

SB

210

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/3/96

DATE TURNED IN TO OFFICE: 5-1-96

The Finance Committee considered SB 210

Relating to taxes on cigarettes and tobacco products; efd.

DATE: 5/01/96

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS SB 210 (STA)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 same title
 technical change
 ncw: SCR _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Thayer</i>	✓	<i>Roll E. Kelly</i>	✓		
<i>Bob Sharp</i>	X	<i>W. J. ...</i>	✓		
		<i>Paul C. Zerkoff</i>	✓		
Co-Chair: <i>Arnold</i>	✓	Co-Chair: <i>Rich Halford</i>	✓		
Co-Chair:		Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>#2 DOR</i>	<i>4/3/96</i>		<i>636 33,426.8</i>

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Ellis
 Requestor: (S) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	45.6	45.6	45.6	45.6	45.6	45.6
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	8.0	3.0	8.0	8.0	8.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	8.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	63.6	50.6	55.6	55.6	55.6	50.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF)	33,426.8	44,781.7	45,185.5	54,077.6	54,267.0	54,547.9
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	63.6	50.6	55.6	55.6	55.6	50.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	63.6	50.6	55.6	55.6	55.6	50.6

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E Dick
 Division: Income and Excise Audit Division
 Approved by Commissioner: Wilson L. Condon
 Agency: Department of Revenue

Phone: 365-3691
 Date: March 12, 1996
 Date: March 12, 1996

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**Alaska Department of Revenue
Income and Excise Audit Division**

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 2 of 4

Bill Analysis

Section 1 increases cigarette tax rates as follows:

Effective Date	School Fund Base Rate <i>(AS 43.50.090)</i>	General Fund Additional Tax <i>(AS 43.50.190)</i>	Rate Increase <i>(General Fund)</i>	Total Tax (per pack)
Current	\$.05	\$.24	N/A	\$.29
10/1/96	\$.05	\$.24	\$1.00	\$1.29
7/1/99	\$.05	\$1.24	\$.24	\$1.53
7/1/02	\$.05	\$1.48	\$.24	\$1.77
7/1/05*	\$.05	\$1.72	\$.24	\$2.01

* Rates would increase by 12 mills per cigarette, which is 1.2¢ per cigarette or 24¢ per pack, each succeeding three-year period after July 1, 2005.

Section 2 requires that Department of Revenue give public notice for each rate change.

Section 3 raises the tobacco products tax from 25% to 100% of the wholesale price of the tobacco products.

Section 4 provides for adjusting the tobacco products tax rate based on the change in the Consumer Price Index for the Anchorage area. The index for January 1997 would be the reference base index. The tax would be subject to adjustment on July 1 of each even-numbered year.

Section 5 requires that Department of Revenue give public notice for each rate change.

Section 6 establishes an effective date of October 1, 1995.

Alaska Department of Revenue
Income and Excise Audit Division

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 3 of 4

Operating Expenditures

Department of Revenue is requesting operating funds to cover the costs of a vacant tax examiner III position which was not funded in FY 97. With such a large increase in taxes due the state (increase from \$17 to \$50+ million annually), the department anticipates increased taxpayer noncompliance. With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for insuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax.

The Department is requesting contractual funding of \$5.0 in each year that there is a rate change to cover costs of public notice, forms revisions and postage.

Revenue

The attached spreadsheet details revenue projections from rate increases in this bill.

