

SB

291

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/11/04

FURTHER:

FEB 23 2004

DATE TURNED
IN TO OFFICE: 2/23/04

Finance Committee considered

SENATE BILL NO. 291

SB 291 UNSTAMPED CIGARETTES

"An Act extending the transition period for activities involving unstamped cigarettes; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	Indet.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Rev	2/9/04			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>C. Bunde</i>	✓			
<i>Ben Stewart</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Gary Wilson</i>	✓			

FISCAL NOTE

FEB 23 2004

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 291
(S) Publish Date: 2/11/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Unstamped Cigarettes RDU Revenue Programs & Services
Component Tax Division
Sponsor Senate Labor and Commerce
Requester Senate Labor and Commerce Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Transition Period for Unstamped Cigarettes - Bill Analysis

Bill Language: This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. Due to a recent change in cigarette manufacturers' returned goods policies, cigarette distributors and retailers may not return their unstamped inventory of cigarettes to the manufacturers. At the time cigarette tax stamp legislation was introduced and passed, cigarette manufacturers had a very liberal returned goods policy. Based on those policies and experiences of other states, a 90-day transition period was an adequate amount of time to either sell cigarettes to the end user or return the cigarettes to the manufacturer. Since manufacturers will no longer

(cont. on page 2)

Prepared by: Johanna Bales Phone 269-6628
Division Tax Division Date/Time 2/9/04 1:10 PM
Approved by: Steve Porter, Deputy Commissioner Date 2/9/2004
Agency Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 291

ANALYSIS CONTINUATION

accept returns of cigarettes, the transition period for selling cigarettes to the end user needs to be extended to June 30, 2004 to reduce potential hardship on small businesses throughout the state. The Tax Division anticipates no change to cigarette tax revenues due to this legislation as it only applies to previously taxed cigarettes. Cigarettes imported into the state after December 31, 2003 must be affixed with a cigarette tax stamp as proof that the cigarette excise tax has been paid.

Alaska State Legislature

DURING SESSION
STATE CAPITOL
JUNEAU, AK 99801-1182
(907) 465-4843 (800) 892-4843
FAX: (907) 465-3871

WEB SITE
www.akrepublicans.org/Bunde

DURING INTERIM
716 W. FOURTH AVE.
ANCHORAGE, AK 99501-2133
(907) 269-0181
FAX: (907) 269-0184

E-MAIL
Senator.Con.Bunde@legis.state.ak.us

SENATOR CON BUNDE

District P

VICE-CHAIR: SENATE FINANCE COMMITTEE
CHAIR: SENATE LABOR & COMMERCE COMMITTEE
MEMBER: LEGISLATIVE BUDGET & AUDIT COMMITTEE

Sponsor Statement

Last session the legislature passed SB 168 which required that cigarette tax stamps be affixed to all packages of cigarettes in the state of Alaska. SB 168 was signed into law on June 16, 2004. The bill's effective date for affixing cigarette tax stamps was January 1, 2004. SB 168 contained transition language that allowed distributors and retailers to sell unstamped cigarettes that were in the state prior to January 1, 2004 to the end user by March 31, 2004. Based on data from the state of Hawaii, (the most recent state to enact a tax stamp requirement), it was deemed that 90 days was adequate time to dispose of unstamped cigarettes. That timeframe also seemed adequate because the cigarette manufacturers had a very liberal returned goods policy. Basically, the manufacturers would take back any and all cigarettes for whatever reason from all retailers and distributors.

But that friendly return policy shifted between July 2003 and October 2003, when the three largest cigarette manufacturers, Philip Morris, R.J. Reynolds, and Brown & Williamson, announced significant changes to their returned goods policies. They announced that they would no longer take any cigarettes back except in very limited circumstances. What used to be a very liberal returned-goods policy, basically became a "no returned-goods" policy. Therefore, on January 1, 2004, Alaska distributors and retailers could not simply return their unstamped cigarettes to the manufacturers as previously allowed.

The Department of Revenue contacted both Philip Morris and RJ Reynolds and requested that they extend their old returned goods policy and allow distributors and retailers in Alaska to return cigarettes for a full credit. This would have allowed the department the authority to give a credit for previously taxed cigarettes. Distributors and retailers could then repurchase cigarettes and tax stamps. The manufacturers refused to change their return goods policy.

