate the tax rate.

Line 10:

Delete "dollar" and insert "cent". The tax rate would be rounded off to the nearest cent.

If you or your staff have any questions about this amendment or HB 96, please call me at 465-4998 or my staff (Dan Austin) at 465-3768.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: HB 96

Page 2, line 4, after "adjust the":

Delete "taxes"

Insert "tax rate"

line 7, after "for":

Delete "the second half of"

line 8, after "year.":

Delete "The semiannual index for the second half of"

Insert "the index for"

line 10, after "nearest":

Delete "dollar."

Insert "cent"

Walt:

Department of Revenue has prepared a fiscal note that reflects a net revenue increase of approximately \$20 million. It is on its way from the administration. I will check to make sure you have it as soon they release it. Call if you have any questions.

Dan, 465-3768.

**ALASKA STATE LEGISLATURE
HOUSE BILL NO. 96**

HISTORY IN THE HOUSE

HISTORY IN THE SENATE

1995
1/19

Read first time and referred to:
STA JUD FIN

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN _____ Previous FN

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN _____ Previous FN

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN _____ Previous FN

Read second time
CS() Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

_____ Intent adopted

Reconsideration
Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

_____ Intent adopted

Reported correctly engrossed
Signed by Speaker, to the Senate

Chief Clerk of the House

19

Read first time and referred to:

_____ RPT(____) CS ___ DP ___ NR ___ DNP ___ AM
New Title ___ Same Title ___ Previous FN
FN ___ OFN To _____

_____ RPT(____) CS ___ DP ___ NR ___ DNP ___ AM
New Title ___ Same Title ___ Previous FN
FN ___ OFN To _____

_____ RPT(____) CS ___ DP ___ NR ___ DNP ___ AM
New Title ___ Same Title ___ Previous FN
FN ___ OFN To _____

_____ Rules Calendar(____) CS ___ AM ___ Other
New Title ___ Same Title ___ Previous FN
FN ___ OFN

Read second time

_____ CS Adopted (____) _____ New Title
Amended _____ Advanced

Read third time

_____ Letter of Intent adopted
_____ Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House

Secretary of the Senate

HOUSE-SENATE HISTORY Continued

19

Received from the Senate _____

Concur in Senate amendment
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

Failed to concur Senate amendment, ask Senate recede
Y ___ N ___ E ___ A ___

Senate failed to \ recede from amendment
Y ___ N ___ E ___ A ___

CC appointed by House _____ Chair

CC appointed by Senate _____ Chair

(H) Granted Limited Powers of Free Conference

(S) Granted Limited Powers of Free Conference

19

(H) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

(S) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

To enrolling
Reported enrolled and sent to Governor

_____ By Governor

Chapter Number _____

Filed with Lieutenant Governor