

HB

92



ALASKA STATE LEGISLATURE

REPRESENTATIVE GARY DAVIS

HOUSE BILL 92

SPONSOR STATEMENT

"An Act relating to municipal taxation of alcoholic beverages"

House Bill 92 provides the opportunity for local voters to authorize municipalities to impose a sales tax on alcoholic beverages. As with all municipal taxes, the sales tax on alcoholic beverages and its rate cannot be imposed without approval of the voters in the municipality.

Local governments are looking for different avenues to pay for local services, especially in times of declining revenues and increasing costs. House Bill 92 provides a new option to do this, but only if approved by a majority vote of the local citizenship.

House Bill 92 amends the statutes to allow--NOT require--municipalities to impose a sales tax on alcoholic beverages regardless of whether there is a tax on other kinds of sales. Currently, municipalities may impose a sales tax on alcoholic beverages only if there is a general sales tax or a sales tax imposed on another commodity, such as hotel beds, tobacco, etc. Additionally, it appears that the tax on alcohol sales cannot be higher than the other sales taxes. House Bill 92 allows municipalities to impose a sales tax that is equal to, lower than, or higher than the rate set for the other sales tax. As stated previously, this tax could be imposed only after approved by a vote of the citizens.

Laws are continually passed that have a direct financial impact on municipalities. For example, state and federal laws require municipalities to care for and protect public inebriates; however, sufficient funding is not always provided for these activities. Such costly services can include public safety, care for inebriates, and alcohol-related social and health problems. This legislation enables municipalities to address these budgeting problems along with others. It provides them with a new option.

HB92/SS/4/21/99



ALASKA STATE LEGISLATURE

REPRESENTATIVE GARY DAVIS

SECTIONAL ANALYSIS

House Bill 92

"An Act relating to municipal taxation of alcoholic beverages"

Section 1: Amends AS 04.21.010(c)(2), regarding municipal regulation, to allow municipalities to impose a sales tax on alcoholic beverages regardless of whether they have a sales tax on other sales. Current statute allows a sales tax on alcoholic beverages only if a sales tax exists on other sales. It also allows the municipality to set the sales tax on alcoholic beverages at a rate equal to, higher or lower than, the sales tax on other sales.

Deletes AS 04.21.010(c)(3), which allows municipalities having sales taxes on alcoholic beverages prior to July 1, 1985, to continue to tax alcoholic beverage sales. This section is no longer needed as all municipalities may impose a sales tax on alcoholic beverages.

Section 2: Amends AS 29.45.650(a), regarding borough sales and use tax, by removing the reference to AS 04.21.010(c) in the exceptions. Because municipalities would no longer be restricted in placing a sales tax on alcoholic beverages, this exception is no longer needed.

HB92/SA2/10/99

ferred to the municipality in which the property was seized" in the third sentence in subsection (h).

NOTES TO DECISIONS

Former law construed. — See Territory of Alaska v. 186 Cases of Mixed Intoxicating Liquors, 10 Alaska 414 (1944).

Collateral references. — 45 Am. Jur. 2d, Intoxicating Liquors, §§ 486-532

48A C.J.S., Intoxicating Liquors, §§ 365-397.

Forfeiture of property used in connection with intoxicating liquor, before trial of individual offender, 3 ALR2d 738.

Lawfulness of seizure of property used in violation of law as prerequisite to forfeiture action or proceeding. 5 ALR3d 473.

Chapter 20. General Provisions.

[Repealed, § 12 ch 131 SLA 1980. For current law, see AS 04.21.]

Chapter 21. General Provisions.

Section

- 10. Municipal regulation
- 15. Private manufacture of alcoholic beverages
- 20. Civil liability of persons providing alcoholic beverages
- 25. Alcohol server education course
- 30. Responsibility of licensees, agents, and employees

Section

- 40. Sales on federal reservations
- 50. Proof of age
- 55. Refusal of service
- 60. Warehousing of alcoholic beverages
- 65. Posting of warning signs
- 70. Enforcement
- 80. Definitions

Sec. 04.21.010. Municipal regulation. (a) A municipality may adopt ordinances governing the importation, barter, sale, and consumption of alcoholic beverages within the municipality and may ban possession of alcoholic beverages under AS 04.11.491(a)(5). An ordinance adopted under this section may not be inconsistent with this title or regulations adopted under this title. In a municipality that has adopted a local option under AS 04.11.491(a)(1), (2), or (3), an ordinance is not inconsistent with this title if it limits

(1) the monthly amounts of alcoholic beverages a person may import into the municipality;

(2) the percent of alcohol by volume that an alcoholic beverage may contain; a limit imposed under this paragraph may not be less than 40 nor more than 76 percent alcohol by volume; or

(3) the type of alcoholic beverage container that may be possessed in the municipality.