Due to the change in the manufacturers' returned-goods policies, it is apparent that Alaska businesses need more than 90 days to dispose of their cigarette inventories that were in the state prior to January 1, 2004. This legislation would extend the transition period to June 30, 2004, giving retailers and distributors an additional 90 days to dispose of unstamped cigarettes. In addition, the Department of Revenue will continue to request that the manufacturers loosen their returned goods policy at least for distributors so that all cigarettes they sell to retailers will be affixed with tax stamps as soon as possible.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

February 9, 2004

The Honorable Con Bunde
Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

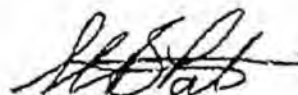
Dear Senator Bunde:

This letter is to inform you of the Department of Revenue's support of Senate Bill 291. This bill will extend the transition period for selling unstamped cigarettes that were in the state prior to January 1, 2004 from March 31, 2004 to June 30, 2004. At the time cigarette tax stamp legislation was passed, the major cigarette manufacturers had very lenient returned goods policies. Basically, cigarettes could be returned to the manufacturer by distributors and retailers for virtually any reason. Beginning in July 2003, the manufacturers severely restricted their returned goods policies and will only accept cigarette returns in very limited circumstances.

The Department of Revenue has received approximately 50 calls from distributors and retailers across the state regarding the March 31, 2004 deadline to have all cigarettes bear a tax stamp. These businesses believe they will not be able to sell their unstamped product, product that was in the state prior to January 1, 2004, to the ultimate consumer by the deadline. Since they can no longer return the cigarettes to the manufacturer, they will have to destroy product upon which the Alaska cigarette tax has already been paid in order to be in compliance with the new law.

The Department believes that extending the stamp deadline from March 31, 2004 to June 30, 2004, as proposed in SB 291, is needed so that small businesses across the state will not be penalized by a change in state statute coupled with a change in the returned goods policies of major manufacturers. Therefore, the Department of Revenue supports the language of SB 291.

Sincerely,



Steven B. Porter
Deputy Commissioner



Corporate
P.O. Box 8112, Ketchikan, AK 99901
(907) 225-8041 (907) 225-2231 fax

Senator Con Bunde
Alaska Senate
State Capitol, Room 506
Juneau, AK 99801

February 7, 2004

RE: SB 291 Deadline extension for possessing unstamped cigarettes

Dear Senator Bunde:

My name is Mike Elerding, president and owner of an Alaska based wholesale distribution company. I would like to speak in favor of SB 291, which solves a unique and specific timing problem created as a result of the change in State law that took effect at the start of this year.

Last year Northern Sales Company of Alaska, Inc. supported and worked with you towards the passage of SB 168, which provides for the collection of Alaska excise tax on cigarettes through the implementation of an Alaska tobacco tax stamp on cigarettes sold in Alaska.

Prior to passage of SB 168, compliance with State law required licensed wholesalers to collect and remit state excise tax to the State based on the filing of a monthly report. After 1/1/04 (the effective date of SB 168), compliance with state law requires that all cigarettes imported into the state carry an Alaska tobacco stamp to show that the State excise tax has been collected. The problem is in the transitioning – when wholesale and retail trade inventories contain a mixture of stamped and unstamped product.

State law does not provide licensed wholesalers with a mechanism to stamp unstamped cigarettes that were imported and paid the state excise tax prior to 1/1/04. SB168 was based on an expectation that wholesale trade would be able to sell-through unstamped inventory prior a 3/31/04 transition deadline for the possession of unstamped product. The reality is that the sell-through of unstamped cigarettes at the wholesale level is taking longer than expected. Retailers are reluctant to buy unstamped product because possession of unstamped cigarettes after 3/31/04 is a violation of state law with significant financial penalties. As the deadline approaches retailers are becoming more reluctant to purchase unstamped cigarettes because they will not be able to sell-through this product, which compounds the problem.

The transition from unstamped to stamped inventory creates a unique problem for the retail trade. State law properly prohibits selling cigarettes below cost to dispose of distressed inventory. In addition, because the retail trade does not collect or remit the excise tax there is no mechanism for the state to credit the retail trade for a tax it does not collect. The end result is that retailers with any unstamped cigarettes after 3/31/04 will be guilty of misconduct involving unstamped cigarettes, which is a class C felony.