**Alaska Department of Revenue
Income and Excise Audit Division**

SB 210
Increase Tobacco Taxes
9-LS1314C
March 12, 1996
Page 4 of 4

	FY 96	FY 97		FY 98	FY 99	FY 00	FY 01	FY 02	
	<i>Projected</i>	<i>July - Sept</i>	<i>Oct - June</i>	<i>Total</i>					
Cigarettes									
<i>Elasticity Factor</i>			<i>1.15%</i>		<i>1.18% Annualized</i>	<i>0.0%</i>	<i>3.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	42,958,487	42,958,487	42,958,487
Rate	\$0.29	\$0.29	\$1.29	<i>Variable</i>	\$1.29	\$1.29	\$1.53	\$1.53	\$1.53
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$65,726,485	\$65,726,485	\$65,726,485
Tobacco Products									
<i>Elasticity Factor</i>			<i>18.5%</i>		<i>1.18% Annualized</i>	<i>1.0%</i>	<i>0.0%</i>	<i>2.0%</i>	<i>0.0%</i>
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,841,100	\$4,841,100	\$4,453,812	\$4,453,812
Rate	25%	25%	100%	<i>Variable</i>	100%	104%	104%	111%	111%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$5,034,744	\$5,034,744	\$4,943,731	\$4,943,731
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,165,103	\$70,761,229	\$70,670,216	\$70,670,216
Population Increase	N/A			1.0038	1.0076	1.0118	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,900,541	71,882,483	72,073,783	72,357,539
Less 1% Commission	(172,586)			(510,231)	(624,926)	(629,005)	(718,825)	(720,738)	(723,575)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,683	62,271,536	71,163,658	71,353,046	71,633,963
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,669	\$45,185,522	\$54,077,644	\$54,267,032	\$54,547,949

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Ellis
 Requestor: (S) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	45.6	45.6	45.6	45.6	45.6	45.6
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	8.0	3.0	8.0	8.0	8.0	3.0
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LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	63.6	50.6	55.6	55.6	55.6	50.6
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	33,426.8	44,781.7	45,185.5	54,077.6	54,267.0	54,547.9

FUND SOURCE (Thousands of Dollars)

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1004 GF	63.6	50.6	55.6	55.6	55.6	50.6
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TOTAL	63.6	50.6	55.6	55.6	55.6	50.6

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick Phone: 465-3691
 Division: Income and Excise Audit Division Date: March 12, 1996
 Approved by Commissioner: Wilson L. Condon Date: March 12, 1996
 Agency: Department of Revenue

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Alaska Department of Revenue
Income and Excise Audit Division

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 2 of 4

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7/1/05*	\$.05	\$1.72	\$.24	\$2.01

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Alaska Department of Revenue
Income and Excise Audit Division

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 3 of 4

Operating Expenditures

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Revenue

The attached spreadsheet details revenue projections from rate increases in this bill.

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Alaska Department of Revenue
Income and Excise Audit Division

SB 210
Increase Tobacco Taxes
9-LS1314C
March 12, 1996
Page 4 of 4

	FY 96 <i>Projected</i>	FY 97 <i>July - Sept</i>	FY 97 <i>Oct - June</i>	FY 97 <i>Total</i>	FY 98	FY 99	FY 00	FY 01	FY 02
Cigarettes									
<i>Elasticity Factor</i>			-18%		(18% Annualized)	0%	1%	0%	0%
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	42,958,487	42,958,487	42,958,487
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.53	\$1.53	\$1.53
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$65,726,485	\$65,726,485	\$65,726,485
Tobacco Products									
<i>Elasticity Factor</i>			18%		(18% Annualized)	1%	0%	2%	0%
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,841,100	\$4,841,100	\$4,453,812	\$4,453,812
Rate	25%	25%	100%	Variable	100%	104%	104%	111%	111%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$5,034,744	\$5,034,744	\$4,943,731	\$4,943,731
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,165,103	\$70,761,229	\$70,670,216	\$70,670,216
Population Increase	N/A			1.0038	1.0076	1.0118	1.015	1.0199	1.0239
Adjusted Increase	N/A			\$1,023,073	\$2,492,609	\$2,900,541	\$3,662,483	\$3,673,783	\$3,357,539
Less 1% Commission	(172,586)			(510,231)	(624,926)	(629,605)	(718,825)	(720,738)	(723,575)
Net Cigarette and Tobacco Tax	\$17,086,014			\$50,512,842	\$61,867,683	\$62,271,536	\$71,163,658	\$71,353,046	\$71,633,983
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,689	\$45,185,522	\$54,077,644	\$54,267,032	\$54,547,949

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STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE REPORTED BY SFC 5/6/96 Bill Version: CS SB 210(STA)
(S) Publish Date: 4/4/96