(b) After the adoption of a local option under AS 04.11.491(a), a municipality may adopt an ordinance making the sale, importation, or possession of alcoholic beverages a misdemeanor to the extent prohibited under the local option. The ordinance may not be inconsistent with this title or the regulations adopted under this title.

(c) A municipality may not impose taxes on alcoholic beverages except a

(1) property tax on alcoholic beverage inventories;

(2) sales tax on alcoholic beverage sales if sales taxes are imposed on other sales within the municipality;

(3) sales tax on alcoholic beverage sales that was in effect before July 1, 1985; and

(4) sales and use tax on alcoholic beverages if the sale of alcoholic beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4), or (5).

(d) At least 10 days before the date set for municipal action on an application for the issuance, renewal, relocation, or transfer of ownership of a proposed license, the

municipality shall provide written notice of the proposed action and the time and place for a hearing to a community council that

(1) is established by municipal charter or ordinance to advise the municipal governing body; and

(2) has jurisdiction over the area affected by the proposed action. (§ 4 ch 131 SLA 1980; am § 20 ch 74 SLA 1985; am § 19 ch 93 SLA 1985; am § 9 ch 80 SLA 1986; am §§ 11, 12 ch 156 SLA 1988; am §§ 50 — 52 ch 101 SLA 1995)

Effect of amendments. — The 1995 amendment, effective July 1, 1995, made section reference substitutions in subsections (a) and (c); in subsection (a), added the last sentence in the introductory language and added paragraphs (1)-(3); and rewrote subsection (b).

Legislative history reports. — For sectional analysis of CS SSSB 239, the predecessor of FCCSSB 239 (ch. 131, SLA 1980), see 1980 Senate Journal Supplement No. 23, April 1, 1980.

For Senate letter of intent relating to the amendments to (a) and (c) of this section by secs. 11 and 12,

ch. 156, SLA 1988 (HCS CSSB 371 (Jud) am. H., see 1988 Senate Journal 2939.

Opinions of attorney general. — Anchorage Municipal Code 10.50.030 and 10.50.035, which established guidelines for when the Assembly will exercise its protest authority under AS 04.11.480, are not inconsistent with this title, are not in excess of the municipality's authority, and are not unreasonable. February 25, 1986. Op. Att'y Gen.

Ordinance regulating where licenses may be located did not exceed the borough's authority. October 23, 1991, Op. Att'y Gen.

NOTES TO DECISIONS

Sales tax. — Paragraphs (c)(2) and (c)(3) of this section, when read together, bar a municipality from taxing only the sale of alcoholic beverages and further require that if sales taxes are imposed on other commodities, then the rate of taxation on the sale of alcoholic beverages may not exceed the rate of taxation imposed upon such other commodities sales.

Lagos v. City & Borough of Sitka, 823 P.2d 641 (Alaska 1991).

A Sitka ordinance which taxed the sales of alcoholic beverages at a four percent higher rate than sales made on other commodities within the city and borough of Sitka violated this section. *Lagos v. City & Borough of Sitka*, 823 P.2d 641 (Alaska 1991).

Collateral references. — 45 Am. Jur. 2d, Intoxicating Liquors, § 27.

48 C.J.S., Intoxicating Liquors, § 213.

Provision as to sale of liquor to women as affecting validity of regulatory statute. 9 ALR2d 541.

Validity and construction of measure prohibiting retail alcoholic beverage seller from furnishing free food or drink. 66 ALR2d 758.

Validity and construction of statute or ordinance requiring or prohibiting posting or other publication of price by liquor dealer. 89 ALR2d 901; 80 ALR3d 740.

Validity and construction of statute or ordinance

respecting employment of women in places where intoxicating liquors are sold. 46 ALR3d 369.

Validity of municipal regulation more restrictive than state regulation as to time for selling or serving intoxicating liquor. 51 ALR3d 1061.

Validity, construction, and effect of statutes, ordinances, or regulations prohibiting or regulating advertising of intoxicating liquors. 20 ALR4th 600.

Validity and construction of statute or ordinance making it offense to have possession of open or unsealed alcoholic beverage in public place. 39 ALR4th 668.

Sec. 04.21.015. Private manufacture of alcoholic beverages. (a) Except as provided in (b) of this section, the provisions of this title do not apply to the private manufacture of alcoholic beverages.

(b) This section does not apply to AS 04.16.050, 04.16.051, 04.16.080; AS 04.21.010, 04.21.020; alcoholic beverages manufactured in a quantity that exceeds the limit imposed on private manufacture under federal law; or an area that has adopted a local option law under AS 04.11.491. (§ 1 ch 86 SLA 1989; am § 53 ch 101 SLA 1995)

Effect of amendments. — The 1995 amendment, effective July 1, 1995, made a section reference substitution in subsection (b).