The legislation creating the tobacco tax stamp is good for Alaska because it provides greater assurance that the excise tax will be collected on all cigarettes imported into the state and it will reduce the sale of cigarettes through black market distribution channels. However, Alaska licensed wholesalers and retailers need some relief from the 3/31/04 deadline. SB 291 helps extend a reasonable transition period for the State of Alaska to fully implement the cigarette-stamping program.

Sincerely yours,

Michael J. Elerding

Subject: sb291

Date: Fri, 6 Feb 2004 08:38:38 -0900

From: "Bobby Scott" <bobbyscott@acsalaska.net>

To: <Jane_alberts@legis.state.ak.us>

Good Morning Jane

I work for Jan's distributing here in Anchorage. We service all of Anchorage, Wasilla, Fairbanks and the Kenai area. We are in favor of extending the transition period for unstamped cigarettes. Extending until June will give us and the retailer more time to get through our unstamped inventory. If you have any questions please call me at 243-5267.

Thanks

Bobby Scott

Jan's Distributing

Subject: FW: SB 291

Date: Thu, 5 Feb 2004 17:58:22 -0600

From: Bob Galosich <bgalosich@northwest.ca>

To: "Jane_Alberts@Legis.state.ak.us" <Jane_Alberts@Legis.state.ak.us>

CC: Gary Long <GLong@northwest.ca>, "johanna_bales@revenue.state.ak.us" <johanna_bales@revenue.state.ak.us>

Jane,

Per Johanna's e-mail below, Frontier Expeditors and Alaska Commercial Company support Senator Bundy's legislation. Our 25 retail stores in Rural Alaska would not be able to sell the slower moving unstamped product by March 31st. We appreciate your office's assistance in this matter.

Bob Galosich
Vice President of Wholesale Operations
Alaska Commercial Company
907-868-4505
bgalosich@northwest.ca

-----Original Message-----

From: Johanna Bales [mailto:johanna_bales@revenue.state.ak.us]

Sent: Thursday, February 05, 2004 2:35 PM

To: Bob Galosich

Subject: SB 291

Bob,

Senator Bunde has introduced legislation to extend the transition period for unstamped cigarettes from March 31, 2004 to June 30, 2004. If you support this legislation, please provide a support statement to Senator Bunde's aid, Jane Alberts via email. Her email address is:

Jane_Alberts@Legis.state.ak.us

Thanks.

Johanna Bales

L & J ENTERPRISES, INC.

THREE BEARS

P.O. Box 189
Tok, Alaska 99780
(907) 883-4324
FAX (907) 883-4238

February 9, 2004

The Honorable Con Bunde
State Capitol Room 506
Juneau, AK 99801-1182

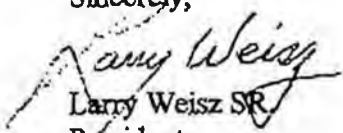
Dear Senator:

I was told today that you are going to introduce SB291. Thank you, Thank you. I am the owner of five retail stores in Alaska. With out this bill we will have to destroy thousands of dollars in tobacco product.

I have no problem with the old bill, only the way it was written. The real problem is the supplier is still sending unstamped product and this could go on until March 31, 2004. If the suppliers, cutoff date was March 31, 2004 and the retailer June 30, 2004 this would work.

Thank you in advance for your bill.

Sincerely,


Larry Weisz SR.
President

THREE BEARS ALASKA
TOK VALDEZ SEWARD KENAI

CARRS
QUALITY CENTERS
A SAFEWAY COMPANY

6401 A Street • Anchorage, Alaska 99518

Sen. Bunde

I Writing This Memo In Support Of HB 291. As A Tobacco Retailer The Time Line Set By The State Of Alaska Pertaining To Selling Unstamped Cigarettes After April 1st. I Find The Deadline To Be Insufficient Considering The Confusion At The Dept. Of Revenue In Regards To Issuing Of The Stamps To The Wholesalers. And Additionally, How The Retailer Will Be Protected If The Unstamped Cigarettes Aren't Sold By The Stated Deadline. Because Of The High Cost Of Goods This Would Cause A Financial Hardship To Many Retailers Across The State If They Were Forced To Absorb This Lost Revenue. Thanks For Taking This Matter Into Consideration.

Respectfully
Richard Watts
General Manager
Great Alaska Tobacco



Frontier Expeditors
355 East 76th Avenue, Suite 102
Anchorage, Alaska 99518
907-868-4500 - 800-478-4484
Fax 907-868-1633

February 9, 2004

Senator Con Bunde
Alaska Senate
State Capitol -- Room 506
Juneau AK 99801

Dear Senator Bunde:

I am writing to provide written testimony in favor of SB 291 which provides for an extension of the March 31st deadline for the possession of unstamped cigarettes originally established in SB 168.

The 90 day transition timeline provided in SB 168 has proven inadequate to move taxed but unstamped product through the retail pipeline. Our company owns 25 retail stores in Rural Alaska that operate under the Alaska Commercial Company banner and has a wholesale relationship with over 100 small independent retailers throughout Rural Alaska. These retailers face a very real and unnecessary financial and legal exposure if relief, in the form of SB 291 is not provided. I am attaching examples provided by two of our smaller company owned stores as well as a store list to give you an idea of the potential magnitude of the problem.

We support SB 291 and believe that a June 30th deadline will give retail the necessary time to move unstamped product through the pipeline. January and February are our two slowest months at retail plus all stores take annual inventory in January requiring stocks to be at lowest possible levels.

Thank you for your time and consideration regarding this issue. I would be happy to provide any additional information at your request.

Sincerely,

A handwritten signature in black ink that reads 'Bob Galosich'. The signature is written in a cursive style and is positioned above the typed name.

Bob Galosich
Vice President of Wholesale Operations
Frontier Expeditors

Bob Galosich

From: Ft. Yukon
Sent: Friday, February 06, 2004 10:40 AM
To: Bob Galosich
Cc: Gary Long; Walt Pickell
Subject: tobacco products

Morning Bob,

I have a few items in my store I'm not sure will sell by June. that are not stamped. I have gone through my inventory and came up with a few cigarette's and snuff (I don't know if that's included or not. I'm assuming so since it's tobacco.) that we probably will not sell before June.

Here's the list:

Kodiak chow 1& rolls (I don't believe we have sold this since we got here.)

Copenhagen long cut 2 rolls

Salem lights 16 cartons (I believe who ever smoked these moved because we haven't sold any in a long time.)

Newports 10 cartons

Basic Lights 100's 16 cartons

GPC Lights 17 cartons

Marlboro Mediums 13 cartons.

Thanks for any help you can be. Stevi

Bob Galosich

From: Gary Long
 Sent: Friday, February 06, 2004 2:32 PM
 To: Bob Galosich
 Cc: Wall Pickett
 Subject: FW: Tobacco

Bob,
 FYI
 Gary Long

-----Original Message-----

From: Unalakleet
 Sent: Friday, February 06, 2004 12:17 PM
 To: Walt Pickett
 Cc: Gary Long
 Subject: Tobacco

Wall

Below is a list of tobacco cartons that I'm carrying without the tax stamp. The line marked problem are the products that I'm worried about moving before the June dead line.

<i>Brand</i>	<i>Qty on hand</i>	<i>Problem</i>
Mar. Ultra Light 100s	1	
Mar. Ultra Light Kings	3	2
Mar. Blend 27 Kings	2	1
Mar. Blend 27 King Box	2	1
Mar. 25 Box	5	
Mar. Med Box	8	
Mar. Light 100s	4	
Mar. Kings	21	
Mar. King Box	19	
Cam. non filter	2	1
Cam. Light King		8
Cam. Light Box	5	
Basic Light 100s	2	2
Basic Light King		6
Winston King	12	5
Winston King Box	1	
Winston Light 100s	16	8
Virginia Slims Light	2	2
Kool Kings	1	
Merit ultra Light Kings	3	2
Merit Light Kings	15	14
Lucky Strike	5	5
Salem King	10	9
Salem King Light	13	12

These are the same problem ones that I pointed out to you when you were here, which I got stuck with from Terry. Any help we can get would be greatly appreciated.

Thanks Lee

ALASKA COMMERCIAL COMPANY BRANCH LIST -September 2, 2003

ALASKA COMMERCIAL COMPANY CORPORATE OFFICES/BILLING 500 WEST 94TH AVENUE, SUITE 100 ANCHORAGE, AK 99516-1723	907-273-4600 AC# 416 907-273-4100 FAX AC# 4226 907-273-4804 FAX FE# 14020 907-273-4841 FAX	JERRY BLITNER..... PRESIDENT MATH FRONTIER FRONTIER	HEAD MANAGER HARDWARE MANAGER GARY BRUCE	BAKERY MANAGER SOFTGOODS MANAGER	MEAT MANAGER BAKERY/DELI MANAGER	PRODUCE MANAGER MARINA MANAGER	TEXTILE MANAGER PROFESSOR MANAGER
ALASKA COMMERCIAL COMPANY ANCHORAGE PROCESSING CENTER 6135 MIKE STREET ANCHORAGE, AK 99518	907-562-6560 FAX AC# 125 907-575-4327 AC# 0510		ROCKY FRIEDRICH AC CHAMBERS				
ANIAK, AK 99577-9035 AC VALUE CENTER P.O. BOX 3 4725 ANIMOKA STREET	FE# 14602 907-975-4125 FAX SD 125 AC# 115 907-992-9771 AC# 0883 907-982-0188 800-515-2252		BURY TEIGEN BOB BOU DREAU	BOB BOU DREAU BOB BOU DREAU	GRANT FERGUSON MANOUEF ALZAHARA	SALLY ROSENBLUM	JOHN SHIFFER MELLY BAGNAS
BARROW, AK 99723-2219 AC QUICKSTOP P.O. BOX 189 1250 4500 STREET	FE# 14616 907-852-5712 FAX SD 115 AC# 355 907-852-4681 AC# 051		DAVID BEXTEL				
BARROW, AK 99723-2103 AC VALUE CENTER P.O. BOX 910 135 RIDGECREST STREET	FE# 14642 907-852-4681 FAX SD 335 AC# 135 907-842-2681 AC# 0512 800-476-1681		DAVID HICKS DARRIN MICHAEL MICHAEL JESPESEN	JEFF CLIMOSH SANDRA GILBERT	ELL BOWELL TERRY DOLAN/NATHAN MADON	TONY COURTNEY	BARBARA MAT-LAW SHELENE COURTNEY
BETHEL, AK 99557-0229 AC EXPRESS - BELLS FLATS 14012 REZANDR DRIVE WEST NODIAK, AK 99515	FE# 14603 907-843-4121 FAX SD 135 AC# 535 907-837-2117 AC# 0528		STEVE KREBER				
AC VALUE CENTER P.O. BOX 130 105 NICHOLSON WAY	FE# 14624 907-497-2157 FAX SD 535 AC# 235 907-424-7145 AC# 0525 907-824-7155		DENNIS ROSE VIVI SILVEIRA	CARL JOHNSON NINA SILVEIRA	GUYTON STARRIE JAN OONAKU	ROBERTA BERTH	FORNIE BAKER KATHLEEN GRISTE
CORDOVA, AK 99574-0130 AC VALUE CENTER P.O. BOX 430 235 MAIN STREET	FE# 14604 907-424-7143 FAX SD 235 AC# 295 907-842-5444 AC# 0514 800-476-5444 WPHS 800-542-2373 WPHS		BOB BABIAK GLOUGLENZIE	ED. BAUER APRIL OBERLAND	JOHN SEEMAN	TAMMY BARN	KEITH SANDERSON SHIRLEY EBBELE
DILLINGHAM, AK 99576-0257 AC VALUE CENTER P.O. BOX 920-151 200 SALMON WAY	FE# 14618 907-842-2511 FAX SD 295 AC# 245 907-851-2245 AC# 0522		JOHN SCHNAUBERT CHRISTINE MAGRAWAY		YVON ORR CHRISTINE MAGRAWAY	EDL COBBS	YVONNE SANDERSON
DUTCH HARBOR, AK 99561-1229 AC VALUE CENTER P.O. BOX 109 245 MAIN STREET	FE# 14605 907-851-2511 FAX SD 245 AC# 345 907-943-2511 AC# 0510		RUE SAUNDERS				
EMMONAK, AK 99581-2229 AC VALUE CENTER P.O. BOX 29 155 MAIN STREET	FE# 14606 907-945-1227 FAX SD 345 AC# 155 907-962-2330 AC# 0517		STEVIE NEHLS				ROBERTA BERTH HANNE BERGMAN
FORT YUKON, AK 99748 HOOPER BAY NATIVE STORE GENERAL DELIVERY P.O. BOX 209	FE# 14607 907-852-2724 FAX SD 155 AC# 375 907-755-4000 AC# 0529		JOHN OLSON				JOHN OLSON VALIE HAN
HOOPER BAY, AK 99604 SEA LION RETAIL STORE GENERAL DELIVERY P.O. BOX 109	FE# 14634 907-755-4001 FAX SD 375 AC# 385 907-755-4025 AC#		JOHN OLSON CHERYL BEANSTEN				JOHN OLSON JOHN OLSON
HOOPER BAY, AK 99604 AC VALUE CENTER P.O. BOX 110 1 BAYVIEW DRIVE	FE# 14636 907-755-4001 FAX SD 385 AC# 325 907-897-2232 AC# 054		SARAH LARIM LEG LAM/ASST. MGR TERESA BELL				
KING COVE, AK 99612	FE# 14619 907-497-2611 FAX SD 325						

		BRANCH MANAGER	OFFICE MANAGER	MEAT MANAGER	PRODUCE MANAGER	
		HARDWARE MANAGER	SOFTWARE MANAGER	BAKERY/DELI MANAGER	MARINA MANAGER	
AC VALUE CENTER P.O. BOX 175 100 SOUTH-SIDE ESPINO GREEN KING SALMON, AK 99613	AC# 180 907-246-6033 424 FEB 14625 907-246-6033 AC# 515 907-456-5751 AG# 3501 907-476-5751	JOE CHAFFEE				CATHLEEN CHEESE
AC VALUE CENTER P.O. BOX 3744 111 WEST REZANOFF DRIVE KODIAK, AK 99585-8215	AC# 515 907-456-5751 AG# 3501 907-476-5751 FEB 14620 907-490-3116 FAX AC# 365 907-890-4727 AG# 0518 907-890-4720	SD 180 TIM WALKER	TONY SCHLESSE	NEDE TRILJE	WILMA SAMERA	
AC VALUE CENTER P.O. BOX 21190 365 MAIN STREET KOTLIK, AK 99620-2922	AC# 365 907-890-4727 AG# 0518 907-890-4720 FEB 14608 907-491-4014 FAX AC# 395 907-462-3230 AG# 0519 907-475-3234	SD 515 KATHY GODFREY NORMAN GODFREY				NORMAN GODFREY
AC VALUE CENTER P.O. BOX 705 395 Main Street KOTzebue, AK 99752-2922	AC# 395 907-462-3230 AG# 0519 907-475-3234 FEB 14609 907-492-7706 FAX AC# 175 907-524-1655 AG# 0520	SD 365 PAT SUMPTER ALLAN ROBERTSON	DEBBY TANA-AASH TANJA MERRIWEATHER	STEVE WEAKE	TAMMY BAKER	
AC VALUE CENTER P.O. BOX 176 178 MAIN STREET MCGRATH, AK 99627-9925	AC# 175 907-524-1655 AG# 0520 FEB 14610 907-524-2225 FAX AC# 335 907-591-2259 FAX AG# 0515	SD 395 MARK MELTON				MARK MELTON MARK MELTON
AC VALUE CENTER P.O. BOX 32329 MT. VILLAGE, AK 99562	AC# 335 907-591-2259 FAX AG# 0515 FEB 14628 907-591-2238 FAX AC# 185 907-443-2143 MAIN AG# 0312 907-475-2243	SD 175 RON DILL				ANDREW DILL
AC VALUE CENTER P.O. BOX 579 NOME, AK 99762-3925	AC# 185 907-443-2143 MAIN AG# 0312 907-475-2243 FEB 14612 907-443-5057 FAX AC# 315 907-490-6912 AG# 0535	SD 335 BILL CASH	NOE MULLALLY ELENA MALOVA	SCOTT PEARSON KIM WELER	TAD GEORGE	BRANDY CARP DINE HOFFMAN
AC VALUE CENTER P.O. BOX 207 100 PAUSANA NUIQSUT, AK 99735	AC# 315 907-490-6912 AG# 0535 FEB 14640 907-490-6912 FAX AC# 265 907-433-2549 AG# 0523	SD 185 SANDY POOLE Chris Craig / West 21 Noy				BRANDY POOLE
AC VALUE CENTER P.O. BOX 135 285 MAIN STREET ST. MARYS, AK 99681-9355	AC# 265 907-433-2549 AG# 0523 FEB 14617 907-433-2440 FAX AC# 255 907-923-0192 AG# 0524	SD 315 STEVEN SPEIGHTS				STEVEN SPEIGHTS
AC VALUE CENTER P.O. BOX 65 257 MAIN STREET ST. MICHAEL, AK 99586-9599	AC# 255 907-923-0192 AG# 0524 FEB 14613 907-923-1482 FAX AC# 270 907-942-1256 or 345-1341 AG# 0539	SD 265 CHRIS CORRELL				HOWARD CORRELL
AC VALUE CENTER P.O. BOX 31 134 TOLSTOI BLVD ST. PAUL, AK 99590-6939	AC# 270 907-942-1256 or 345-1341 AG# 0539 FEB 14617 907-942-1291 FAX AC# 245 907-493-5234 AG# 0510 907-493-5234	SD 255 BOB YOUNG				
AC VALUE CENTER P.O. BOX 170 245 MAIN STREET TOGIAN, AK 99579-3593	AC# 245 907-493-5234 AG# 0510 907-493-5234 FEB 14614 907-493-5143 FAX AC# 215 907-924-1272 AG# 0515	SD 270 KEN STURDEVANT				ANDREA LOSUEK
AC VALUE CENTER P.O. BOX 210 225 MAIN STREET UNALAKLEET, AK 99824-9259	AC# 215 907-924-1272 AG# 0515 FEB 14615 907-924-1272 FAX SD 215	SD 285 TERRY JENNESS				TERRETTA SANDOZ