Revision Date: _____ Dept. Affected: Revenue
Title: Increase Tobacco Taxes BRU: Revenue Operations
Component: Income and Excise Audit
Sponsor: Senator Ellis
Requestor: (S) SIA COMPONENT SERIAL NO. 113

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	45.6	45.6	45.6	45.6	45.6	45.6
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	8.0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	8.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	63.6	50.6	50.6	50.6	50.6	50.6
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	33,426.8	44,781.7	45,040.5	45,287.1	45,533.6	45,780.1

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	63.6	50.6	50.6	50.6	50.6	50.6
1005 GF Program Receipts						
1037 GF Mental Health						
Other						
TOTAL	63.6	50.6	50.6	50.6	50.6	50.6

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul F. Dick Phone: 465-3691
Division: Income and Excise Audit Division Date: April 3, 1996
Approved by Commissioner: Wilson L. Condon Date: April 3, 1996
Agency: Department of Revenue

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**Alaska Department of Revenue
Income and Excise Audit Division**

CSSB 210(STA)
Increase Tobacco Taxes
9-LS1314W
April 3, 1996
Page 2 of 3

Bill Analysis

Section 1 provides intent language that new tax revenue derived from cigarette and tobacco increases, subject to appropriation, be directed toward an aggressive anti-tobacco campaign targeting children, pass-through grants to municipalities to detect and prosecute persons who sell or supply tobacco to children, and state support of elementary and secondary education.

Section 2 increases the general fund portion of the cigarette tax by \$1.00 per pack, from 12 mills (24c per pack) to 62 mills (\$1.24 per pack). Combining these rates with the 2.5 mills (5c per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax on a pack of cigarettes would increase from \$.29 to \$1.29.

Section 3 increases the tobacco products tax from 25% to 100% of the wholesale price of the tobacco products.

Section 4 establishes an effective date of October 1, 1996.

Operating Expenditures

Department of Revenue is requesting operating funds to cover the costs of a vacant tax examiner III position which was not funded in FY 97. With such a large increase in taxes due the state (increase from \$17 to \$60+ million annually), the department anticipates increased taxpayer noncompliance. With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for insuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax.

The Department is requesting \$5.0 additional contractual funding in FY 97 to cover costs of public notice of rate increases, forms revisions and postage.

Revenue

The attached spreadsheet details revenue projections from rate increases in this bill.

Alaska Department of Revenue
Income and Excise Audit Division

CSSB 210(STA)
Increase Tobacco Taxes
9-LS1314X
April 3, 1996
Page 3 of 3

	FY 96 Projected	FY 97 July - Sept	FY 97 Oct - June	FY 97 Total	FY 98 [1.8% Annualized]	FY 99 [0%]	FY 00	FY 01	FY 02
Cigarettes									
	<i>Elasticity Factor</i>								
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	44,287,100	44,287,100	44,287,100
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,647,769	\$46,787,419	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359
Tobacco Products									
	<i>Elasticity Factor</i>								
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Rate	25%	25%	100%	Variable	100%	100%	100%	100%	100%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359
Population Increase	N/A			1.0036	1.0076	1.0116	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,754,065	63,003,109	63,252,133	63,501,157
Less 1% Commission	(172,586)			(510,231)	(624,926)	(627,541)	(630,031)	(632,521)	(635,012)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,683	62,126,544	62,373,078	62,619,612	62,866,145
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,669	\$45,040,530	\$45,287,064	\$45,533,598	\$45,780,132

Revision Date: _____ Dept. Affected: Revenue
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 Component: Income and Excise Audit
 Sponsor: Senator Ellis
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CAPITAL EXPENDITURES						
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POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick Phone: 463-3691
 Division: Income and Excise Audit Division Date: April 3, 1996
 Approved by Commissioner: Wilson L. Condon Date: April 3, 1996
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CSSB 210(STA)
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9-LS1314K
April 3, 1996
Page 2 of 3