Sec. 04.21.020. Civil liability of persons providing alcoholic beverages. (a) A person who provides alcoholic beverages to another person may not be held civilly liable for injuries resulting from the intoxication of that person unless the person who provides the alcoholic beverages holds a license authorized under AS 04.11.080 — 04.11.220, or is an agent or employee of such a licensee and

"other property taxable by the municipality." City of Valdez v. State, Dep't of Community & Regional Affairs, 793 P2d 532 (Alaska 1990).

Sec. 29.45.590. Limited property taxing power for second class cities. A second class city may by referendum levy property taxes as provided for first class cities. However, levy of an ad valorem tax by a second class city may not exceed two percent of the assessed value of the property taxed, except that the limit does not apply to a levy necessary to avoid a default upon payment of principal and interest of bonded or other indebtedness that is secured by a pledge to levy ad valorem or other taxes without limit to meet debt payments. (§ 12 ch 74 SLA 1985; am § 1 ch 123 SLA 1994; am § 8 ch 40 SLA 1995)

Effect of amendments. — The 1994 amendment, effective September 26, 1994, substituted "two percent" for "one-half of one percent" near the beginning of the second sentence.

The 1995 amendment, effective August 23, 1995, inserted "of an ad valorem tax" near the beginning of the second sentence.

Sec. 29.45.600. Combining property tax with incorporation of a second class city. A petition for second class city incorporation may request that a property tax proposal be placed on the same ballot. The petition must state the proposed tax rate. The petition may request that incorporation be dependent on the passage of the property tax proposition. If so, the incorporation proposition fails if the property tax fails. (§ 12 ch 74 SLA 1985)

Article 4. Borough Sales and Use Tax.

Section
650. Sales and use tax
660. Notice of sales and use tax
670. Referendum, adoption, and modification

Section
680. Combining sales and use tax with incorporation of a borough

Sec. 29.45.650. Sales and use tax. (a) Except as provided in AS 04.21.010(c) and in (f) and (h) of this section, a borough may levy and collect a sales tax on sales, rents, and on services provided in the borough. The sales tax may apply to any or all of these sources. Exemptions may be granted by ordinance.

(b) A borough levying a sales tax may also by ordinance levy a use tax on the storage, use, or consumption of tangible personal property in the borough. The use tax rate must equal the sales tax rate and the use tax shall be levied only on buyers.

(c) A person who furnishes proof, in the form required by the borough tax collector, that the person has paid a sales tax on the source on which a use tax is levied by the borough is required to pay the use tax only to the extent of the difference between the amount of the sales tax paid and the amount of the use tax levied by the borough. This subsection applies to a sales tax levied in any taxing jurisdiction whether inside or outside the state.

(d) If the assembly charges interest on sales taxes not paid when due, the rate of interest may not exceed 15 percent a year on the delinquent taxes and shall be charged from the due date until paid in full. This subsection applies to home rule and general law municipalities.

(e) A borough may provide for the creation, recording, and notice of a lien on real or personal property to secure the payment of a sales and use tax, and the interest, penalties, and administration costs in the event of delinquency. When recorded, the sales tax lien has priority over all other liens except (1) liens for property taxes and special assessments; (2) liens that were perfected before the recording of the sales tax lien for amounts actually advanced before the recording of the sales tax lien; (3) mechanics' and materialmen's liens for which claims of lien under AS 34.35.070 or notices of right to lien under AS 34.35.064 have been recorded before the recording of the sales tax lien. This subsection applies to home rule and general law municipalities.

(f) A borough may not levy and collect a sales tax on a purchase made with (1) food coupons, food stamps, or other type of certificate issued under 7 U.S.C. 2011 — 2025 (Food Stamp Act); or (2) food instruments, food vouchers, or other type of certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children). This subsection applies to home rule and general law municipalities.

(g) *[Repealed, § 2 ch 159 SLA 1990.]*

(h) A borough may not levy or collect a sales tax on sales, rents, and services, or a use tax on the storage, use, or consumption of personal property on the following activities:

(1) the sale, lease, rental, storage, consumption, or distribution in this state of or the provision of service relating to an orbital space facility, space propulsion system, or space vehicle, satellite, or station of any kind possessing space flight capacity, including the components of them;

(2) the sale, lease, rental, storage, consumption, or use of tangible personal property placed on or used aboard an orbital space facility, space propulsion system, or space vehicle, satellite, or station of any kind, regardless of whether the tangible personal property is returned to this state for subsequent use, storage, or consumption; an exemption under this paragraph is not affected by the failure of a launch to occur, or the destruction of a launch vehicle or a component of a launch vehicle. (§ 12 ch 74 SLA 1985; am §§ 3, 4 ch 38 SLA 1986; am § 1 ch 20 SLA 1987; am § 2 ch 30 SLA 1988; am §§ 1, 2 ch 96 SLA 1989; am §§ 1, 2 ch 159 SLA 1990; am §§ 4, 5 ch 88 SLA 1991)

NOTES TO DECISIONS

Annotator's notes. — The cases cited in the note below were decided under former, similar provisions.

Evolutionary development of present language of subsection (a). — See *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978).

Subsection (a) of this section permits a selective sales tax. *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978).

This section states no limits on what may be exempted. *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978).

And there is nothing in the statute which expressly requires a general tax. *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978).

The term "sales tax" carries no connotation of generality. *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (Alaska 1978).

The city of Homer bed tax, based upon the actual

rental of a room, and imposed, computed and collected according to traditional sales tax methods, is a sales tax within the meaning of this section. *City of Homer v. Gangl*, 650 P.2d 396 (Alaska 1982).

A real property lien is beyond the scope of what may be "necessarily or fairly implied in or incident to" the authority to collect a sales tax. *Fairbanks N. Star Borough v. Howard*, 608 P.2d 32 (Alaska 1980).

Successor liability. — Subsection (e) of this section does not provide for successor liability, unless done through a lien on the real and personal property of a "seller," i.e. the business; municipalities' attempt by ordinance to hold successor owners personally liable for delinquent sales taxes would effectively eliminate paragraph (e)(2) of this section lien priority and was, therefore, invalid. *Kenai Peninsula Borough v. Associated Grocers*, 889 P.2d 604 (Alaska 1995).

Collateral references. — 68 Am. Jur. 2d, Sales and Use Taxes, § 1 et seq.

Sec. 29.45.660. Notice of sales and use tax. (a) If the borough levies and collects only a sales tax and use tax, the assembly shall provide a notice substantially in the form set out in AS 29.45.020. In providing notice under this subsection, the assembly shall substitute for the millage equivalency its estimate of the equivalent sales tax rate for each of the categories of financial assistance set out in AS 29.45.020. Notice shall be provided

(1) by publishing in a newspaper of general circulation in the borough a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the borough's budget; or

(2) if there is no newspaper of general circulation in the borough, by posting a copy of the notice for at least 20 days in at least two public places in the borough, with posting to occur not later than 45 days after the final adoption of the borough's budget.

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization under AS 29.60.010 — 29.60.080 and priority revenue sharing for municipal services under AS 29.60.100 — 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met. (§ 12 ch 74 SLA 1985; am § 4 ch 75 SLA 1997)

Effect of amendments. — The 1997 amendment, effective July 1, 1997, rewrote the first sentence of subsection (b).

Sec. 29.45.670. Referendum, adoption, and modification. A new sales and use tax or an increase in the rate of levy of a sales tax approved by ordinance does not take effect until ratified by a majority of the voters at an election. (§ 12 ch 74 SLA 1985)

Sec. 29.45.680. Combining sales and use tax with incorporation of a borough. A petition for incorporation of a borough may request that a sales and use tax proposition be placed on the same ballot. The petition must state the proposed tax rate. The petition may request that incorporation be dependent on the passage of the tax proposition; if so, the incorporation proposition fails if the tax proposition fails. (§ 1 ch 3 SLA 1989)

Editor's notes. — Section 2, ch. 3, SLA 1989 provides that this section is retroactive to January 1, 1987.

Legislative history reports. — For governor's transmittal letter, see 1989 Senate Journal 46.

Article 5. City Sales and Use Tax.

Section

700. Power of levy

710. Combining sales and use tax with incorporation of a second class city

Sec. 29.45.700. Power of levy. (a) A city in a borough that levies and collects areawide sales and use taxes may levy sales and use taxes on all sources taxed by the borough in the manner provided for boroughs. Except as provided in (d) of this section, the assembly may by ordinance authorize a city to levy and collect sales and use taxes on other sources.

(b) A city in a borough that does not levy and collect sales and use taxes for areawide borough functions may levy and collect sales and use taxes in the manner provided for boroughs.

(c) A city outside a borough may levy and collect sales and use taxes in the manner provided for boroughs.

(d) A city that levies and collects sales and use taxes under (a) of this section may not levy and collect a sales tax on a purchase made with (1) food coupons, food stamps, or other types of certificates issued under 7 U.S.C. 2011 — 2025 (Food Stamp Act); or (2) food instruments, food vouchers, or other type of certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children). This subsection applies to home rule and general law municipalities. (§ 12 ch 74 SLA 1985; am § 5 ch 38 SLA 1986; am §§ 51, 52 ch 14 SLA 1987; am § 2 ch 20 SLA 1987)

Legislative history reports. — For an analysis of the amendments to this section made by §§ 51 and 52, ch. 14, SLA 1987, see 1987 House Journal Supplement No. 11, May 17, 1987, p. 7.

Sec. 29.45.710. Combining sales and use tax with incorporation of a second class city. A petition for incorporation of a second class city may request that a sales and use tax proposal be placed on the same ballot. The petition must state the proposed tax

Alaska Department of Revenue, Income and Excise Tax Division
 Report of Alcoholic Beverages Distributed or Sold
 1998 Taxable Gallons

	Liquor				
	District 1	District 2	District 3	District 4	Total
January	15,517	1,222	91,412	20,560	128,711
February	5,786	568	35,620	7,065	49,039
March	10,593	1,247	42,737	9,100	63,677
April	13,022	1,133	58,744	11,894	84,793
May	11,562	2,072	60,243	12,497	86,374
June	14,666	1,290	51,342	11,418	78,716
July	16,590	1,007	80,769	18,472	116,838
August	16,011	750	56,444	14,751	87,956
September	14,056	4,257	59,031	14,325	91,669
October	13,389	937	56,464	12,732	83,522
November	11,467	1,208	57,775	14,260	84,710
December	13,769	920	67,953	14,239	96,881
Total	156,428	16,611	718,534	161,313	1,052,886

	Wine				
	District 1	District 2	District 3	District 4	Total
January	17,826	553	101,517	19,160	139,056
February	9,710	168	46,150	9,243	65,271
March	13,972	1,057	63,956	12,615	91,600
April	14,766	674	75,675	12,850	103,967
May	17,704	1,442	79,382	13,896	112,424
June	18,651	764	72,525	14,792	106,732
July	23,511	883	60,593	18,971	132,958
August	23,344	545	93,988	17,845	135,722
September	21,156	2,547	80,159	17,109	120,971
October	15,976	761	78,420	15,037	110,194
November	14,477	542	73,643	14,357	103,019
December	18,951	642	92,516	16,416	128,525
Total	210,044	10,578	947,524	182,293	1,350,439

	Beer				
	District 1	District 2	District 3	District 4	Total
January	151,125	1,576	808,011	177,799	1,138,511
February	120,913	895	603,567	147,601	872,976
March	125,953	2,035	552,167	133,583	813,738
April	167,526	2,904	716,563	152,105	1,039,098
May	175,425	26,002	774,168	178,355	1,153,950
June	232,925	23,535	847,940	217,029	1,321,429
July	260,913	535	1,051,676	249,857	1,562,981
August	264,396	1,275	960,478	254,130	1,480,279
September	206,566	54,367	842,844	237,695	1,341,472
October	170,208	6,221	776,194	171,201	1,123,824
November	154,733	898	735,918	181,973	1,073,522
December	131,242	1,867	682,092	155,246	970,447
Total	2,030,683	120,243	8,669,526	2,101,328	12,921,780

	Total Alcohol				
	District 1	District 2	District 3	District 4	Total
January	184,468	3,351	1,000,940	217,519	1,406,278
February	136,409	1,631	685,337	163,909	987,286
March	150,518	4,339	658,860	155,298	969,015
April	195,314	4,711	850,982	176,851	1,227,858
May	204,691	29,516	913,793	204,748	1,352,748
June	266,242	25,589	971,807	243,239	1,506,877
July	301,014	2,425	1,222,038	287,300	1,812,777
August	303,751	2,570	1,110,910	286,726	1,703,957
September	241,778	61,171	982,034	269,129	1,554,112
October	199,573	7,919	911,078	198,970	1,317,540
November	180,677	2,648	867,336	210,590	1,261,251
December	163,962	3,429	842,561	185,901	1,195,853
Total	2,364,435	145,870	10,175,115	2,414,279	15,099,699

Source: State of Alaska, Department of Revenue, Division of Income and Excise Tax Division (www.revenue.state.ak.us/iea/alcohol/)

CITY OF KING COVE

P.O. Box 37
King Cove, Alaska 99612

March 4, 1999

Representative Gary Davis
State Capitol - Room 513
Juneau, AK 99801-1182

(faxed to 465-3835)

Dear Representative Davis:

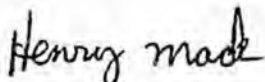
I am very pleased to learn of your sponsorship of House Bill 92. I am very supportive of this measure and am willing to help advocate it to other local governments.

About a year ago, I requested the King Cove City Council to impose an increase (i.e. higher than our 3% general sales tax) in local sales tax on alcoholic beverages only to learn that it wasn't allowed under State statute.

It is very clear to me that alcohol related activities have a direct relationship to the magnitude of services provided by our City police and clinic departments. A higher alcohol tax rate would help us offset the adverse impacts to the City budget in dealing with the alcohol related costs.

We would welcome the opportunity to have local voters decide on whether to impose such a tax. Thank you for taking action on this very important issue.

Sincerely,



Henry Mack
Mayor

Alex & Mattie Samuelson Office Building
907-497-2340 (phone)
907-497-2594 (fax)
Email - kingcove@pobox.alaska.net





MAYOR AND CITY COUNCIL
POST OFFICE BOX 1397, KODIAK, ALASKA 99615

TELEPHONE (907) 486-8635

FAX (907) 486-8600

February 28, 1999

Representative Gary Davis
State Capitol
Juneau, Alaska 99811

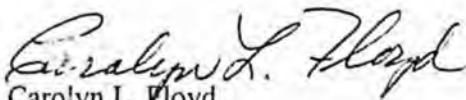
Dear Representative Davis:

Thank you for the foresight to sponsor legislation to address alcohol related social and law enforcement costs incurred by local government. The City of Kodiak supports HB 92. Although some may view this as a revenue source the City of Kodiak views it as one alternative to address costs of alcohol abuse and misuse now absorbed by the general taxpayer. The provision requiring a vote of the people is prudent and a reasonable protection to the liquor industry.

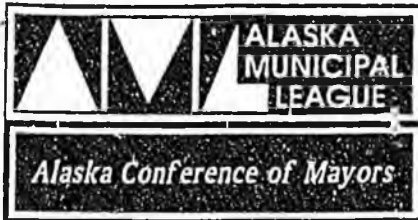
The statistics on alcohol related crime and social problems more than justify a method to tax the cause.

Sincerely,

CITY OF KODIAK


Carolyn L. Floyd
Mayor

cc: City Council
Senator Jerry Mackie
Representative Alan Austerman



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325. Fax (907)-463-5480

February 19, 1999

Representative Gary Davis
State Capitol
Juneau, AK 99811

Dear Representative Gary Davis:

Thank you for your introduction of HB 92, "An Act relating to municipal taxation of alcoholic beverages." This issue has been a top priority for the Alaska Municipal League and the Alaska Conference of Mayors for several years, and given the current state budget situation, it is even more important than ever. As pressure increases more and more on local sales and property taxes, municipalities need additional tools to pay for public services.

Under state statute adopted years ago, a special exemption on alcohol sales was granted which prohibited local voters from establishing a higher level on sales tax on alcohol in their community. We would like to stress that **this is not a new tax**, but only removes that restriction, and could only be done with the **approval of local voters**. Alcohol abuse is the number one health and public safety problem in Alaska and alcohol sales should not receive a special exemption.

As you are aware, costs to local taxpayers related to the use of alcohol are stunning. Some of the alcohol-related costs include:

- Police costs for alcohol-related felonies and misdemeanors
- Police costs to transport public inebriates
- Emergency medical services
- Hospital emergency care costs
- Prosecutions
- Direct treatment and rehabilitation of alcohol abuse
- Increase costs of youth and family services related to alcohol use
- Repair to property damage to public facilities
- Health insurance costs paid by local governments and school districts to treat alcohol-related health problems

According to a fact sheet provided by Anchorage's Community Health Promotion Program last year, alcohol is involved in:

- 60 percent of motor vehicle crash fatalities
- 65 percent of suicide attempts
- 56 percent of total assaults
- 56 percent of domestic violence
- 53 percent of sexual assaults
- 34 to 50 percent of homicides
- 83 percent of child abuse.

We recognize the state may continue reducing support for services because of revenue shortfalls. As that burden increases on local taxpayers, it is critical they be given the proper tools to take on those burdens. Passage of HB 92 will provide an option to the voters of a community who are best able decide how they want to allocate their taxes to provide critical local services.

Again, our sincere thanks for recognizing the importance of this issue and if you need any additional information, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Ritchie", with a long horizontal line extending to the right.

Kevin C. Ritchie
Executive Director

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

February 25, 1999

Representative Carl Morgan
Capitol Building, Room 409
Juneau, AK 99801-1182

Dear Representative Morgan:

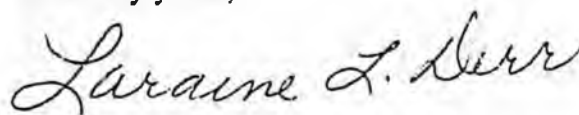
On March 4, 1999, the Community and Regional Affairs Committee will be hearing HB92 that lifts the restriction on municipal taxation of alcoholic beverages.

On behalf of the Alaska Association of Hospitals and Nursing Homes, I am writing in support of HB92. The cost of public inebriation in most of our cities and villages comes in several forms for hospitals. There is the issue of unreimbursed costs of direct care, the supplies and services that are provided in treating the individual. Second, there is the indirect cost of damaged equipment, linen, furniture, etc. as individuals get into or out of hospitals. Third is the cost for security staffing. There are many anecdotal stories that could highlight any one of these areas - which I am sure will be defined in testimony. I will not detail them here but would ask for your support of this bill.

HB 92 would give municipalities the opportunity to put the issue before the voters and let them decide whether the added revenue from a tax on alcoholic products would be beneficial in dealing with the costs of the results of alcohol consumption.

Thank you for your consideration of our letter of support.

Sincerely yours,



Laraine L. Derr
President/CEO



Alaska State Legislature

Please enter into the record my testimony to the Community & Regional Affairs, Finance
committee name

committee on House Bill #92, dated 3.4.99
bill/subject

A SALES TAX ON Alcoholic Beverages would be a positive proposition for a number of reasons.

- ① Increase of tax could lower Alcoholic Beverage consumption as the recent tax on cigarettes lowered the demand for them in Alaska.
- ② Alcoholic Beverages have cost the state of Alaska millions of dollars, and this tax could allow programs of prevention and treatment to be funded at a higher level.
- ③ Alaska truly needs to find more income streams and this one would work well.

Signed: Brian D Massey BRIAN D MASSEY
Testifier

Myself & Family
Representing (Optional)

Box 2324 SITKA AK
Address

(907) 747-3139
Phone No.

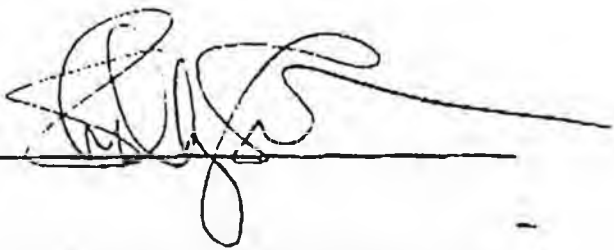


Alaska State Legislature

Please enter into the record my testimony to the Community & Regional Affairs, Finance committee name
 committee on House Bill No. 92, dated 3/4/99
 bill/subject

As a voter, I would like to voice my support of House Bill 92 (municipal taxation of alcoholic beverages).

In a time of declining revenues, it strikes me that this bill would enable our community to raise additional funds that could be utilized to supplement existing prevention and intervention services.

Signed: Shelly Carlson 
 Testifier

Representing (Optional)
107 Finn Alley Sitka, AK 99835
 Address
747-1042
 Phone No.

Morissa Lou Williams
P.O. Box 240791
Douglas, Alaska 99824-0791
(907) 586-1504

8 March 1999

Rep. Gary Davis
Alaska State Legislature
Juneau, Alaska

Re: HB 92

Dear Rep. Davis,

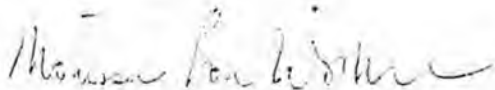
I called your office this morning to thank you for sponsoring HB 92, and I want to commit my support in writing as well. Your sponsorship of HB 92 shows two things: compassion for your constituents and the courage to act on their behalf. Thank you for showing the integrity to sponsor a bill of this nature.

I spent several years researching the flow of alcohol through Alaskan lives and published several pieces about what I learned in the *Alaskan Southeaster* Magazine. I found that few people are willing - or perhaps more to the point, able - to comprehend the fundamental truth that governs our relationship with alcohol in Alaska: it has a unique hegemony in not only our personal but our political lives. The absence of substantive taxation of this product, as well as its absurdly low cost to consumers, has been a disaster for our state. The product has been a financial hemorrhage for Alaskans, costing uncountable millions in public safety, public assistance and the breakdown of our classrooms, while the industry is permitted to continue blithely on making enormous profits from its sales. If we are honest we will call this what it is: the subsidized addiction of a state. Prohibition may not be the answer, but it is certainly true that Alaskan areas which have barred alcohol have much lower crime rates and social problems than the rest of the state.

I do not know what the ultimate answer is, or even if there is one to be found, but I am certain that one important aspect of challenging alcohol's grip on our finances and our lives is requiring appropriate taxation. Thank you for making a step in this direction. There are many people who feel as I do and wish you well in this endeavor.

By the way, I would also like to thank the gracious staff member with whom I spoke this morning. I did not ask her name, but she was very kind and welcoming, and I appreciated that very much.

With best regards,





Alaska State Legislature

COMMUNITY AND REGIONAL
AFFAIRS, FINANCE (...?)

Please enter into the record my testimony to the

committee name

committee on TAXATION OF ALCOHOLIC BEVERAGES dated

MARCH 3RD 1999

bill/subject

AS A VOTER, SMOKER AND CONCERNED
CITIZEN I SUPPORT THE TAXATION OF ALCOHOLIC
BEVERAGES.

SPECIFICALLY:

AS A VOTER I AM ALWAYS CONCERNED
ABOUT BILLS/ACTS PENDING IN OUR MUNICIPAL,
STATE OR FEDERAL GOVERNMENTS AND FEEL
IT IS MY DUTY TO "VOICE" SUPPORT FOR THOSE
I BELIEVE SHOULD BE ENACTED. THIS IS TRUE
FOR HOUSE BILL NO. 92.

AS A SMOKER I FULLY SUPPORT THE
INCREASE IN TAXATION ON TOBACCO PRODUCTS
BELIEVING IT IS A FAIR WAY TO RAISE
INCOME, WHILE AT THE SAME TIME ALLOWING

Signed: R. O. Johnson
Testifier

Representing (Optional)
P.O. BOX 2395, SITKA, 99835

Address
966-3075

Phone No.

→ THE INDIVIDUAL, ME, TO CHOOSE TO PARTICIPATE OR NOT VIA MY CHOICE TO PURCHASE TOBACCO PRODUCTS OR NOT THIS IS HOW I VIEW/COMPARE HOUSE BILL NO. 92. AS A CONCERNED CITIZEN I AM OF THE OPINION THAT ALL REASONABLE SOURCES OF INCREASED INCOME FOR THE STATE & MY MUNICIPALITY (SITKA) SHOULD BE EXAMINED AND IMPLEMENTED IF FAIR AND REASONABLE. I BELIEVE HOUSE BILL NO 92. IS BOTH.

THANK YOU FOR THIS FORUM.

RNOgum

Morissa Lor Williams
P.O. Box 240791
Douglas, Alaska 99824-0791
(907) 586-1504

8 March 1999

Rep. Gary Davis
Alaska State Legislature
Juneau, Alaska

Re: HB 92

Dear Rep. Davis,

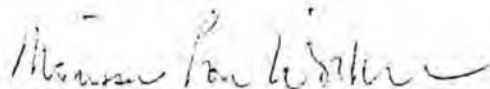
I called your office this morning to thank you for sponsoring HB 92, and I want to commit my support in writing as well. Your sponsorship of HB 92 shows two things: compassion for your constituents and the courage to act on their behalf. Thank you for showing the integrity to sponsor a bill of this nature.

I spent several years researching the flow of alcohol through Alaskan lives and published several pieces about what I learned in the *Alaskan Southeaster Magazine*. I found that few people are willing - or perhaps more to the point, able - to comprehend the fundamental truth that governs our relationship with alcohol in Alaska: it has a unique hegemony in not only our personal but our political lives. The absence of substantive taxation of this product, as well as its absurdly low cost to consumers, has been a disaster for our state. The product has been a financial hemorrhage for Alaskans, costing uncountable millions in public safety, public assistance and the breakdown of our classrooms, while the industry is permitted to continue blithely on making enormous profits from its sales. If we are honest we will call this what it is: the subsidized addiction of a state. Prohibition may not be the answer, but it is certainly true that Alaskan areas which have barred alcohol have much lower crime rates and social problems than the rest of the state.

I do not know what the ultimate answer is, or even if there is one to be found, but I am certain that one important aspect of challenging alcohol's grip on our finances and our lives is requiring appropriate taxation. Thank you for making a step in this direction. There are many people who feel as I do and wish you well in this endeavor.

By the way, I would also like to thank the gracious staff member with whom I spoke this morning. I did not ask her name, but she was very kind and welcoming, and I appreciated that very much.

With best regards,



FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 92

Revision Date/Time (Note if correction) March 3, 1999

Dept. Affected Revenue

Title Municipal Taxation of Alcohol

BRU Revenue Operations

Component Income and Excise Audit

Sponsor Representative Davis

Requester CRA

Component Serial No. 113

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES (decrease)

**

**

**

**

**

**

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY99) cost:

0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

** The proposed legislation may cause the state to lose a small amount of state alcohol tax revenues. This revenue loss would be due to the decrease in consumption because of an increase in price. The percentage change in quantity consumed as a result of a percentage change in price is called the price elasticity of demand. If we assume that some municipalities that currently have no sales tax on alcohol enact one, prices would most likely increase. There are many different estimates of the price elasticity demand for alcohol. They usually differ by the type of alcohol with the lowest elasticity being for beer. I have seen elasticity's that range from -.12 to -1.07 for beer, from -.13 to -1.8 for liquor and from -.27 to -2.37 for wine. One publication suggests the use of -.35 for all alcohol types. This would imply that for a 1% increase in price consumption would decrease by 1/3 of 1%. Given the uncertainties involved and not knowing which if any municipalities will increase their alcohol tax, DOR cannot estimate the loss of revenue.

Prepared by Brett Fried, Economist

Phone 465-3682

Division Income and Excise Audit

Date/Time March 3, 1999

Approved by Wilson L. Condon

Date March 3, 1999

Agency Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 92

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Municipal taxation of alcoholic beverages BRU ABC Board
 Component ABC Board
 Sponsor Rep. Davis
 Requester House C&RA Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY99) cost: 0.0

POSITIONS

POSITIONS	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by Dorg Griffin, Director
 Division ABC Board
 Approved by Wilson L. Condon
 Commissioner Department of Revenue
 Agency

Phone 465-2301
 Date/Time February 22, 1999 10:15 AM
 Date 2/22/99

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act relating to municipal taxation BRU: _____
of alcoholic beverages. Component: _____
 Sponsor: REPRESENTATIVE DAVIS
 Requestor: House CRA Committee COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY04	FY 05
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0

REVENUE FUND SOURCE:

--	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY99) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

Enactment of this legislation would not have significant fiscal impact on the department

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4709
 Division: Division of Administrative Services Date: 2/22/99
 Approved by Commissioner: *Michelle Merz* Date: 2/22/99
 Agency: Community & Regional Affairs

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office