Senator Gary Wilken
Alaska Senate
State Capitol, Room 506
Juneau, AK 99801

February 23, 2004

RE: SB 291 Cigarette Tax Stamp Legislation

Dear Senator Wilken:

The purpose of this letter is to submit written testimony in favor of SB 291, which is an act extending the March 31, 2004 deadline for the possession of unstamped cigarettes originally established in SB 168. As you know, SB 168 is an act providing for the collection of Alaskan excise tax on cigarettes by placing an Alaska tobacco stamp on all cigarettes imported into the state.

SB 168 requires all cigarettes imported after January 1, 2004 to carry an Alaska tobacco stamp. The act provides for a 90-day transition period authorizing the sale and possession of unstamped cigarettes imported prior to the effective date. The 90-day transition period runs from January 1, 2004 through March 31, 2004. After April 1, 2004 the possession of unstamped cigarettes is a violation of state law and misconduct involving unstamped cigarettes is a class C felony. In addition, any unauthorized unstamped cigarettes held at wholesale or retail after April 1, 2004 will be considered contraband and subject to forfeiture and seizure by state authorities.

The problem is that after 4/1/2004 all unauthorized unstamped cigarettes will be considered contraband even though the state has collected their excise tax of \$1.00 per carton from licensed wholesalers. Originally we felt the 90-day transition timeline would be adequate to sell-through the inventory of unstamped cigarettes. However, due to a number of factors it does not appear that the transition period is going to provide for sufficient time to deplete inventory levels of unstamped cigarettes. The consequence of this fact creates a legal dilemma for legitimately licensed retailers and wholesalers, not to mention a potential financial loss.

State law prohibits retailers and wholesalers from selling cigarettes below cost in order to increase sales. The end result is that retailers do not have a means to sell distressed inventory and as the deadline looms they are reluctant to purchase unstamped cigarettes from wholesalers. The combination of these factors creates a snowball effect, which further exacerbates and restricts the sell-through of unstamped cigarettes.

The legislation prohibiting the possession of unstamped cigarettes after 3/31/2004 does not provide for an administrative solution to the situation outlined above. It is my hope that the Alaska Legislature will intercede and authorize an extension of the 3/31/04 deadline. We support SB 291 and believe that a 6/30/04 deadline will give us enough time to sell-through our remaining unstamped cigarette inventory and avoid a catastrophe.

Thank you for your time and consideration on this issue. If you have any questions or need further information on this issue I would enjoy an opportunity to discuss this matter with you.

Sincerely yours,

Michael J. Elerding
President

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/4/04

FURTHER: Finance

Date of 5-Day Notice: 2/5/04
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/10/04

Labor and Commerce Committee considered SENATE BILL NO. 291

SB 291 UNSTAMPED CIGARETTES

"An Act extending the transition period for activities involving unstamped cigarettes; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/9/04			✓	!

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Frerich	X			
G. Stevens	X			
CHAIR:	✓			

Frerich
G. Stevens

Bunde