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CSSB 210(STA)
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9-LS1314K
April 3, 1996
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	FY 96 Projected	July - Sept	FY 87 Oct - June	Total	FY 96 1996 Actualized	FY 96 1996	FY 00	FY 01	FY 02
Cigarettes									
	<i>Elasticity Factor</i>		<i>1.0%</i>		<i>1.0%</i>				
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	44,287,100	44,287,100	44,287,100
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29
Cigarette Tax	\$15,758,600	\$3,939,850	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359
Tobacco Products									
	<i>Elasticity Factor</i>		<i>1.0%</i>		<i>1.0%</i>				
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Rate	25%	25%	100%	Variable	100%	100%	100%	100%	100%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,850	\$46,515,269	\$50,829,919	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359
Population Increase	N/A			1.0038	1.0076	1.0118	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,809	62,754,085	63,003,109	63,252,133	63,501,137
Less 1% Commission	(172,586)			(510,231)	(624,926)	(627,541)	(630,031)	(632,521)	(635,012)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,883	62,126,544	62,373,078	62,619,612	62,866,146
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,669	\$45,040,530	\$45,287,064	\$45,533,598	\$45,780,132

SENATE FINANCE COMMITTEE

SB 210 INCREASE TOBACCO TAXES

PLEASE SIGN-IN BELOW

NAME: Glen Ray
Co./Dept/Title: Division of Public Health Phone: 465-340
Health Promotion Program Manager
Address: Box 110616 Zip: 99811

Do you wish to testify? Yes No Respond to Questions

NAME: Anne Marie Holen
Co./Dept/Title: Alaska Native Health Board Phone: 337-0028
Address: 1345 Rudskof Circle, Suite 206 Zip: 99508

Do you wish to testify? Yes No Respond to Questions

NAME: GLENN HARKNEY
Co./Dept/Title: SDF Phone: 474-0610
Address: 1136 SUNSET DR. FOGS Zip: 99709

Do you wish to testify? Yes No Respond to Questions

NAME: Bob Birtheim
Co./Dept/Title: Dept. of Revenue Phone: 465-4773
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond to Questions

NAME: Ruth Parriott
Co./Dept/Title: AMER. LAWYERS' SOCIETY Phone: 277 8696
Address: 1057 Frews Rd Anch. Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: Don Depceviak
Co./Dept/Title: Ex Director Advisory Board on Alcohol & Drug Abuse Phone: 465-4667
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: _____
Co./Dept/Title _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: _____
Co./Dept/Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions

NAME: _____
Co./Dept/Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond to Questions



Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

Senate State Affairs

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

CSSB 210 (STA) Version "K" dated 3/26/96

"An Act relating to taxes on cigarettes and tobacco products; and for an effective date."

Senate State Affairs CS adds a flat \$1.00 per pack (62 mils) tax on cigarettes. (Original bill tax amount escalated up on a periodic basis and included CPI increases.)

Intent language also added to direct new funding for: 10% to be used for establishing an aggressive anti-tobacco campaign targeting children, administered by the Department of Health and Social Services; 10% to be used by the Department of Public Safety as pass-through grants to municipalities to detect and prosecute those who sell or otherwise supply tobacco to children; remainder to be expended for state support of elementary and secondary education.

FISCAL NOTES: Note that the fiscal note for SB 234 (also an Act relating to taxes on cigarettes and tobacco products) more accurately reflects the expected revenues of this new CS for the first three fiscal years FY97 through FY99. A revised fiscal note from Department of Revenue should reflect these changes.

Ann
4/2/96

ALASKA STATE LEGISLATURE

Senate Health, Education and
Social Services Committee

Senate Judiciary Committee

Department of Health and Social
Services Budget Subcommittee

Department of Law
Budget Subcommittee



Whelan Session
State Capitol, Rm 9
Juneau, Alaska 99801
(907) 405-3704
fax (907) 405-2520

Whelan Library
10 West 4th Ave Ste 402
Anchorage, Alaska 99501
(907) 266-1500
fax (907) 266-1570

SENATOR JOHNNY ELLIS

SPONSOR STATEMENT CS FOR SENATE BILL 210 (STATE AFFAIRS)

TOBACCO TAX

CS for Senate Bill 210 (State Affairs) would raise the excise tax on tobacco. This proposal follows the recommendation of the Long Range Financial Planning Commission, and is designed to provide more revenues to more effectively offset the costs of tobacco-induced diseases, and to keep people from forming tobacco addictions at an early age.

Tobacco use is the single most preventable cause of premature death and crippling disease in the United States, and Alaska nearly tops the national list for smoking-related deaths. Twenty-eight percent of Alaskan adults smoke cigarettes regularly as compared to the national median of twenty-two percent. Nearly eighty-four percent of Alaskan adults who smoke started between the ages of 10 and 20 years old. These statistics provide compelling reasons to bring Alaska's tobacco taxes up to a level that corresponds to the rate of tobacco abuse in Alaska.

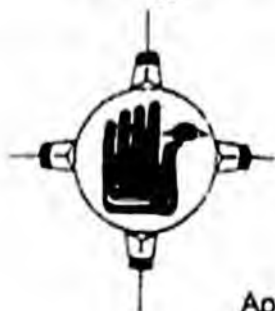
The current tax on cigarettes is \$.29 per pack, set in 1989. Under this proposal, cigarettes would be taxed at a rate of 62 mills per cigarette, which would amount to a levy of \$1.29 per pack until 1999. The State Affairs Committee Substitute deletes most of Section 1 of the original bill, which would have increased the excise levy by 12 mills every three years. The State Affairs CS also deletes the consumer price index (CPI) adjustment contained in Section 4 of the original bill, which would have increased the excise on cigarettes in relation to the rate of inflation.

For tobacco other than cigarettes, the excise tax levied would increase from 25 percent to 100 percent of the wholesale price of tobacco products. CSSB 210 (State Affairs) is an important component of the Long Range Financial Planning Commission's proposal to bridge Alaska's fiscal gap -- it is estimated that this tax increase would raise at least **\$33 million annually beginning in FY97**. More importantly, it would dramatically lower teenage smoking and tobacco use, and will reduce future expenditures on health care costs.

The State Affairs CS adds legislative intent language, which directs where the money raised from this tax should be spent. Ten percent would be used to establish an anti-tobacco campaign aimed at children and administered by the Department of Health and Social Services. Another ten percent would go to the Department of Public Safety as pass-through grants to municipalities to aid them in cracking down and prosecuting those stores and vendors that illegally sell tobacco products to minors. The remaining revenues would be used to fund elementary and secondary education in the state.

I urge your support of CSSB 210 (State Affairs).

5B210



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JUNEAU TEEN HEALTH CENTER

April 9, 1996

Senator Rick Halford, Co-Chair
Senate Finance Committee
State Capitol
Juneau, AK 99811

re: Tobacco Tax

Dear Senator Halford,

I am writing to urge you to reconsider the notion of a Tobacco Tax. I am strongly in favor of this tax as I believe it will reduce the number of teenagers who will begin smoking. This fact alone is enough to reduce the total dollars we Alaskans spend on health care in the long run. In the short run we will have a new stream of revenue that can pay for some of the expensive treatments associated with prolonged smoking -- lung cancer, emphysema, chronic bronchitis and the like.

Please allow this issue to have a public hearing before going to the full Senate.

The current level of tobacco tax is one of the lowest in the nation and has not kept pace with inflation. When first initiated, the tax equaled 24% of the cost of a pack of cigarettes; currently, the tax is only 14%. Please overcome your aversion to taxes in general. Pay special attention to this one as it is supported by about 3/4 of the people of this state.

Sincerely,

Avis C. Hayden, PhD
Adolescent Health Coordinator

cc: Senator Jim Duncan, Juneau

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/10/96

FURTHER: Finance

Date of 5-Day Notice: 2/1/96
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/3/96

The State Affairs Committee considered SB 210

An Act relating to taxes on cigarettes and tobacco products; and providing for an effective date.

FN
 New FN to CS forthcoming

and recommends:

be replaced with CS SB 210 (STB)

adopt previous CS ()

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

same title
 technical title
 new SCR

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Brew & Huan</i> (contingent upon appropriate disposal of operating budget)	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>3/12/96</i>		<i>1997 (15,000,000)</i>

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill