

Leg. Finance - House & Senate Finance Comte Files (1973-74) 8
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James A. Smith
Signature of Camera Operator

4/26/89
Date

Introduced: 1/12/73
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 56

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act increasing the tax on cigarettes; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.50.190(a) is amended to read:

10 (a) There is levied an excise tax of three [ONE] and one-half
11 mills on each cigarette imported or acquired in this state.

12 * Sec. 2. This Act takes effect July 1, 1973.

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Bill file

BILL ASSIGNMENT

TO: Rep. Saylor

FROM: E. D. Hillstrand
Chairman
House Finance Committee

BILL NO.: House Bill No. 56

TITLE: Increasing the Tax on Cigarettes

DATE OF ASSIGNMENT: January 15, 1973

COMMENTS

This bill has been referred to you for your review and research and eventual presentation to the committee for their consideration.

If you need assistance in researching your presentation, you may call on Mr. Grogan of the Finance Division staff.

HB 56 Chairman Hillstrand asked the status of HOUSE BILL 56 (increasing the tax on cigarettes). Mr. Saylor said he is gathering information on this bill. He said he planned to report the bill out by a week from Tuesday (January 30) and should be able to make a presentation next Tuesday (January 23).

1/18/73

Cigarette Tax

	Actual FY 72	Estimated FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
Cigarette Tax							
3¢ General Fund	1,209.2	1,224.8	1,447.3	1,592.1	1,751.3	1,821.3	1,894.2
5¢ School Fund	<u>2,015.3</u>	<u>2,041.9</u>	<u>2,246.1</u>	<u>2,470.7</u>	<u>2,717.7</u>	<u>2,826.5</u>	<u>2,943.5</u>
Total 8¢ GF & SF	<u>3,224.5</u>	<u>3,266.7</u>	<u>3,693.4</u>	<u>4,062.8</u>	<u>4,469.0</u>	<u>4,647.8</u>	<u>4,837.7</u>
HB 56							
4¢ General Fund			1,929.6	2,031.4	2,234.5	2,323.9	2,418.8
Total 7¢ General Fund	1,209.2	1,224.8	3,376.9	3,623.5	3,985.8	4,145.2	4,313.0
Total 12¢ GF & SF	3,224.5	3,266.7	5,623.0	6,094.2	6,703.5	6,971.7	7,256.5

HOUSE BILL 56

CIGARETTE TAX *	Actual FY 72	Estimated FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
Growth Rate: Revenue Source Book assumptions			10%	10%	10%	4%	4%
Existing Tax:							
3¢ General Fund	1,209.2	1,224.8	1,347.3	1,482.0	1,630.2	1,695.4	1,763.2
5¢ School Fund	<u>2,015.3</u>	<u>2,041.9</u>	<u>2,246.1</u>	<u>2,470.7</u>	<u>2,717.7</u>	<u>2,826.5</u>	<u>2,939.6</u>
Total 8¢ GF & SF	<u>3,224.5</u>	<u>3,266.7</u>	<u>3,593.4</u>	<u>3,952.7</u>	<u>4,347.9</u>	<u>4,521.9</u>	<u>4,702.8</u>
HOUSE BILL 56 4¢ General Fund			1,796.4	1,976.0	2,173.5	2,260.5	2,350.9
Total 7¢ General Fund			3,143.7	3,458.0	3,803.7	3,955.9	4,141.1
Total 12¢ GF & SF			5,389.8	5,928.7	6,521.4	6,782.4	7,053.7
Growth Rate: TAPS delayed one year			4%	10%	10%	10%	4%
Existing Tax:							
3¢ General Fund	1,209.2	1,224.8	1,273.8	1,401.2	1,541.3	1,695.4	1,763.2
5¢ School Fund	<u>2,015.3</u>	<u>2,041.9</u>	<u>2,123.6</u>	<u>2,336.0</u>	<u>2,569.6</u>	<u>2,826.5</u>	<u>2,939.6</u>
Total 8¢ GF & SF	<u>3,224.5</u>	<u>3,266.7</u>	<u>3,397.4</u>	<u>3,737.2</u>	<u>4,110.9</u>	<u>4,521.9</u>	<u>4,702.8</u>
HB 56 4¢ General Fund			1,698.4	1,868.2	2,055.0	2,260.5	2,350.9
Total 7¢ General Fund			2,972.2	3,269.4	3,596.3	3,955.9	4,141.1
Total 12¢ GF & SF			5,095.8	5,605.4	6,165.9	6,782.4	7,053.7

*Revenue Codes 102-103; pp. 2, 52 & 70 in the Revenue Sources book.

HOUSE BILL 56

CIGARETTE TAX	Actual FY 72	Estimated FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
Growth Rate:							
TAPS FY 74							
Less consumption			6%	6%	6%	0%	0%
Existing Tax							
3¢ General Fund	1,209.2	1,224.8	1,298.3	1,376.2	1,458.8	1,458.8	1,458.8
5¢ School Fund	2,015.3	2,041.9	2,164.4	2,294.3	2,431.9	2,134.9	2,134.9
Total 8¢ GF & SF	<u>3,224.5</u>	<u>3,266.7</u>	<u>3,462.7</u>	<u>3,670.5</u>	<u>3,890.7</u>	<u>3,890.7</u>	<u>3,890.7</u>
HOUSE BILL 56							
4¢ General Fund			1,731.0	1,834.9	1,945.0	1,945.0	1,945.0
Total 7¢ General Fund			3,029.3	3,211.1	3,403.8	3,403.8	3,403.8
Total 12¢ GF & SF			5,193.7	5,505.4	5,835.7	5,835.7	5,835.7

CALIFORNIA

PRODUCTS
TAXED

Cigarettes (includes little cigars), since 1959 (Cigarette Tax Law, 1961, Revenue and Taxation Code, Part 13 of Division 2, as amended to date).

PRODUCTS
SUBJECT

A tax is imposed upon the distribution of cigarettes (Sec. 30101).

✓ "Cigarette" means "any roll for smoking, made wholly or in part of tobacco, irrespective of size or shape and irrespective of whether the tobacco is flavored, adulterated or mixed with any other ingredient, where such roll has a wrapper or cover made of paper or any other material, except where such wrapper is wholly or in the greater part made of tobacco and such roll weighs over three pounds per thousand." (Sec. 30003).

✓ Little cigars are considered cigarettes. Cigarette tax regulations provide that "if a roll for smoking has a wrapper made of homogenized tobacco or natural leaf tobacco and the roll is a cigarette-size so that it weighs three pounds or less per thousand, such roll is a cigarette under the law..." (Regs., Art. 1, Sec. 4005, 9/13/61).

"Distribution" includes:

- (a) The sale of untaxed cigarettes in this state.
- (b) The use or consumption of untaxed cigarettes in this state.
- (c) The placing in this state of untaxed cigarettes in a vending machine or in retail stock for the purpose of selling the cigarettes to consumers (Sec. 30008).

EXEMPT SALES

Exempt are sales of cigarettes to:

- (a) United States Army, Air Force, Navy, Marine Corps or Coast Guard, exchanges and commissaries and Navy or Coast Guard ships' stores, or
- (b) the United States Veterans Administration (Sec. 30102).
- (c) The distribution of cigarettes that are non-tax-paid under Chapter 52 of the Internal Revenue Act of 1954 as amended, and cigarettes under internal revenue bond or customs control; (Sec.30102.5)
- (d) licensed distributors by manufacturers. (Sec. 30103)
- (e) common carriers, by distributors, engaged in interstate or foreign passenger service, or to a person authorized to sell cigarettes on the facilities of such carrier (such carrier or person must pay an equivalent tax when selling the cigarette) (Sec. 30104);
- (f) sales or gifts of federally tax-free cigarettes when delivered directly from manufacturer under Internal Revenue Bond to a veterans' home of the State or hospital or domiciliary facility of the U.S. Veterans Administration for gratuitous issue to veterans receiving hospitalization or domiciliary care (Sec. 30105.5);
- (g) donations of cigarettes as samples in packets of five or less cigarettes (Sec. 30105).

CONNECTICUT

PRODUCTS TAXED Cigarettes, since 1935 (includes little cigars, since 1965) (Cigarette Tax Law, Chapter 214, Secs. 12-285--12.330 as amended).

PRODUCTS SUBJECT A tax is imposed on all cigarettes held in the state by any person for sale (Sec. 12-296).

"Cigarette" means and includes "any roll for smoking made wholly or in part of tobacco irrespective of size or shape and irrespective of whether the tobacco is flavored, adulterated or mixed with any other material, except where such wrapper is wholly or in the greater part made of tobacco and such roll weighs over three pounds per thousand, provided, if any roll for smoking has a wrapper made of homogenized tobacco or natural leaf tobacco, and the roll is a cigarette size so that it weighs three pounds or less per thousand, such roll is a cigarette and subject to the tax imposed by part I and part II of this chapter." (Sec. 12-285) Note: This definition includes little cigars (Tax Administrator's Notice, 7/14/65).

"Sale" or "Sell" includes or applies to gifts, exchanges and barter (Sec. 12-285).

EXEMPT SALES Sales to state institutions for consumption by inmates or patients (Sec. 12-297).

RATES Equivalent tax per standard pack of 20: 21¢ (effective 8/23/71)

Statutory rate:
Ten and one-half mills per cigarette. (Sec. 12-296)

PRICE BASE Not relevant.

DISCOUNT As compensation for affixing tax indicia, licensed distributors are allowed a 1.0 percent discount on the face value of indicia purchased (Sec. 12-298). This computes to a monetary discount of \$1.26 on standard cases of 600 packages of cigarettes. Licensed dealers receive no discount, purchasing indicia at face value.

SALES TAX RELATIONSHIP Connecticut imposes a 6.5 percent sales and use tax on gross receipts deriving from retail sales. Cigarettes are exempt from the tax but all other tobacco products are subject.

The sales and use tax is collected according to the following bracket schedule.

--continued

OKLAHOMA

PRODUCTS
TAXED

Cigarettes, since 1935 (Oklahoma Statutes of 1965 (Supplement), Title 68, Article III).

Large cigars, little cigars, smoking and chewing tobacco since 1941 (Oklahoma Statutes of 1965 (Supplement), Title 68, Article IV).

PRODUCTS
SUBJECT

A tax is levied upon the sale, use, gift, barter, exchange, possession or consumption of cigarettes in the State (Secs. 302, 303).

✓ "Cigarette" means "and includes all rolled tobacco or any substitute therefore, wrapped in paper or any substitute therefore and weighing not to exceed three (3) pounds per thousand (1,000) cigarettes." (Sec. 301 (a)).

"Sale" and/or "Sales" means "sales, barter, exchanges, and every other manner, method and form of transferring the ownership of personal property from one person to another and is also declared to be the use or consumption in this State in the first instance of cigarettes received from without the State or of any other cigarettes upon which the tax has not been paid. The term 'first sale' shall mean and include the first sale or distribution of cigarettes in intrastate commerce or the first use or consumption of cigarettes within this state." (Sec. 301 (g)).

A tax is levied upon the sale, barter, or exchange of tobacco products, or the having possession of tobacco products for consumption (Sec. 404).

"Tobacco Products" means "any cigars, cheroots, stogies, smoking tobacco (including granulated, plug cut, crimp cut, ready rubbed and other kinds and forms of tobacco suitable for smoking in a pipe or cigarette), chewing tobacco (including cavendish, twist, plug, scrap, and any other kinds and forms of tobacco suitable for chewing), however prepared; and shall include any other articles or products made of tobacco or any substitute therefor." (Sec. 401 (G)).

"Cigars" means "and includes any roll of tobacco for smoking, irrespective of size or shape and irrespective of the tobacco being flavored, adulterated or mixed with any other ingredients, where such roll has a wrapper made chiefly of tobacco." (Sec. 401 (k)).

"Sale", "Barter", and "Exchange" are not defined.

EXEMPT SALES

Cigarettes

Cigarettes sold to veterans' hospitals and state operated domiciliary homes for veterans for distribution or sale, and all sales to the United States are exempt (Sec. 321).

Cigars, Smoking and Chewing Tobacco

Tobacco products sold to governmental agencies (Sec. 405), Veterans' hospitals (Sec. 419), the State Board of Affairs for free distribution

Assembly Bill

1934

In the Senate of the State of Alaska, the following bill was introduced and read twice and passed on the 12th day of March, 1934.

That the Governor be and he is authorized to issue warrants for the collection of the same.

That the Governor be and he is authorized to issue warrants for the collection of the same.

That the Governor be and he is authorized to issue warrants for the collection of the same.

I am authorized to issue warrants for the collection of the same.

A 1-cent increase per gallon in the alcohol tax, bringing it to 12 cents.

A 2-cent increase per gallon in the watercraft fuel tax, bringing it to 4 cents.

A 4 per cent increase on net income in the bank license tax, bringing it to 6 per cent.

Along with these proposals, I will introduce a measure which will make the state income tax easier for individuals to calculate.

Budget Statement FY3

Each month approximately 35 cigarette tax returns are submitted to this division. The return is checked for mathematical errors and to arrive at the correct number of taxable cigarettes. The computation of tax due and discount is verified and the original return is checked and submitted to the cashier's office. The 35 returns are supported by a monthly average of 3,000 invoices. These are audited for errors and 10 to 15 adjustments are made each month. A cigarette tax ledger is maintained which contains all the information on the return, taxpayers' names, date return received, gross number of cigarettes, other credits, military credits, net taxable cigarettes, commission and net tax. These figures must all balance before posting is considered complete. From these figures a statistical report is compiled for the Tobacco Tax Council and the Tobacco Merchants Association. A collection report is submitted monthly to the Director for his information and budget and revenue estimating. Cigarette licenses are issued to all distributors, Direct-buying retailers and vending machine operators. There are approximately 90 licenses issued yearly. Field trips are made for license enforcement and audit of company records. Twenty-five pieces of incoming correspondence and 20 pieces of outgoing correspondence are handled monthly. The cigarette tax contributed \$2,967,461 to the Treasury in FY 71.

Budget Statement FY74

The Cigarette Tax contributed \$3,224,492 to Treasury in FY 1972 and ranked 10th in all taxes collected. Each month approximately 35 cigarette tax returns are submitted. A cigarette tax ledger is maintained which contains all the information on the return pertaining to the taxpayer. From these figures a statistical report is compiled for the Tobacco Tax Council and the Tobacco Merchants Association. A collection report is submitted monthly to the Director for his information and budget and revenue estimating. Approximately 75 cigarette licenses are issued yearly to all distributors, direct-buying retailers and vending machine operators. Field trips are made for license enforcement and audit of company records. Audits are also made against manufacturers computer print-out reports that show all cigarettes shipped into Alaska.

Other duties pertaining to Cigarette Excise Tax include a complete and up to date knowledge of the statutes and regulations relating to administering and enforcement. Current copies of these laws and regulations are made available to the taxpayer and are updated as the laws are amended. During the legislative session any House or Senate Bills introduced affecting cigarette taxes are researched by the Research Analyst to ascertain the effect they would have on Treasury, cost of administration, and possible problems that could result if the bills were enacted.

DEPT. OF REVENUE
WEL.
FEB 21 1972
JUNEAU, ALASKA
FILE

ASSOCIATED TOBACCO MANUFACTURERS, INC.

610 17TH STREET, N. W., WASHINGTON, D. C. 20006 (202) 296-3750

(AFFILIATED WITH THE GROCERY MANUFACTURERS OF AMERICA, INC.)

February 18, 1972

The Honorable William A. Egan
The Governor of Alaska
Juneau, Alaska 99801

Dear Governor Egan:

This association is greatly concerned over the prospect of a new State tax on manufactured tobacco (smoking tobacco, chewing tobacco, and snuff), as proposed by H4.

The tax currently proposed on such tobacco products would be a punitive levy on a great many citizens in the State who wage a daily fight against the ever increasing cost of living, hitting hardest at the pocketbooks of those least able to afford it - the working folks and low-income groups.

Not too long ago the U. S. Department of Agriculture and the U. S Department of Health, Education, and Welfare released statistics which we believe are still valid. These show that less than 8 percent of the male population of this country (18 years of age and over) uses smoking tobacco regularly and that 27 percent of these consumers are 65 years of age and over. Significantly, a large percentage of such consumers are retired because of age or physical disability and live on very modest pensions. Chewing tobacco and snuff users no doubt follow these patterns. Therefore, manufactured tobacco must be judged primarily a poor man's tobacco with a small number of users.

Because of these reasons, the cost to consumers must be held to the lowest figure possible. The manufacturers have strived to do this in the face of increased costs of materials, labor, production, and marketing of manufactured tobacco by improving methods of production, packaging, and distribution and by passing on to the consumer the benefits of such improved efficiency. However, because of the continuing increases in costs and because of the failure of sales of manufactured tobacco to keep pace with the increase in population, this segment of the tobacco industry has been in a distressed condition for many years. It has taken superhuman efforts by producers of such tobacco to stay in business and provide quality merchandise to low income consumers at a price such consumers can afford to pay. Indeed, many producers have not fared as well and have gone out of business. According to official Government sources, manufactured tobacco was produced in 1,540 factories in 1920, whereas in 1971, fewer than 70 factories reported production of smoking tobacco, chewing tobacco, and snuff.

If this tax is imposed, reduced sales will result which will hurt not only the producers but, more important from your point of view, also the wholesale tobacco distributors and tobacco retailers in your State. And there will be problems for the State, as well.



The tax will surely encourage bootlegging from lower taxing jurisdictions or from States which do not impose such a tax. Under the "Jenkins Act" (15 USC 375-377), the States are accorded Federal assistance in enforcing their tax on cigarettes. This Act, however, does not apply to other tobacco products and the State will have to go it alone. Experience has shown that a State which taxes manufactured tobacco is confronted also with administrative and enforcement costs entirely disproportionate to the revenue derived by the State from such tax.

Seven States realized these situations and concluded that their tax on manufactured tobacco was unworkable and repealed their tax (Virginia, Alaska, Maine, Massachusetts, New Mexico, New York, and Michigan).

New York repealed the tax on manufactured tobacco (and cigars) which had been on the books for two years. The repeal was advocated by the Governor of the State on the basis of information supplied by the Governor's Tax Structure Study Committee. The Committee found that the tax was unfair to independent retail cigar and tobacco merchants because it placed them at a competitive disadvantage with cigar and tobacco vendors in neighboring States. Authorities found the tax to be unsound because of the difficulties of administration and enforcement and because of the loss of business. There was evidence of rather widespread evasion of the tax. This was consistent with the New York City jobbers' and retailers' report of a 30 percent decline in the volume of cigar business and a 25 percent decline in the volume of smoking tobacco business. Throughout the rest of the State dealers reported a 10 percent to 15 percent decline in cigar business. Studies indicated that this tax resulted in a loss of from 20 percent to 30 percent of the dollar sales of the tobacco products in the State.

Michigan also found this type of tax to be unfair and unsound. The Department of Revenue Division reported that the cost of administering such a tax was higher than expected, that there was much opposition from the trade, and that the tax almost put Michigan's only cigar manufacturer out of business. A survey made in this State indicated that its tobacco tax attempt caused a 19 percent loss in dollar sales of tobacco products. The State legislature felt that the cost of administration and the problems inherent in such a tax did not warrant keeping this tax in effect and repealed it.

The Congress of the United States recognized manufactured tobacco as the poor man's tobacco and the declining state of this segment of industry and repealed the Federal tax on manufactured tobacco effective January 1, 1966.

We appeal to your sense of fairness to examine this matter carefully. We hope you will reach the conclusion that because this proposed tax would be detrimental to so many people, and would present so many difficulties for the little revenue it would produce, you will work against its enactment.

We appeal to you to defeat the proposal to tax the poor man's tobacco.

Very truly yours,


Charles J. Moutouris
Executive Vice President

TOBACCO PRODUCTS TAX

The State of Utah imposes an 8¢ per pack cigarette tax. It also imposes a 25% of wholesale price tax on tobacco products.

Information obtained from the Utah State Tax Commission discloses tax collections as follows:

<u>Fiscal Year Ended June 30, 1972</u>	<u>Collections</u>
Cigarette Tax (8¢ per pack)	\$6,057,000
Tobacco Products (25% of wholesale price)	223,404
<u>Fiscal Year Ended June 30, 1971</u>	<u>Collections</u>
Cigarette Tax (8¢ per pack)	\$5,500,000
Tobacco Products (25% wholesale price)	214,000

The State Tax Commission estimated Utah's population in 1972 to be approximately 1,100,000. Utah's experience on the tobacco products tax for the past six years indicates that tobacco products tax collections amounted to between 3 and 4% of that received on the cigarette tax.

The Utah State Legislature which convened in January 1973 is considering a bill to tax small cigars the same as cigarettes and take small cigars out of the tobacco products category.

CIGARETTE TAX

CODES 102-103

<u>Fiscal Year Ending</u>	<u>Net Collections</u>	<u>\$ Increase Over Prior Fiscal Year</u>	<u>% Increase Over Prior Fiscal Year</u>	<u>% of Estimate Realized</u>
6-30-72	\$ 3,224,492.53	\$ 257,030.68	8.66	98.02
6-30-71	2,967,461.85	256,205.61	9.45	95.85
6-30-70	2,711,256.24	81,019.13	3.08	99.13
6-30-69	2,630,237.11	108,168.84	4.29	103.83
6-30-68	2,522,068.27	74,429.05	3.04	99.74
6-30-67	2,447,639.22	Base Year	Base Year	91.06

STATE CIGARETTE TAX RATES & TAXATION OF TOBACCO PRODUCTS
AND DISCOUNTS ALLOWED WHOLESALERS FOR COLLECTION OR AFFIXING
INDICIA AS OF NOVEMBER 1, 1972

STATE	CIGARETTE TAX PER PACK OF 20	DISCOUNT RATE FOR WHOLESALERS	MONETARY DISCOUNT ON CASE 600 PACKS	TOBACCO PRODUCTS TAX ON CIGARS, etc.
Alabama	12 ¢	7.5 %	\$ 5.40	Yes
Alaska	8 ¢	1.0 %	0.48	No
Arizona	10 ¢	1.5 %	0.90	Yes
Arkansas	17.75 ¢	3.8 %	2.907-4.047	Yes
California	10 ¢	0.85 %	0.51	No
Colorado	5 ¢	6.0 %	1.80	No
Connecticut	21 ¢	1.0-1.125%	1.08-1.26	No
Delaware	14 ¢	3.5-3/10 of 1¢ pack	1.80-2.31	Yes
Dist. of Columbia	4 ¢	6.0 %	1.44	No
Florida	17 ¢	2.0-2.9 %	1.80-2.61	No
Georgia	12 ¢	3.0 %	1.44-2.16	Yes
Hawaii	8 ¢	-0-	-0-	Yes
Idaho	9 ¢	5.0 %	2.70	Yes
Illinois	12 ¢	0.67-1.67 %	0.48-1.20	No
Indiana	6 ¢	4.0 %	1.44	No
Iowa	13 ¢	3.0- 3.50 %	2.10-2.34	Yes
Kansas	11 ¢	3.25-3.75 %	2.145-2.475	Yes
Kentucky	3 ¢	6.0 %	1.08	No
Louisiana	11 ¢	6.0 %	3.96	Yes
Maine	14 ¢	2.25 %	1.62-1.89	No
Maryland	6 ¢	5.0 %	1.80	No
Massachusetts	16 ¢	1.67 %	1.60	No
Michigan	11 ¢	1.0 %	0.66	No
Minnesota	18 ¢	1.5-2.5 %	1.62-2.70	Yes
Mississippi	11 ¢*	8.0 %	5.28	Yes
Missouri	9 ¢	2.0 %	1.08	No
Montana	12 ¢	3.0 %	2.16	Yes
Nebraska	13 ¢	5.0 %	2.40-3.90	No
Nevada	10 ¢	4.0 %	2.40	No
New Hampshire	11 ¢	3.5 %	1.89-2.31	Yes
New Jersey	19 ¢	1.46 %	1.54	No
New Mexico	12 ¢	2.0-4.0 %	1.44-2.88	No
New York	15 ¢	0.98-1.16%	0.882-1.044	No
North Carolina	2 ¢	7/24¢ a stamp	1.75	No
North Dakota	11 ¢	3.0 %	1.98	Yes
Ohio	15 ¢	3.0-3.11 %	1.80-2.80	No
Oklahoma	13 ¢	4.0 %	3.12	Yes
Oregon	9 ¢	1.67 mills (pack)	1.00	No
Pennsylvania	18 ¢	3.0 %	3.24	No
Rhode Island	13 ¢	2.0 %	1.56	Yes
South Carolina	6 ¢	5.0 %	1.50	Yes
South Dakota	12 ¢	3.5 %	2.52	No
Tennessee	13 ¢	1.75-2.75 %	1.365-2.145	Yes
Texas	18.5 ¢	2.25-2.75 %	2.0925-3.0525	Yes
Utah	8 ¢	4.0 %	1.92	Yes
Vermont	12 ¢	3.2 %	2.304	Yes
Virginia	2.5 ¢	5.0 %	0.75	No
Washington	16 ¢	1.682 on 11¢	1.11	Yes
West Virginia	12 ¢	4.0	2.88	No
Wisconsin	16 ¢	2.1-2.4 %	2.016	No
Wyoming	8 ¢	6.0 %	2.88	No

*Effective July 1, 1973

SUMMARY OF PRECEDING TABLE OF CIGARETTE TAX RATES, ETC.

CIGARETTE TAXES BY RATES -- NOVEMBER 1, 1972

<u>TAX RATE</u>	<u>NO. OF STATES</u>
2.0 ¢	1
2.5 ¢	1
3.0 ¢	1
4.0 ¢	1
5.0 ¢	1
6.0 ¢	3
8.0 ¢	4 (including Alaska)
9.0 ¢	3
10.0 ¢	3
11.0 ¢	6
12.0 ¢	8
13.0 ¢	5
14.0 ¢	2
15.0 ¢	2
16.0 ¢	3
17.0 ¢	1
17.75¢	1
18.0 ¢	2
18.5 ¢	1
19.0 ¢	1
21.0 ¢	<u>1</u>
	51

GENERAL INFORMATION

- 8 States have lower cigarette tax rates than does Alaska
- 3 States have the same cigarette tax rate as does Alaska
- 39 States have higher cigarette tax rates than does Alaska
- 23 States have a tax on tobacco products (cigars, etc.)
- 28 States including Alaska do not have a tax on tobacco products (cigars, etc.)

SOURCE OF STATISTICS

Federation of Tax Administrators

CIGARETTE TAX
CODE 102-103

<u>Code</u>	<u>Item</u>	<u>Estimate</u> <u>1973-74</u>	<u>Estimate</u> <u>1974-75</u>	<u>Estimate</u> <u>1975-76</u>	<u>Estimate</u> <u>1976-77</u>	<u>Estimate</u> <u>1977-78</u>
102	Cigarette Tax 3¢ General Fund	\$1,447,300	\$1,592,100	\$1,751,300	\$1,821,300	\$1,894,200
103	Cigarette Tax 5¢ School Fund	<u>2,246,100</u>	<u>2,470,700</u>	<u>2,717,700</u>	<u>2,826,500</u>	<u>2,943,500</u>
	Total Tax	<u>\$3,693,400</u>	<u>\$4,062,800</u>	<u>\$4,469,000</u>	<u>\$4,647,800</u>	<u>\$4,837,700</u>
	Value 4¢ additional tax	\$1,846,700	\$2,031,400	\$2,234,500	\$2,323,900	\$2,418,850
	Value Floor Stock Tax	82,900	-0-	-0-	-0-	-0-
	Total Additional Revenue	<u>\$1,929,600</u>	<u>\$2,031,400</u>	<u>\$2,234,500</u>	<u>\$2,323,900</u>	<u>\$2,418,850</u>

Table 12 — 1972
STATES WHICH TAX BOTH CIGARETS AND OTHER TOBACCO PRODUCTS
(Fiscal year ending June 30, 1972)

State	Total cigaret and other tobacco taxes		Cigaret taxes		Other products taxed*	Other tobacco taxes		Percentage of total tobacco taxes from:		State
	Gross amount	Net collections	Gross amount	Net collections		Gross amount	Net collections	Cig- a-	Other tobacco products	
Ala.	\$ 44,022,671	\$ 40,720,971	\$ 42,198,422	\$ 39,033,540	CSChSn	\$ 1,824,349	\$ 1,687,431	95.9	4.1	Ala.
Ariz.	23,468,235	23,121,989	23,116,211	22,775,159	CSChSn	352,624	346,830	98.5	1.5	Ariz.
Ark.	37,148,083	35,668,047	35,848,433	34,368,397	CSCh	1,299,650	1,299,650	96.5	3.5	Ark.
Ga.	66,326,554	64,363,925	65,455,470	63,492,841	C	871,084	871,084	98.7	1.3	Ga.
Hawaii	6,522,930	6,522,930	5,870,637	5,870,637	CSChSn	652,293	652,293	90.0	10.0	Hawaii
Iowa	41,300,264	40,084,200	40,547,730	39,331,666	CSChSn	752,534	752,534	98.2	1.8	Iowa
La.	52,342,115	47,638,773	50,729,579	46,171,136	CS	1,612,536	1,467,637	96.9	3.1	La.
Minn.	63,595,427	60,019,848	61,451,715	57,929,730	CSChSn	2,143,712	2,090,118	96.6	3.4	Minn.
Miss.	24,175,425	22,241,391	22,467,168	20,669,795	CSChSn	1,708,257	1,571,596	92.9	7.1	Miss.
Mont.	10,620,760	10,297,437	10,379,102	10,067,861	CSChSn	241,658	229,576	97.7	2.3	Mont.
N.H.	25,488,417	24,463,870	24,229,304	23,255,757	CSChSn	1,259,113	1,208,113	95.1	4.9	N.H.
N.D.	7,308,006	7,091,881	7,139,673	6,924,129	CSChSn	168,333	167,752	97.7	2.3	N.D.
Okla.	44,724,591	42,935,787	41,295,131	39,643,390	CSCh	3,429,460	3,292,397	92.3	7.7	Okla.
R.I.	17,330,298	16,995,303	16,769,392	16,434,397	CSChSn	560,906	560,906	96.8	3.2	R.I.
S.C.	20,573,228	19,531,265	18,928,116	17,919,056	CSChSn	1,645,112	1,612,209	92.0	8.0	S.C.
Tenn.	59,006,269	57,078,758	57,838,793	55,929,285	CSChSn	1,167,476	1,149,473	98.0	2.0	Tenn.
Texas	235,233,188	229,378,733	226,503,540	220,649,085	CSCh	8,729,648	8,729,648	96.3	3.7	Texas
Utah	6,495,681	6,243,365	6,272,275	6,019,959	CSChSn	223,406	223,406	96.6	3.4	Utah
Vt.	7,900,740	7,651,690	7,586,268	7,343,507	CSChSn	314,472	308,183	96.0	4.0	Vt.
Wash.	52,283,229	51,718,961	48,833,040	48,268,772	CSChSn	3,450,189	3,450,189	93.4	6.6	Wash.
Total	\$845,866,111	\$813,769,124	\$813,455,179	\$782,098,099		\$32,406,112	\$31,671,025	96.2	3.8	Total

*C - Cigars

Table 13 — 1954
 CIGARET TAXES AS A PERCENTAGE OF RETAIL PRICE
 (As of November 1, 1954)

State	Weighted average price per package	State and Federal cigaret taxes per package	Taxes as a percentage of average retail price
Ala.	24.0¢	11.0¢	45.8%
Ariz.	22.2	10.0	45.0
Ark.	25.7	14.0	54.5
Calif.	19.6	8.0	40.8
Colo.	18.2	8.0	44.0
Conn.	22.4	11.0	49.1
Del.	21.9	11.0	50.2
D.C.	20.8	10.0	48.1
Fla.	23.9	13.0	54.4
Ga.	23.0	11.0	47.8
Idaho	22.2	11.0	49.5
Ill.	22.2	11.0	49.5
Ind.	22.8	11.0	48.2
Iowa	22.8	11.0	48.2
Kans.	22.1	11.0	49.8
Ky.	22.3	11.0	49.3
La.	28.8	16.0	55.6
Maine	23.0	12.0	52.2
Md.	19.1	8.0	41.9
Mass.	24.7	13.0	52.6
Mich.	23.3	11.0	47.2
Minn.	22.5	12.0	53.3
Miss.	23.3	12.0	51.5
Mo.	19.3	8.0	41.5
Mont.	22.7	12.0	52.9
Neb.	21.2	11.0	51.9
Nev.	23.3	11.0	47.2
N.H.	21.5	11.0	51.2
N.J.	23.1	11.0	47.6
N.M.	22.9	12.0	52.4
N.Y.	22.6	11.0	48.7
N.C.	19.6	8.0	40.8
N.D.	28.1	14.0	49.8
Ohio	21.0	10.0	47.6
Okla.	24.1	13.0	53.9
Ore.	18.6	8.0	43.0
Pa.	23.3	12.0	51.5
R.I.	22.7	11.0	48.5
S.C.	22.3	11.0	49.3
S.D.	22.1	11.0	49.8
Tenn.	24.5	13.0	53.1
Texas	22.3	12.0	53.8
Utah	23.1	12.0	51.9
Vt.	22.6	12.0	53.1
Va.	18.6	8.0	43.0
Wash.	22.7	12.0	52.9
W. Va.	24.5	12.0	49.0
Wisc.	22.0	11.0	50.0
Wyo.	19.8	10.0	50.5
Average (median) for all states	22.7	11.0	48.7

Note: Prices do not include municipal cigaret taxes.

(During fiscal years ending June 30)

(During fiscal years ending June 30)

State	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972**	State	
Ala.	3¢	3¢	3¢	3¢	3¢	3¢	4¢	4¢	4¢	4¢	6¢*	6¢	6¢	6¢	6¢	7¢	7¢	10¢*	10¢	12¢*	12¢	12¢	12¢	Ala.	
Alaska	—	—	—	—	—	—	—	—	—	—	5	5	5	8*	8	8	8	8	8	8	8	8	8	Alaska	
Ariz.	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	6.5	6.5	10*	10	10	10	10	Ariz.	
Ark.	4	6*	6	6	6	6	6	6	6	6	6	6	6	6	6	8*	8	8	8	12.25*	12.25	17.75*	17.75	Ark.	
Calif.	—	—	—	—	—	—	—	—	—	—	—	3	3	3	3	3	3	3	10*	10	10	10	10	Calif.	
Colo.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5*	5	5	5	5	5	5	5	Colo.	
Conn.	3	3	3	3	3	3	4*	3*	3	3	3	3	3	5	6	6	8	8	8	8	16	16	21*	Conn.	
Del.	2	2	2	2	3*	3	3	3	3	3	3	3	3	5	5	5	7*	7	7	7	11	11	14*	Del.	
D.C.	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	3*	3	3	4*	4	4	D.C.	
Fla.	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	8	8	8	15*	15	15	15	17*	Fla.	
Ga.	5	5	3	3	3	3	5	5	5	5	5	5	5	5	8*	8	8	8	8	8	8	8	12*	Ga.	
Hawaii	—	—	—	—	—	—	—	—	—	—	3.9	3.9	3.9	3.9	3.9	3.9	8	8	8	8	8	8	9†	Hawaii	
Idaho	3	3	3	3	3	4*	4	4	4	4	5	5	6	7*	7	7	7	7	7	7	7	7	7	Idaho	
Ill.	3	3	3	3	3	3	3	3	3	3	3*	4	4	4	4	4	7*	7	9*	9	12*	12	12	Ill.	
Ind.	3	3	3	3	3	3	3	3	3	3	3	3	3	4*	4	4	6	6	6	6	6	6	6	Ind.	
Iowa	2	2	2	2	3	3	3	3	3	3	4*	4	4	4	5*	5	8	8	10*	10	10	13*	13	Iowa	
Kans.	3	3	3	3	3	3	3	4*	4	4	4	4	4	4	6*	8*	8	8	8	8	8	11	11	Kansas	
Ky.	2	2	2	2	2	3	3	3	3	3	3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3	3	Ky.	
La.	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	11*	11	La.	
Maine	4	4	4	4	4	4	5	5	5	5	5	5	6	6	6	6	8	8	10*	12*	12	12	14*	Maine	
Md.	—	—	—	—	—	—	—	—	—	—	3	3	3	6	6	6	6	6	6	6	6	6	6	6	Md.
Mass.	5	5	5	5	5	5	5	5	5	6*	6	6	6	6	6	8*	10*	10	10	12*	12	16*	16	Mass.	
Mich.	3	3	3	3	3	3	3	3	5	5	6*	6	6	6	7	7	7	7	7	7	11*	11	11	Mich.	
Minn.	4	4	4	4	4	4	4	4	4	4	5.5	5.5	7	8*	8	8	8	8	8	13*	13	13	18*	Minn.	
Miss.	4	4	4	4	4	5*	5	5	5	6	6	6	6	8	8	9	9	9	9	9	9	9	9	Miss.	
Mo.	—	—	—	—	—	—	2*	2	2	2	2	4*	4	4	4	4	4	4	4	4	4	9*	9	Mo.	
Mont.	2	4*	4	4	4	4	4	5*	8	8	8	8	3	8	8	8	8	8	8	8	8	12*	12	Mont.	
Neb.	3	3	3	3	3	3	3	3	4*	4	4	4	4	4	6*	8*	8	8	8	8	8	13*	13	Neb.	
Nev.	3	3	3	3	3	3	3	3	3	3	3	3	7	7	7	7	7	7	7	7	10	10	10	Nev.	
N.H.	2.5	2.5	3	3	3	3	3	3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.5	4.5	7	7	7	8.5†	11*†	N.H.	
N.J.	3	3	3	3	3	3	5*	5	5	5	5	7*	7	8*	8	8	11*	11	14*	14	14	14	19*	N.J.	
N.M.	4	4	4	4	4	4	5	5	5	5	5	5	8	8	8	8	8	8	8	12	12	12	12	N.M.	
N.Y.	3	3	3	3	3	3	3	3	3	5*	5	5	5	5	5	10*	10	10	12*	12	12	12	15*	N.Y.	
N.C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2*	2	2	N.C.	
N.D.	5	5	6	6	6	6	6	6	6	6	6	6	6	6	7	7	8	8	8	8	11	11	11	N.D.	
Ohio	2	2	2	2	2	2	3*	3	3	5*	5	5	5	5	5	5	5	5	7*	7	10*	10	15*	Ohio	
Okla.	5	5	5	5	5	5	5	5	5	5	5	5	5	7	7	7	8	8	13*	13	13	13	13	Okla.	
Ore.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4	4	4	4	4	9*	Ore.	
Pa.	4	4	4	4	4	4	5*	5	5	6*	6	6	6	8	8	8	8	8	13*	13	18*	18	18	Pa.	
R.I.	3	3	3	3	3	3	3	3	5*	5	6*	6	6	6	8*	8	8	8	8	13	13	13	13	R.I.	
S.C.	3	5	3	3	3	3	3	3	3	3	5	5	5	5	5	5	5	5	5	6	6	6	6	S.C.	
S.D.	3	3	3	3	3	3	3.25	3.25	3.25	3.25	5	5	5	5	5	6	6	8	8	8	12	12	12	S.D.	
Tenn.	3	5*	5	5	5	5	5	5	5	5	5	5	5	7*	7	7	7	8*	8	13*	13	13	13	Tenn.	
Tex.	4*	4	4	4	4	4	5*	5	5	5	8*	8	8	8	8	8	11	11	11	11	15.5*	15.5	18.5*	Tex.	
Utah	2	2	2	2	4*	4	4	4	4	4	4	4	4	4	8	8	8	8	8	8	8	8	8	Utah	
Vt.	4	4	4	4	4	4	4	4	5	5	7	7	7	7	8*	8	10	10	10	12*	12	12	12	Vt.	
Va.	—	—	—	—	—	—	—	—	—	—	—	3*	3	3	3	3	3	2.5*	2.5	2.5	2.5	2.5	2.5	Va.	
Wash.	4*	4	4	4	4	5*	5	5	5	6*	6	7*	7	7	7	11*	11	11	11	11	11	16*	16	Wash.	
W. Va.	1	1	4	4	4	4	4	5	5	5	5	5	6	6	6	6	6	6	7*	7	7	12	12	W. Va.	
Wisc.	3	3	3	3	3	3	4	4	5	5	5	5	6*	6	8*	8	10*	10	10	10	14*	14	16*	Wisc.	
Wyo.	—	—	2	2	2	2	2	2	3	3	4	4	4	4	4	4	4	4	8	8	8	8	8	8	Wyo.

* Indicates that the rate change shown became effective after the beginning of the fiscal year.

** For rates as of November 1, 1972 see Table 6.

† Hawaii tax is 40% of wholesale price. New Hampshire tax is 42% of retail price.

STATE OF ALASKA
Inter-Department Route Slip

TO:
DEPT.: LEGISLATIVE FINANCE

ATTN.: GLEN VERNON

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |
-
-

Remarks:

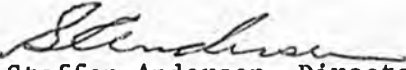
From:
Dept.: REVENUE Date 2-7-73

By: S. ANDERSEN

STATE
OF ALASKA

MEMORANDUM

TO: Glen Vernon
Legislative Finance Division

FROM: 
Steffen Andersen, Director
Excise Tax Division
Department of Revenue

DATE: February 7, 1973

SUBJECT: Committee Substitute
House Bill 56

I have reviewed the committee substitute for HB 56 and submit the following for your review:

1. Although Chapter 50 is called the tobacco tax it confines itself to the licensing, regulation and taxation of cigarettes. The question arises as to whether the new section on other tobacco products should have the following added. "The regulations and penalties established in section 10-180 of this chapter apply to the tax levied in this section." As it is now written there are no penalty and interest provisions for late payment or no payment. Also, our license (copy attached) only pertains to cigarettes. Should a license be necessary for the taxing of other tobacco products?
2. The taxing of other tobacco products would not create any administrative problems. Section 43.50.150(b) authorizes the department to make the necessary administrative regulations by adding the new section.

The only other comment is that the distributors feel that if the cigarette tax is to be raised and a tax applied to other tobacco products, that their commission for collection should be raised from one percent to two percent. Their commission has been the same since 1961 and their collection costs have greatly increased.

SA:dw

Attachments

Little Cigar Council INC.

910 17TH STREET, N. W., WASHINGTON, D. C. 20006

LITTLE CIGARS - WHAT ARE THEY? HOW ARE THEY DISTINGUISHED FROM CIGARETTES?

The United States Internal Revenue Code (26 U.S.C. 5702) provides specific definitions for cigars and for cigarettes - definitions that recognize the basic distinctions between these two products. Under these definitions any roll of tobacco wrapped in paper is clearly a cigarette; any roll of tobacco wrapped in leaf tobacco is clearly a cigar. Any roll of tobacco wrapped in reconstituted tobacco is determined to be either a cigar or a cigarette, after extensive examination by the United States Treasury's Bureau of Alcohol, Tobacco and Firearms.

The wrapper is evaluated to determine whether it contains a significant proportion of natural tobacco; whether it is within the range of colors normally found in natural leaf tobacco; whether it has some of the other general characteristics of the tobacco from which produced, e.g., nicotine content, pH (acidity-alkalinity), taste and aroma; and that it has not been so changed in the reconstitution process that it has lost all of the tobacco characteristics.

The filler is evaluated to determine whether it is substantially of tobacco unlike that in cigarettes and that it does not have added flavoring which would cause the product to have the taste or aroma generally attributed to cigarettes.

The composition of the filler material is vital to the classification of the product as a cigar. Flue-cured tobacco (the principal kind of tobacco in cigarettes) is prohibited from being in little cigars.

Let us look at the difference between cigarette tobacco and cigar tobacco. A major difference is found in the methods of growing, harvesting, curing, and fermenting. Cigar tobacco is slowly air-cured for an extended period of time during which it hangs from racks in tobacco barns. After this phase is completed, cigar tobacco is transported to warehouses, piled in bulks and allowed to ferment naturally. These bulks are turned several times until fermentation is completed. The cigar tobacco is put into bales or boxes for storage and additional aging.

(more)

...you need not inhale to *Enjoy* LITTLE CIGARS

Flue-cured tobacco is the principal component of cigarettes. Flue-cured tobacco, as the name implies, is artificially heated until the tobacco is dried; it does not undergo prolonged fermentation like cigar tobacco.

A sophisticated laboratory procedure is employed in the Bureau of Alcohol, Tobacco and Firearms laboratory of the United States Treasury Department in Washington. It involves a series of sequential differential solvent extractions from the wrapper and from the filler of the product being tested. The results of the laboratory procedures are analyzed and a professional opinion developed that the product is a cigar or is a cigarette.

Those products that are determined to be little cigars have wrapper material usually ranging from 65 to 100 percent tobacco, and filler material consisting of 65 to 100 percent cigar-type fermented tobacco. Where less than 100 percent fermented tobacco is used, the remainder of the filler is other air-cured tobacco. Flue-cured tobacco is not present.

In addition to the laboratory procedures, a smoking panel is convened by the Bureau of Alcohol, Tobacco and Firearms and the panel's opinions are collected and analyzed.

The reports of the laboratory and of the smoking panel are then analyzed and the tax determination is made and expressed by the Bureau of Alcohol, Tobacco and Firearms.

What is the result of this extensive testing? Those products, sought to be put on the market as little cigars, which are determined by the Bureau of Alcohol, Tobacco and Firearms to be cigarettes do not appear in the market place. Those little cigars that do appear in the market place have been tried and tested. They have been found to be truly little cigars.

It has been said in some quarters that little cigars are wrapped in brown paper which apparently contains small traces of tobacco. That statement is just not correct. The wrapper material for little cigars is reconstituted tobacco. Reconstituted tobacco is used as the wrapper on all domestically produced little cigars (and on many large cigars).

The filler in little cigars differs from the filler in American cigarettes in that the filler of little cigars is made of fermented cigar tobacco and other air-cured tobacco. By way of contrast, the filler of American cigarettes is mostly flue-cured tobacco, none of which is found in little cigars.

(more)

A major distinction between cigar smoke and cigarette smoke is that cigars tend to be alkaline while cigarettes tend to be acid. This is closely related to inhalation practices. The more acid the smoke, the more likely the smoker is to inhale. The more alkaline the smoke, the less likely the smoker is to inhale. And, those who inhale smoke of greater alkalinity are less likely to inhale deeply as those who inhale smoke of greater acidity.

To summarize, little cigars are rolls of tobacco wrapped in reconstituted tobacco. These products are truly cigars, not cigarettes. They can be readily distinguished from cigarettes by their cigar tobacco fillers and their wrappers made of tobacco. Little cigars taste different from cigarettes. One way to discern the difference is to try them blindfolded. One need not inhale to enjoy little cigars.

Little Cigar Council INC.

910 17TH STREET, N. W., WASHINGTON, D. C. 20006

FOR RELEASE; Upon Receipt

We are disappointed, but not surprised, by the Health, Education and Welfare Report. It is apparent that the section dealing with little cigars was inspired to support legislation that has been proposed to classify little cigars as cigarettes. From a cursory review of the report, it is obvious that the department of HEW was more concerned with the developing market for little cigars than with any scientific considerations.

It is strange the report concludes that the health hazards associated with cigar smoking "are substantially lower than those associated with cigarette smoking," and claims those who smoke little cigars are subject to the same risk alleged to be associated with cigarette smoking.

The highly speculative language used by HEW in reaching for their conclusion is worth noting. "Smoking little cigars may result in health effects similar to those associated with smoking cigarettes if little cigars are smoked in amounts and with patterns of inhalation similar to those used by cigarette smokers."

As all smokers know, cigars, be they big or little, differ greatly from cigarettes. The taste, aroma, and smoking characteristics of the two products are distinctly different, and to compare the two is like comparing apples and oranges.

For further information: Edward C. Clifford
(202) 785-4766
1/23/73

...you need not inhale to *Enjoy* LITTLE CIGARS

Little Cigar Council INC.

910 17TH STREET, N. W., WASHINGTON, D. C. 20006

FOR RELEASE: Upon Receipt

The Report to Congress by the Federal Trade Commission (pursuant to the Public Health Cigarette Smoking Act) is disappointing, but not surprising. It would appear that this is another move by a federal regulatory agency to further restrict the choice of those who smoke. Obviously this report, like the one recently issued by the Public Health Service of HEW, was designed to support the proposed legislation to reclassify little cigars as cigarettes.

The report states that "The Commission has received information from the Department of Health, Education and Welfare which indicates that small cigars may well present the same public health problem as cigarettes if small cigars are smoked in the same quantities and if the smoke from small cigars is inhaled."

The highly speculative language used by HEW is, apparently, the basis for FTC's recommendation that the definition for "cigarette" in the Public Health Cigarette Smoking Act be amended to include little cigars. Boiled down to essentials, this means that FTC is saying: "Little cigars may have health aspects like cigarettes. So, let's call little cigars cigarettes. In this way, little cigars will be banned from broadcast advertising and will be required to have a warning statement on the package." We find such reasoning very difficult to follow.

more

...you need not inhale to *Enjoy* LITTLE CIGARS

Release
page 2

All smokers know that cigars, be they big or little, differ greatly from cigarettes. The taste, aroma, and smoking characteristics of the two products are distinctly different, and to compare the two is like comparing apples and oranges.

For further information: Edward C. Clifford
(202) 785-4766
1/23/73

19

Department of Revenue — State of Alaska

19



Alaska Cigarette Tax License No. CT

THIS IS TO CERTIFY that the licensee named below has made application for and paid the fee of \$..... for an Alaska Cigarette Tax License as a..... for the fiscal year July 1, 19.....to June 30, 19....., or fraction thereof, and has agreed to file

or cause to be filed, true, correct and complete returns of cigarettes manufactured, imported, acquired or sold in the State of Alaska during each calendar month of the fiscal year shown above and pay the tax due on or before the last day of each month, as provided by law. PROVIDED, HOWEVER, That this license shall not be taken as permission to do business in the State without having complied with the other requirements of the laws of the State of Alaska or of the United States.

ISSUED BY

Commissioner of Revenue

DR-C11 (REV. 4/64) © 1

*IMPORTANT - License will be issued in the name of person, or corporation appearing in this box. All State Tax Returns should be filed under the same name.

DEFINITIONS:

- A. "Cigarette" means and includes any roll for smoking made wholly or in part of tobacco, irrespective of the size or shape and irrespective of the tobacco being flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material, except tobacco.
- B. "Person" means and includes any individual, company, partnership, joint venture, joint agreement, association, mutual or otherwise, corporation, estate, trust, business trust, receiver or trustee appointed by any state or federal court or otherwise, syndicate, or any political subdivision of this state, or combination acting as a unit in the plural or singular number.

TYPE OF LICENSE	FEE ENCLOSED
_____ C. "MANUFACTURER" MEANS ANY PERSON WHO, BY INDUSTRIAL ART OR OTHERWISE, MAKES, FASHIONS OR PRODUCES CIGARETTES FOR SALE TO DISTRIBUTORS OR OTHER PERSONS, AS DEFINED IN THIS ACT.	\$ 5.00
_____ D. "DISTRIBUTOR" or "WHOLESALE-DISTRIBUTOR" MEANS ANY PERSON, WHEREVER RESIDENT OR LOCATED, WHO BRINGS CIGARETTES OR CAUSES CIGARETTES TO BE BROUGHT INTO THIS STATE, AND WHO SELLS OR DISTRIBUTES AT LEAST 75 PER CENT OF ALL SUCH CIGARETTES TO OTHERS FOR THE PURPOSE OF RESALE WITHIN THE STATE. A PERSON MAY QUALIFY FOR A WHOLESALE-DISTRIBUTOR LICENSE BY FURNISHING A GOOD AND SUFFICIENT SURETY BOND IN AN AMOUNT EQUAL TO TWICE THE AVERAGE MONTHLY RETURN AND IN NO CASE LESS THAN \$5,000, PAYABLE TO THE DEPARTMENT OF REVENUE AND APPROVED BY THE DEPARTMENT OF LAW. THE DEPARTMENT MAY ISSUE PERMITS IN PLACE OF BONDS TO A RESIDENT WHOLESALE-DISTRIBUTOR LICENSEE DOING BUSINESS WHOLLY WITHIN THE STATE WHO PAYS THE TAX BEFORE SHIPMENT.	50.00
_____ E. "DIRECT-BUYING RETAILER" MEANS ANY PERSON, WHEREVER RESIDENT OR LOCATED, WHO IS ENGAGED IN THE SALE OF CIGARETTES AT RETAIL IN THIS STATE, AND WHO BRINGS OR CAUSES SUCH CIGARETTES TO BE BROUGHT INTO THIS STATE.	25.00
_____ F. "BUYER" MEANS AND INCLUDES ANY PERSON WHO IMPORTS OR ACQUIRES CIGARETTES FOR HIS OWN CONSUMPTION FROM ANY SOURCE OTHER THAN A MANUFACTURER, DISTRIBUTOR, DIRECT BUYING RETAILER, OR RETAILER.	25.00
_____ VENDING MACHINE OPERATOR	25.00

- G. "Licensee" means any person licensed under this Act.
- H. "Place of business" means and includes any place where cigarettes are sold, or where cigarettes are bought or kept for the purpose of sale or consumption, including, so far as applicable, any vessel, vehicle, airplane or train.
- I. "Retailer" means any person in this State who is engaged in the business of selling cigarettes at retail.
- J. "Sale" or "Sales" means sales, barbers, exchanges, and every other manner method or form of transferring the ownership of personal property from one person to another.
- K. "Commissioner" means the Commissioner of Revenue of the State of Alaska.
- L. "State" means the State of Alaska.

I/We do hereby certify that an accurate record will be kept of cigarettes manufactured, imported, acquired or sold from any source whatever and will file the required returns on or before the last day of each calendar month and pay the tax shown to be due and will comply with all other provisions of the Act. We will account for the tax on a: SALES BASIS _____, SURETY BOND NO. _____

ACQUIRED BASIS _____

SHIPMENT BASIS _____

Signed _____

Date of Application _____ 19 _____

(Title)

NOTE: Where a person operates more than one place of business a separate license for each place of business must be obtained.

MAKE CHECKS PAYABLE TO: DEPARTMENT OF REVENUE

FURTHER INFORMATION ON REVERSE.

APPLICATION FOR A CIGARETTE TAX LICENSE

TO: DEPARTMENT OF REVENUE
STATE OF ALASKA
P. O. BOX 3-3000
JUNEAU, ALASKA 99801

AS 43.50.010-190

THIS IS TO CERTIFY that I/We, the undersigned, make application for and pay the fee of \$.....for an Alaska Cigarette Tax License as a.....
for the fiscal year July 1, 19.....to June 30, 19....., or fraction thereof, and agree to file or cause to be filed, true, correct and complete returns of cigarettes manufactured, imported, acquired or sold in the State of Alaska during each calendar month of the fiscal year shown above and pay the tax due on or before the last day of each month, as provided by law. PROVIDED, HOWEVER, That this license shall not be taken as permission to do business in the State without having complied with the other requirements of the laws of the State of Alaska or of the United States.



*IMPORTANT - license will be issued in the name of person, or corporation appearing in this box. All State Tax Returns should be filed under the same name.

DEFINITIONS:

- A. "Cigarette" means and includes any roll for smoking made wholly or in part of tobacco, irrespective of the size or shape and irrespective of the tobacco being flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material, except tobacco.
- B. "Person" means and includes any individual, company, partnership, joint venture, joint agreement, association, mutual or otherwise, corporation, estate, trust, business trust, receiver or trustee appointed by any state or federal court or otherwise, syndicate, or any political subdivision of this state, or combination acting as a unit in the plural or singular number.

TYPE OF LICENSE	FEE ENCLOSED
_____ C. "MANUFACTURER" MEANS ANY PERSON WHO, BY INDUSTRIAL ART OR OTHERWISE, MAKES, FASHIONS OR PRODUCES CIGARETTES FOR SALE TO DISTRIBUTORS OR OTHER PERSONS, AS DEFINED IN THIS ACT.	\$ 5.00
_____ D. "DISTRIBUTOR" or "WHOLESALE-DISTRIBUTOR" MEANS ANY PERSON, WHEREVER RESIDENT OR LOCATED, WHO BRINGS CIGARETTES OR CAUSES CIGARETTES TO BE BROUGHT INTO THIS STATE, AND WHO SELLS OR DISTRIBUTES AT LEAST 75 PER CENT OF ALL SUCH CIGARETTES TO OTHERS FOR THE PURPOSE OF SALE WITHIN THE STATE. A PERSON MAY QUALIFY FOR A WHOLESALE-DISTRIBUTOR LICENSE BY FURNISHING A GOOD AND SUFFICIENT SURETY BOND IN AN AMOUNT EQUAL TO TWICE THE AVERAGE MONTHLY RETURN AND IN NO CASE LESS THAN \$5,000, PAYABLE TO THE DEPARTMENT OF REVENUE AND APPROVED BY THE DEPARTMENT OF LAW. THE DEPARTMENT MAY ISSUE PERMITS IN PLACE OF BONDS TO A RESIDENT WHOLESALE-DISTRIBUTOR LICENSEE DOING BUSINESS WHOLLY WITHIN THE STATE WHO PAYS THE TAX BEFORE SHIPMENT.	50.00
_____ E. "DIRECT-BUYING RETAILER" MEANS ANY PERSON, WHEREVER RESIDENT OR LOCATED, WHO IS ENGAGED IN THE SALE OF CIGARETTES AT RETAIL IN THIS STATE, AND WHO BRINGS OR CAUSES SUCH CIGARETTES TO BE BROUGHT INTO THIS STATE.	25.00
_____ F. "BUYER" MEANS AND INCLUDES ANY PERSON WHO IMPORTS OR ACQUIRES CIGARETTES FOR HIS OWN CONSUMPTION FROM ANY SOURCE OTHER THAN A MANUFACTURER, DISTRIBUTOR, DIRECT BUYING RETAILER, OR RETAILER.	25.00
_____ VENDING MACHINE OPERATOR	25.00

- G. "Licensee" means any person licensed under this Act.
- H. "Place of business" means and includes any place where cigarettes are sold, or where cigarettes are bought or kept for the purpose of sale or consumption, including, so far as applicable, any vessel, vehicle, airplane or train.
- I. "Retailer" means any person in this State who is engaged in the business of selling cigarettes at retail.
- J. "Sale" or "Sales" means sales, barter, exchanges, and every other manner method or form of transferring the ownership of personal property from one person to another.
- K. "Commissioner" means the Commissioner of Revenue of the State of Alaska.
- L. "State" means the State of Alaska.

I/We do hereby certify that an accurate record will be kept of cigarettes manufactured, imported, acquired or sold from any source whatever and will file the required returns on or before the last day of each calendar month and pay the tax shown to be due and will comply with all other provisions of the Act. We will account for the tax on a: SALES BASIS _____, SURETY BOND NO. _____
ACQUIRED BASIS _____
SHIPMENT BASIS _____

Signed _____

Date of Application _____ 19 _____ (title)

NOTE: Where a person operates more than one place of business a separate license for each place of business must be obtained.
MAKE CHECKS PAYABLE TO: DEPARTMENT OF REVENUE
FURTHER INFORMATION ON REVERSE.

IN THE HOUSE

FINANCE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 56

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act increasing the tax on cigarettes; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.50.170(2) is amended to read:

(2) "cigarette" means a roll for smoking of any size or shape, made wholly or partly of tobacco, whether the tobacco is flavored, adulterated, or mixed with another ingredient, where such roll has a wrapper or cover made of paper or any other material, and where the roll weighs three pounds or less per thousand [IF THE WRAPPER OR COVER OF THE ROLL IS MADE OF PAPER OR A MATERIAL OTHER THAN TOBACCO];

* Section 2. AS 43.50.190 is amended to read:

(a) There is levied an excise tax of four [ONE AND ONE-HALF] mills on each cigarette ^{imported} or acquired in this state.

(b) The tax levied by this section is in addition to the tax levied by §§ 10-180 of this chapter. The tax shall be administered and collected in the same manner as the tax levied by §§ 10-180 of this chapter, except that receipts from the tax shall be deposited in the general fund. The penalties established in §§ 10-180 of this chapter apply to the tax levied in this section.

(c) There is levied an excise tax of twenty-five per cent on the delivered wholesale value of all tobacco products except cigarettes ^{imported} or acquired in the state.

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Propose this bill to the
~~committee~~ as an
alternative to redefining
small cigars

Introduced: 2/8/73
Referred: Health, Welfare &
Education and Finance

1 IN THE HOUSE

BY THE HEALTH, WELFARE
AND EDUCATION COMMITTEE

2 HOUSE BILL NO. 196

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tobacco tax."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 43.50 is amended by adding new sections to read:

9 ARTICLE 2. ADDITIONAL TOBACCO [CIGARETTE] TAX.

10 Sec. 43.50.200. TAX ON SMALL CIGARS. (a) There is levied an
11 excise tax of four mills on each small cigar imported or acquired in
12 this state.

13 (b) The tax levied by this section shall be administered and col-
14 lected in the same manner as the tax levied by secs. 10 - 180 of this
15 chapter, except that receipts from the tax shall be deposited in the
16 general fund. The penalties established in secs. 10 - 180 of this
17 chapter apply to the tax levied in this section.

18 (c) As used in this section, "small cigar" means a roll for
19 smoking which does not exceed 12 centimeters in length and 9 millimeters
20 in diameter, made wholly or partly of tobacco, whether the tobacco is
21 flavored, adulterated, or mixed with another ingredient, if the wrapper
22 or cover of the roll is made of tobacco.

23 Sec. 43.50.210. TAX ON CIGARS. (a) There is levied an excise
24 tax of 22 mills on each cigar imported or acquired in this state.

25 (b) The tax levied by this section shall be administered and
26 collected in the same manner as the tax levied by secs. 10 - 180 of
27 this chapter, except that receipts from the tax shall be deposited in
28 the general fund. The penalties established in secs. 10 - 180 of this
29 chapter apply to the tax levied in this section.

1 (c) As used in this section, "cigar" means a roll for smoking
2 which exceeds 12 centimeters in length and 9 millimeters in diameter,
3 made wholly or partly of tobacco, whether the tobacco is flavored,
4 adulterated, or mixed with another ingredient, if the wrapper or cover
5 of the roll is made of tobacco.
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STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 — JUNEAU 99801

February 5, 1973

The Honorable A. M. Bud Saylor
Member, House Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

In Re: House Bill No. 56
Increasing Tax on Cigarettes

Dear Representative Saylor:

For your consideration on House Bill No. 56, an Act increasing the cigarette tax from eight cents to twelve cents per package I am forwarding some recent up to date tables that were received by the Department of Revenue.

1. A table indicating which states tax both cigarettes and other tobacco products for the fiscal year ending June 30, 1972. The table will disclose, among other things, the percentage of total tobacco taxes received from both cigarettes and other tobacco products. The average for the tobacco products tax is 3.8% of the total tobacco taxes.

2. A table of cigarette taxes as a percentage of retail price. Such figure includes both state and federal cigarette taxes per package.

3. A table showing the historical imposition of cigarette taxes by each state from 1950 through 1972.

Very truly yours,



R. D. Stevenson
Acting Commissioner

RDS: agm
Enclosures

copy furnished Mr. Saylor

Table 12 — 1972
STATES WHICH TAX BOTH CIGARETS AND OTHER TOBACCO PRODUCTS
(Fiscal year ending June 30, 1972)

State	Total cigaret and other tobacco taxes		Cigaret taxes		Other products taxed*	Other tobacco taxes		Percentage of total tobacco taxes from:		
	Gross amount	Net collections	Gross amount	Net collections		Gross amount	Net collections	Cig- a- rets	Other tobacco products	State
Ala.	\$ 44,022,671	\$ 40,720,971	\$ 42,198,422	\$ 39,033,540	CSChSn	\$ 1,824,249	\$ 1,687,431	95.9	4.1	Ala.
Ariz.	23,468,235	23,121,989	23,116,211	22,775,159	CSChSn	352,024	346,830	98.5	1.5	Ariz.
Ark.	37,148,083	35,668,047	35,848,433	34,368,397	CSCh	1,299,650	1,299,650	96.5	3.5	Ark.
Ga.	66,326,554	64,363,925	65,455,470	63,492,841	C	871,084	871,084	98.7	1.3	Ga.
Hawaii	6,522,930	6,522,930	5,870,637	5,870,637	CSChSn	652,293	652,293	90.0	10.0	Hawaii
Iowa	41,300,264	40,084,200	40,547,730	39,331,666	CSChSn	752,534	752,534	98.2	1.8	Iowa
La.	52,342,115	47,638,773	50,729,579	46,171,136	CS	1,612,536	1,467,637	96.9	3.1	La.
Minn.	63,595,427	60,019,848	61,451,715	57,929,730	CSChSn	2,143,712	2,090,118	96.6	3.4	Minn.
Miss.	24,175,425	22,241,391	22,467,168	20,669,795	CSChSn	1,708,257	1,571,596	92.9	7.1	Miss.
Mont.	10,620,760	10,297,437	10,379,102	10,067,861	CSChSn	241,658	229,576	97.7	2.3	Mont.
N.H.	25,488,417	24,463,870	24,229,304	23,255,757	CSChSn	1,259,113	1,208,113	95.1	4.9	N.H.
N.D.	7,308,006	7,091,881	7,139,673	6,924,129	CSChSn	168,333	167,752	97.7	2.3	N.D.
Okla.	44,724,591	42,935,787	41,295,131	39,643,390	CSCh	3,429,460	3,292,397	92.3	7.7	Okla.
R.I.	17,330,298	16,995,303	16,769,392	16,434,397	CSChSn	560,906	560,906	96.8	3.2	R.I.
S.C.	20,573,228	19,531,265	18,928,116	17,919,056	CSChSn	1,645,112	1,612,209	92.0	8.0	S.C.
Tenn.	59,006,269	57,078,758	57,838,793	55,929,285	CSChSn	1,167,476	1,149,473	98.0	2.0	Tenn.
Texas	235,233,188	229,378,733	226,503,540	220,649,085	CSCh	8,729,648	8,729,648	96.3	3.7	Texas
Utah	6,495,681	6,243,365	6,272,275	6,019,959	CSChSn	223,406	223,406	96.6	3.4	Utah
Vt.	7,900,740	7,651,690	7,586,268	7,343,507	CSChSn	314,472	308,183	96.0	4.0	Vt.
Wash.	52,283,229	51,718,961	48,833,040	48,268,772	CSChSn	3,450,189	3,450,189	93.4	6.6	Wash.
Total	\$845,866,111	\$813,769,124	\$813,459,999	\$782,098,099		\$32,406,112	\$31,671,025	96.2	3.8	Total

*C—Cigars

S—Smoking tobacco

Ch—Chewing tobacco

Table 13 - 1972
CIGARET TAXES AS A PERCENTAGE OF RETAIL PRICE
 (As of November 1, 1972)

State	Weighted average price per package	State and Federal cigaret taxes per package	Taxes as a percentage of average retail price
Ala.	42.1¢*	20.0¢	47.5%
Alaska	42.0	16.0	38.1
Ariz.	38.7*	18.0	46.5
Ark.	45.1	25.75	57.1
Calif.	39.9	18.0	45.1
Colo.	32.7*	13.0	39.8
Conn.	50.6	29.0	57.3
Del.	44.0	22.0	50.0
D.C.	34.5	12.0	34.8
Fla.	47.4	25.0	52.7
Ga.	42.4	20.0	47.2
Hawaii	37.7	18.0	47.7
Idaho	36.3	17.1	47.1
Ill.	41.0*	20.0	48.8
Ind.	32.9	14.0	42.6
Iowa	41.9	21.0	50.1
Kans.	39.3	19.0	48.3
Ky.	30.6	11.0	35.9
La.	39.9	19.0	47.6
Maine	41.0	22.0	53.7
Md.	35.3	14.0	39.7
Mass.	46.0	24.0	52.2
Mich.	40.2	19.0	47.3
Minn.	45.6	26.0	57.0
Miss.	37.3	17.0	45.6
Mo.	37.7*	17.0	45.1
Mont.	40.9	20.0	48.9
Neb.	41.2	21.0	51.0
Nev.	40.3	18.0	44.7
N.H.	36.9	19.0	51.5
N.J.	48.9*	27.0	55.2
N.M.	41.8*	20.0	47.8
N.Y.	45.8*	23.0	50.2
N.C.	28.9	10.0	34.6
N.D.	39.4	19.0	48.2
Ohio	42.0	23.0	54.8
Okla.	40.4	21.0	52.0
Ore.	35.1	17.0	48.4
Pa.	44.9	26.0	57.9
R.I.	40.6	21.0	51.7
S.C.	33.5	14.0	41.8
S.D.	39.6	20.0	50.5
Tenn.	40.8*	21.0	51.5
Tex.	46.4	26.5	57.1
Utah	36.5	16.0	43.8
Vt.	39.8	20.0	50.3
Va.	30.1*	10.5	34.9
Wash.	45.9	24.0	52.3
W. Va.	39.9	20.0	50.1
Wisc.	42.6	24.0	56.3
Wyo.	34.4	16.0	46.5
Average (median) for all states	40.3	20.0	48.4

*Average prices here shown do not include cigaret taxes that are imposed by one or more municipalities in the 10 states identified.

(During fiscal years ending June 30)

State	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972**	State	
Ala.	3¢	3¢	3¢	3¢	3¢	3¢	4¢	4¢	4¢	4¢	6¢*	6¢	6¢	6¢	6¢	6¢	7¢	7¢	10¢*	10¢	12¢*	12¢	12¢	Ala.	
Alaska	—	—	—	—	—	—	—	—	—	5	5	5	8*	8	8	8	8	8	8	8	8	8	8	Alaska	
Ariz.	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	6.5	6.5	10*	10	10	10	10	Ariz.	
Ark.	4	6*	6	6	6	6	6	6	6	6	6	6	6	6	6	8*	8	8	8	12.25*	12.25	17.75*	17.75	Ark.	
Calif.	—	—	—	—	—	—	—	—	—	—	3	3	3	3	3	3	3	3	10*	10	10	10	10	Calif.	
Colo.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5*	5	5	5	5	5	5	5	Colo.	
Conn.	3	3	3	3	3	3	4*	3*	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Conn.	
Del.	2	2	2	2	3*	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4*	4	Del.	
D.C.	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	D.C.
Fla.	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Fla.
Ga.	5	5	3	3	3	3	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Ga.
Hawaii	—	—	—	—	—	—	—	—	—	—	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	Hawaii
Idaho	3	3	3	3	3	4*	4	4	4	4	4	5	5	5	5	5	5	5	5	5	5	5	5	5	Idaho
Ill.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Ill.
Ind.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Ind.
Iowa	2	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Iowa
Kans.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Kans.
Ky.	2	2	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Ky.
La.	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	La.
Maine	4	4	4	4	4	4	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Maine
Md.	—	—	—	—	—	—	—	—	—	—	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Md.
Mass.	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Mass.
Mich.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Mich.
Minn.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Minn.
Miss.	4	4	4	4	4	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Miss.
Mo.	—	—	—	—	—	—	2*	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	Mo.
Mont.	2	4*	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Mont.
Neb.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Neb.
Nev.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Nev.
N.H.	2.5	2.5	3	3	3	3	3	3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	N.H.
N.J.	3	3	3	3	3	3	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	N.J.
N.M.	4	4	4	4	4	4	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	N.M.
N.Y.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	N.Y.
N.C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	N.C.
N.D.	5	5	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	N.D.
Ohio	2	2	2	2	2	2	3*	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	Ohio
Okla.	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Okla.
Ore.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Ore.
Pa.	4	4	4	4	4	4	5*	5	5	5	6*	6	6	6	6	6	6	6	6	6	6	6	6	6	Pa.
R.I.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	R.I.
S.C.	3	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	S.C.
S.D.	3	3	3	3	3	3	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	S.D.
Tenn.	3	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Tenn.
Tex.	4*	4	4	4	4	4	5*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	Tex.
Utah	2	2	2	2	4*	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Utah
Vt.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Vt.
Va.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Va.
Wash.	4*	4	4	4	4	5*	5	5	5	5	6*	6	7*	7	7	7	7	7	7	7	7	7	7	7	Wash.
W. Va.	1	1	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	W. Va.
Wisc.	3	3	3	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Wisc.
Wyo.	—	—	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	Wyo.

* Indicates that the rate change shown became effective after the beginning of the fiscal year.

** For rates as of November 1, 1972 see Table 6.

† Hawaii tax is 40% of wholesale price. New Hampshire tax is 42% of retail price.



RECORDS



CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/6/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 56

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Cigarette Tax Act; and pro-
7 viding for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.50.170(2) is amended to read:

0 (2) "cigarette" means a roll for smoking of any size or
1 shape, made wholly or partly of tobacco, whether the tobacco is
2 flavored, adulterated, or mixed with another ingredient, where the
3 roll has a wrapper or cover made of paper or any other material, and
4 where the roll weighs three pounds or less a thousand [IF THE WRAPPER
5 OR COVER OF THE ROLL IS MADE OF PAPER OR A MATERIAL OTHER THAN TOBACCO];

6 * Sec. 2. AS 43.50.190(a) is amended to read:

7 (a) There is levied an excise tax of three [ONE] and one-half mills
8 on each cigarette imported or acquired in this state.

9 * Sec. 3. This Act takes effect July 1, 1973.
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RECORDS



CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/26/89
Date

"An Act relating to the Alaska business license tax on national banks and state banks, trust companies and savings and loan associations; and providing for an effective date."

COMMITTEE REPORT

January 18, 1973

HOUSE

Mr. Speaker:

Date February 7, 1973

The Committee on FINANCE has had HB 57

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED ^{Commerce Committee} AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>W. Warwick</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

<u>R.P. Freeman</u>	recommends:	<u>no recommendation</u>
<u>[Signature]</u>	recommends:	<u>" "</u>
<u>[Signature]</u>	recommends:	<u>Do not pass as Amended</u>
_____	recommends:	
_____	recommends:	

[Signature] Chairman

Introduced: 1/12/73
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska business license tax
7 on national banks and state banks, trust companies
8 and savings and loan associations; and providing for
9 an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 43.70.030(b) is amended to read:

12 (b) The license fee for each national bank and state bank, trust
13 company and savings and loan association is six [TWO] per cent of
14 its net income. Net income means the taxable income of each suc.
15 taxpayer before net operating loss deduction and special deductions,
16 computed as required under the Internal Revenue Code of the United
17 States and includes all other income including income from federal,
18 state or municipal obligation. Each of these taxpayers shall submit
19 a copy of the income tax return which it files with the United States
20 Collector of Internal Revenue and shall notify the commissioner of
21 revenue in writing of any alteration or modification of the federal
22 income tax return and of a recomputation of tax or determination of
23 deficiency. The taxpayer who files his federal return on a fiscal
24 year basis shall in addition submit a statement setting out all
25 information which would be required and reported in a federal income
26 tax return prepared for the calendar year. This statement shall be
27 in the same form as a federal income tax return and the net income
28 shall be computed as required under the Internal Revenue Code. The
29 statement shall be submitted to the commissioner of revenue before

1 the sixteenth day of April after the close of the calendar year.

2 * Sec. 2. This Act is retroactive to January 1, 1973.

3 * Sec. 3. This Act takes effect on the day after its passage and
4 approval or on the day it becomes law without approval.

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JUNEAU ALASKA

Alaska State Legislature
House

FINANCE COMMITTEE BILL ASSIGNMENT

TO: Representative Warwick DATE: January 19, 1973
House Finance Committee

FROM: Earl D. Hillstrand
Chairman
House Finance Committee

BILL NO.: HOUSE BILL 57

TITLE: "An Act relating to the Alaska business license tax on national banks and state banks, trust companies and savings & loan associations; and providing for an effective date."

COMMENTS: This bill has been referred to you for your review and research and eventual presentation to the committee for their consideration.

HOUSE BILL 57 (Bank Tax)

	Est. FY 73	FY 74	FY 75	FY 76	FY 77	FY 78
Existing Tax						
2% of net income	200.0	220.0	240.0	260.0	280.0	300.0
60% to local govt.	<u>120.0</u>	<u>132.0</u>	<u>144.0</u>	<u>156.0</u>	<u>168.0</u>	<u>180.0</u>
Net to State	80.0	88.0	96.0	104.0	112.0	120.0
 HB 57						
4% of net income	400.0	440.0	480.0	520.0	560.0	600.0
60% to local govt..	<u>240.0</u>	<u>264.0</u>	<u>288.0</u>	<u>312.0</u>	<u>336.0</u>	<u>360.0</u>
Net to State	160.0	176.0	192.0	208.0	224.0	240.0
 Total Existing plus HB 57						
6% of net income	600.0	660.0	720.0	780.0	840.0	900.0
60% to local govt.	<u>360.0</u>	<u>396.0</u>	<u>432.0</u>	<u>468.0</u>	<u>504.0</u>	<u>540.0</u>
Net to State	240.0	264.0	288.0	312.0	336.0	360.0
 CSHB 57						
6% of net income	600.0	660.0	720.0	780.0	840.0	900.0
60% to local govt.	<u>360.0</u>	<u>396.0</u>	<u>432.0</u>	<u>468.0</u>	<u>504.0</u>	<u>540.0</u>
Net to State	240.0	264.0	288.0	312.0	336.0	360.0
 Total Existing plus CSHB 57						
8% of net income	800.0	880.0	960.0	1,040.0	1,120.0	1,200.0
60% to local govt.	<u>480.0</u>	<u>528.0</u>	<u>576.0</u>	<u>624.0</u>	<u>672.0</u>	<u>720.0</u>
Net to State	320.0	352.0	384.0	416.0	448.0	480.0

STATE
of ALASKA

MEMORANDUM

TO: R. D. Stevenson
Acting Commissioner
Department of Revenue

DATE : January 18, 1973

FROM: L. P. Carroll, Chief *Carroll*
Miscellaneous Tax SectionSUBJECT: House Bill 57 (As Amended by
House Commerce Committee)
Increasing the Alaska Bank Tax

In response to your request for research on House Bill 57 (As Amended by House Commerce Committee), raising the tax on banks and other financial institutions from 2% to 8% of net income, the following is submitted for transmitting as may be required.

Effect on Treasury:

	F/Y 73	F/Y 74	F/Y 75	F/Y 76	F/Y 77	F/Y 78
Estimate of Net State Taxable Income of Banks	10,000,000	11,000,000	12,000,000	13,000,000	14,000,000	15,000,000
Tax at Present Rate of 2%	200,000	220,000	240,000	260,000	280,000	300,000
Tax at Proposed Rate of 8%	800,000	880,000	960,000	1,040,000	1,120,000	1,200,000
Net Increase to General Fund	600,000	660,000	720,000	780,000	840,000	900,000

Problems of Administration: NoneGeneral Comments: Attachments 1 and 2 support the following conclusions:

(Attachment 1) 1. Of the 50 States, 28 States use an excise or income tax structure with an average rate of 6.91%. 22 States utilize a method other than excise/income.

(Attachment 2) 2. Of these 28 States, 18 are franchise excise tax systems, 16 of which include interest of U. S. and municipal bond interest in the measure of net taxable income (including Alaska) and have an average tax rate of 7.8%. I attach a graph illustrating the tax rate of these 16 States. You will note a high of 13.7% in Minnesota to a low of 2% in Alaska.

In summary, Alaska's present bank tax system is the method used by most excise/franchise tax States. However, the 2% tax we impose is well below any other State, or indeed, the average of all other states.

MEMO

R. D. Stevenson

January 18, 1973

Page 2

The Alaska bank license tax is a deductible item on the U. S. Corporation Income Tax Return for banks as taxpayers. What this in effect means is that Federal taxes are lessened by the amount of the Alaska tax times the applicable Federal Corporation Tax Rate. For banks having a taxable net income of \$25,000.00 or more, the Federal tax rate is 48% of net income in excess of \$25,000.00. Thus, for a bank paying \$20,000.00 in Alaska bank license taxes the savings on the Federal Corporation Return would be \$9,600.00, or almost half of the Alaska bank license tax paid. The Federal Corporation Tax Rate for banks netting less than \$25,000.00 is 26%.

Historical Note:

The tax on banks was established in 1950 at 2% of taxable income. At that time, individuals and all other corporations were paying 10% of the then effective Federal Income Tax Rates.

Since that time, individual tax has risen to 16% of the 1963 Federal Tax Rate and corporate taxes have risen to 18% of the 1963 Federal Tax Rates. Alaska banks continue to pay the rate imposed in 1950 at 2%, which may well account for the evident lag behind the bank taxes now imposed by our sister states.

LPC:fd
Attachments

TO: [R. D. Stevenson
Acting Commissioner
Department of Revenue

DATE : January 17, 1973

FROM: L. P. Carroll, Chief
Miscellaneous Tax Section

SUBJECT: House Bill 57
Increasing the Alaska Bank Tax

In response to your request for research on House Bill 57, raising the tax on banks and other financial institutions from 2% to 6% of net income, the following is submitted for transmitting as may be required.

Effect on Treasury:

	F/Y 73	F/Y 74	F/Y 75	F/Y 76	F/Y 77	F/Y 78
Estimate of Net State Taxable Income of Banks	10,000,000	11,000,000	12,000,000	13,000,000	14,000,000	15,000,000
Tax at Present Rate of 2%	200,000	220,000	240,000	260,000	280,000	300,000
Tax at Proposed Rate of 6%	600,000	660,000	720,000	780,000	840,000	900,000
Net Increase to General Fund	400,000	440,000	480,000	520,000	560,000	600,000

Problems of Administration: None

General Comments: Attachments 1 and 2 support the following conclusions:

(Attachment 1) 1. Of the 50 States, 28 States use an excise or income tax structure with an average rate of 6.91%. 22 States utilize a method other than excise/income.

(Attachment 2) 2. Of these 28 States, 18 are franchise excise tax systems, 16 of which include interest of U. S. and municipal bond interest in the measure of net taxable income (including Alaska) and have an average tax rate of 7.8%. I attach a graph illustrating the tax rate of these 16 States. You will note a high of 13.7% in Minnesota to a low of 2% in Alaska.

In summary, Alaska's present bank tax system is the method used by most excise/franchise tax States. However, the 2% tax we impose is well below any other State, or indeed, the average of all other States.

MEMO

R. D. Stevenson

January 18, 1973

Page 2

The Alaska bank license tax is a deductible item on the U. S. Corporation Income Tax Return for banks as taxpayers. What this in effect means is that Federal taxes are lessened by the amount of the Alaska tax times the applicable Federal Corporation Tax Rate. For banks having a taxable net income of \$25,000.00 or more, the Federal tax rate is 48% of net income in excess of \$25,000.00. Thus, for a bank paying \$20,000.00 in Alaska bank license taxes the savings on the Federal Corporation Return would be \$9,600.00, or almost half of the Alaska bank license tax paid. The Federal Corporation Tax Rate for banks netting less than \$25,000.00 is 26%.

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The tax on banks was established in 1950 at 2% of taxable income. At that time, individuals and all other corporations were paying 10% of the then effective Federal Income Tax Rates.

Since that time, individual tax has risen to 16% of the 1963 Federal Tax Rate and corporate taxes have risen to 18% of the 1963 Federal Tax Rates. Alaska banks continue to pay the rate imposed in 1950 at 2%, which may well account for the evident lag behind the bank taxes now imposed by our sister states.

LPC:fd

Attachments

BANK EXCISE OR INCOME TAX SUMMARY
BY STATE OR COMMONWEALTH

ALABAMA

Excise Tax - Financial institutions - 6% of taxable net income. (1)
Net income includes U. S. and municipal bond interest. (2)(3)

ALASKA

The license fee for each national bank and state bank, trust company and savings and loan association to 2% of its net income. Net income means the taxable income of each such taxpayer before net operating loss deduction and special deductions, computed as required under the Internal Revenue Code of the United States and includes all other income including income from federal, state or municipal obligations. (4)

ARIZONA

Taxed under general income tax. Corporation and financial institutions --
1st \$1,000 - 2%; 2nd \$1,000 - 3%; 3rd \$1,000 - 4%; 4th \$1,000 - 5%; 5th \$1,000 - 6%;
6th \$1,000 - 7%; over \$6,000 - 8%. (1)
Net income excludes U. S. and municipal bond interest from measure of income and allocates same against deductions. (2)(3)

CALIFORNIA

Taxed under bank and corporation franchise tax - national and state banks and financial corporations - adjusted annually with maximum of 11%; minimum for financial corporations other than banks, 7% but not less than \$100. (1)
Net income includes U. S. and municipal bond interest. (2)

COLORADO

Taxed under general income tax - corporation, banks, trust, finance savings and loan companies and cooperatives - 5% of Colorado income. (1)
Net income excludes U. S. and municipal bond interest; however, some local obligations are included. (3)

HAWAII

Bank franchise tax--11.7% of net income of banks and other financial institutions. (1)
Net income includes U. S. and municipal bond interest. (2)

IDAHO

Taxed under general income tax--Banks and corporations - 6% for exercising corporation franchise; 6% of net income for corporations not subject to corporation franchise tax. (1)
Net income includes U. S. and municipal bond interest, however, excludes Idaho bond interest. (3)

IOWA

Taxed under general income tax--Financial institutions - first \$25,000 of taxable net income - 5%; next \$50,000 - 6%; next \$25,000 - 7%; over \$100,000 - 8%. (1)
Net income includes U. S. and municipal bond interest, however, excludes Iowa bond interest. (3)

KANSAS

Taxable under excise tax--Banks, trust companies, savings and loan associations and development credit corporations: 5% on net income in lieu of tax on stock or assets. For taxable years beginning after 1970, the tax on bank and development credit corporation net income is 5-1/2% plus a 2-1/4% surtax on net income over \$25,000. The tax on trust companies and savings and loan associations is 5% plus a 2-1/4% surtax on net income over \$25,000. (1)
Net income includes U. S. and municipal bond interest. (2)

MICHIGAN

Taxable under income tax--financial institutions: 9.7% of adjusted net profits. (1)
Net income includes U. S. and municipal bond interest, however, excludes Michigan bond interest. (3)

MARYLAND

Taxable under franchise tax - Commercial banks, safe deposit and trust companies and finance corporations, 7% of annual net earnings. (1)(3)
Net income includes U. S. and municipal bond interest. (3)

MASSACHUSETTS

Taxable under corporation excise tax - Banks, banking associations and trust companies 10% of net income plus 14% surtax. Savings and cooperative banks, savings and loan associations - 1% of net operating income and 1/20th of 1% of deposits each six months plus 14% surtax. (1)
Net income includes U. S. and municipal bond interest. (3)

MINNESOTA

Taxable under excise tax - Banks 9.5% (10.5% for taxable years beginning after December 31, 1966 and before January 1, 1974) plus 1.9% for taxable years beginning after 1958 and before 1974. The base rate and additional tax are increased by 10% for taxable years beginning after 1960 and before 1974. (1)(2)
Net income includes U. S. and municipal bond interest. (2)

MISSOURI

Taxed under excise tax - Banks and trust companies and credit institutions. - 7% (1)
Net income includes U. S. and municipal bond interest. (2)

MONTANA

Taxed under corporation income tax - Corporations, and state and national banks - 6-1/4% (6-3/4% for taxable years ending on or after February 28, 1971 and before February 28, 1973) of net income derived from Montana sources. (1)
Net income excludes U. S. and municipal bond interest and allocates same against

NEBRASKA

Taxed under Corporation income tax - 2% of federal tax liability allocated and apportioned to Nebraska. (1)

Net income excludes U. S. and municipal bond interest and allocates same proportion against deductions. (2)

NEW MEXICO

Taxable under excise tax - Banks and financial corporations - 6% of net income - minimum \$100. Net income includes U. S. and municipal bond interest. (2)

NEW YORK

Taxed under franchise tax - National banking associations - 8% of net income. State banks, savings and loan associations, savings banks and financial corporations - 8% of allocated net income. Minimum for state banks and financial corporations, \$100 or 1-6/10 mills per \$1 of allocated capital stock. Minimum for savings banks and savings and loan associations \$100 or 2% of interest credited to depositors. (1)

Net income includes U. S. and municipal bond interest. (2)

NORTH CAROLINA

Taxed under income tax - Financial institutions - banks - 6% of net income; business development corporations - 4-1/2% of net income; building and loan associations - 7-1/2% of net income, 7-1/2 cents per \$100 of liability on shares of outstanding stock. (1)

Net income includes U. S. and municipal bond interest, however, excludes North Carolina bond interest. (2)

NORTH DAKOTA

Taxed under general excise tax - Banks and trust companies (excise income) - 5%. Minimum - \$50. An additional 2% tax is imposed. (1)

Net income includes U. S. and municipal bond interest. (2)

OKLAHOMA

Taxed under general excise tax - Corporations, national and state banks - 4% of federal taxable income with adjustments. (1)

Net income includes U. S. and municipal bond interest, however, excludes Oklahoma bond interest. (2)(3)

OREGON

Corporation excise tax - 6% of net income of business done within the state. Financial institutions - 8%. (1)

Net income includes U. S. and municipal bond interest. (2)

RHODE ISLAND

Taxed under business corporation tax - State banks - 8% of net income or \$2.50 per \$10,000 of authorized capital stock (whichever is higher); minimum \$50. National banks - 8% of net income apportioned to state. (1)

Net income includes U. S. and municipal bond interest. (2)

SOUTH CAROLINA

Taxed under excise tax - Banks - 4-1/2% of entire net income in the state. Savings and loan and similar associations, cooperative banks - 8% of net income (not applicable in first three years of operation). (1)

Net income of banks include U. S. and municipal bond interest, however, savings and loan net income excludes same and allocates it against deductions. (3)

SOUTH DAKOTA

Taxed under bank and financial corporations - Corporation excise tax - 5-1/2% of net income. (1)

Net income includes U. S. and municipal bond interest. (2)

TENNESSEE

Taxed under corporation excise tax - 5% (6% for fiscal year closings occurring on or after June 15, 1971) of net earnings from business done by corporations and banks within the state. Building and loan associations, including federal savings and loan associations, 7% of net income, effective July 1, 1971. (1)

Net income includes U. S. and municipal bond interest, however, excludes Tennessee bond interest. (2)

UTAH

Taxed under corporation franchise tax - National banks - 6% of net income allocated to state - State banks and corporations - 6% of net income or \$25. (1)

Net income includes U. S. and municipal bond interest, however, excludes some Utah bond interest. (3)

WISCONSIN

Taxed under corporation franchise tax - 2.1% on first \$1,000 graduated to 7.4% over \$6,000 of net income which includes U. S. and municipal bond interest. (3)

FOOTNOTES:

1. Ref: State Tax Handbook as of October 1, 1971, published by Commerce Clearing House, Inc.
2. Note: Per supporting abbreviated documentation which is filed with Committee Chairman.
3. Confirmed via phone with Department of Revenue, confirming letter and documentation forthcoming.
4. AS 43.70.030(b).

Attachment ① Cont'd

BANK TAX OTHER THAN EXCISE OR INCOME TAX METHOD
SUMMARY BY STATE

ARKANSAS

Taxed under Corporation franchise tax - Domestic--11/100 of 1% of proportion of subscribed capital stock employed in the state. Doing no business in the state \$5. Foreign--11/100 of 1% of proportion of capital stock representing property owned and used in business transacted in the state. No par stock valued at \$25 per share--minimum--\$11.

CONNECTICUT

Taxed under Corporation business tax - Certain financial institutions pay to the extent it exceeds the tax on net income a tax of 2.1% (3.2% for income years beginning on or after January 1, 1969 and prior to January 1, 1973) on interest credited to savings deposits.

DELAWARE

Taxed under Banks, trust and loan companies tax--1/5 of 1% of true value of shares of capital stock, determined by adding together the amount of the capital, surplus, undivided profits, and reserves.

FLORIDA

Taxed under Corporation privilege tax--Financial corporations, if qualified, may elect to pay a \$1,000 annual franchise tax in lieu of intangibles taxes.

GEORGIA

Taxed under General property tax--State - maximum bank shares--5 mills; all other property, 1/4 mill based on full market value of real property and tangible personal property. Property is assessed at 40% of its fair market value for state and county taxes.

ILLINOIS

Taxed under Corporation franchise tax--Initial domestic and foreign corporation franchise tax is 1/12 of 1/10 of 1% per month or fraction, between date of issuance of certificate of incorporation or filing application for certificate of authority, respectively and July 1 following; minimum \$25; maximum \$1,000,000. Additional franchise tax of 1/12 of 1/10 of 1% per month between date of each respective increase in sum of stated capital and paid-in surplus and July 1 following is due.

INDIANA

Taxed under Financial institutions tax--25¢ per \$100 measured by the value of capital, surplus, undivided profits and deposits, less assessed value of real estate.

KENTUCKY

Taxed under Intangibles tax--Bank deposits, 1/1000 of 1% of the amount of the deposit.

LOUISIANA

Taxed under Corporation franchise tax--\$1.50 per \$1,000 based on issued and outstanding capital stock, surplus, undivided profits, and borrowed capital. Minimum \$10. Value of stock with or without par value is the value reflected by the corporation's books.

MAINE

Taxed under Domestic corporation franchise tax--par value stocks: graduated from \$10 for \$50,000 or less to \$100 for \$1,000,000 plus \$50 per additional \$1,000,000; no par stock: from \$10 for 250 shares or less to \$100 for 10,000 shares plus \$50 per additional 10,000 shares.

MISSISSIPPI

Taxed on Banks and banking associations tax included in general property tax--Banks general property rates on adjusted net worth.

NEVADA

Taxed under General property tax--35% of full cash value of real and tangible personal property. Aggregate of state and local rates fixed to meet budget; not to exceed 5c per \$1 of assessed valuation. Bank shares and realty--35% of full cash value.

NEW HAMPSHIRE

Taxed under Bank tax--1% of excess over \$10,000 of interest paid by savings institutions on savings accounts less capital stock taxes paid. Additional tax on capital stock or special deposits--1%. National banks--1% of par value of capital stock.

NEW JERSEY

Taxed under Financial business excise tax--Financial business-1-1/2% of allocated net worth of financial businesses competing with national banks. Minimum - \$25.

OHIO

Taxed under Corporation franchise tax--Domestic and foreign (including non-profit corporations)--1/2 of 1% (investment companies and state-chartered banks, 1/10 of 1%; public utility holding companies, from 4/100 of 1% on first \$10 million of taxable value to 1/200 of 1% on taxable value over \$100 million) of value of issued and outstanding stock based on total value, as shown on the books, of capital, surplus, undivided profits and reserves (less certain reserves and expenses) allocable to Ohio. Minimum \$50.

PENNSYLVANIA

Taxed under Financial institutions tax--national and state banks, savings institutions having capital stock, title insurance and trust companies, 15 mills per \$1 actual

value of shares ascertained by adding together paid-in capital stock, surplus, and undivided profits. Mutual thrift institutions, i.e., savings banks without capital stock, building and loan associations and federal and state savings and loan associations, 11-1/2% of net earnings or income. Private bankers, 1% of gross receipts.

TEXAS

Taxed under Corporation franchise tax--\$2.75 per \$1,000 stated capital, surplus, and undivided profits plus outstanding bonds, notes, and debentures allocated according to gross receipts from intrastate business--minimum \$35.

VERMONT

Taxed under General income tax--Domestic and foreign--6% of net income from business done within the state.--Minimum \$25. Banking corporations and loan associations are subject to a 6% franchise tax reduced by the amount of corporation income tax paid.

VIRGINIA

Taxed under Domestic corporations franchise tax--No par stock valued at \$100 per share. \$10 on \$25,000 or less maximum authorized capital stock to \$15,100 on \$300,000,000; plus \$10 per \$1,000,000 in excess thereof.

WASHINGTON

Taxed under Corporation franchise tax--\$30 on \$50,000 or less, decreasing from 1/20 of 1% to 1/100 of 1% on additional amounts of domestic authorized capital stock, and foreign stock in proportion of issued and outstanding capital stock representing property and business in Washington, plus 25% surtax--maximum \$2,500. No par stock valued at the actual value of assets represented by such stock.

WEST VIRGINIA

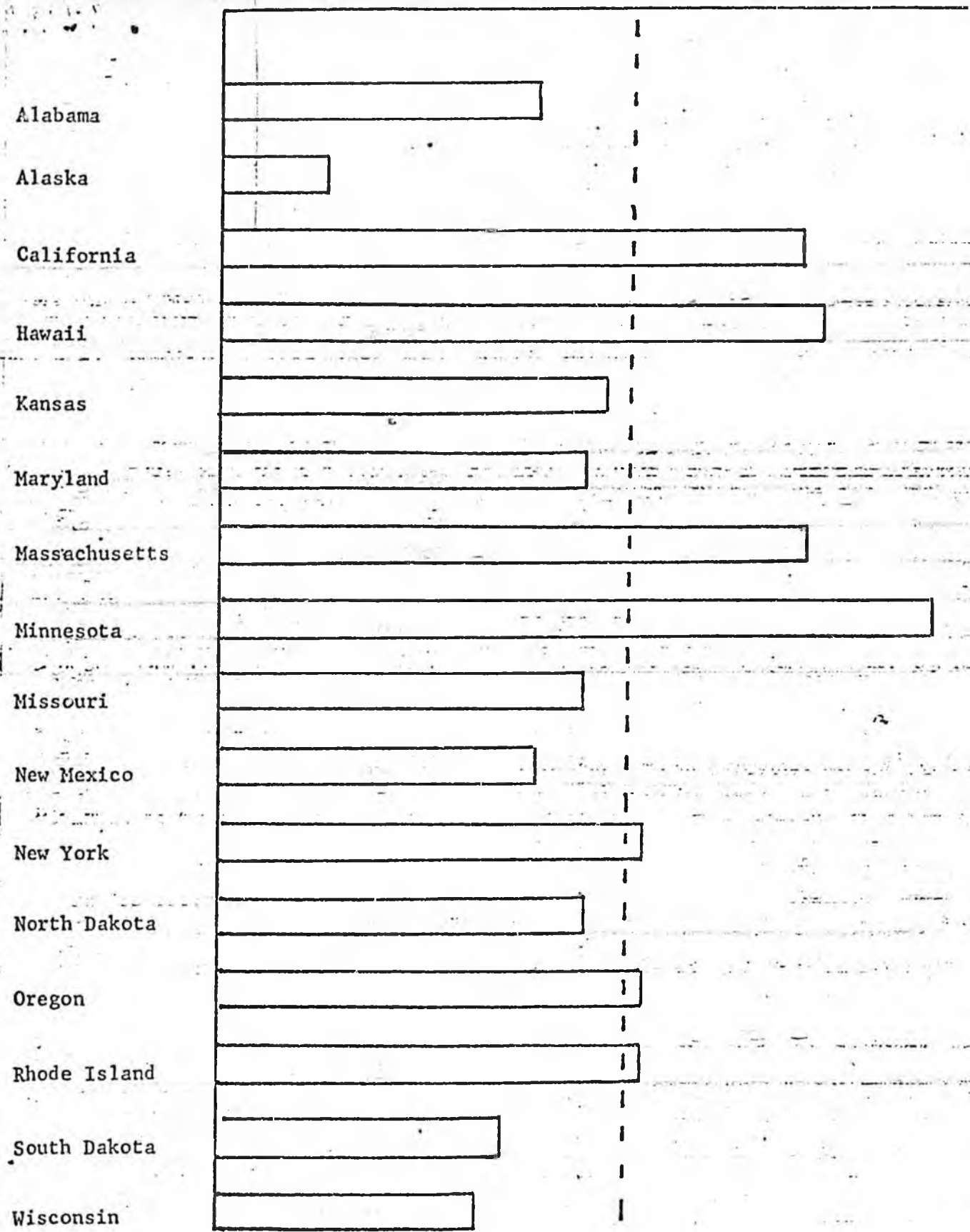
Taxed under Corporation franchise tax--Domestic--graduated from \$20 on \$5,000 or less authorized capital stock to \$2,500 on \$15,000,000 or more.

WYOMING

Taxed on Corporation franchise tax--Domestic and foreign--graduated from \$5 on \$50,000 or less to \$50 on more than \$500,000 and not more than \$1,000,000 plus \$50 on each additional \$1,000,000 portion of corporate property and assets located and employed in Wyoming.

Reference: State Tax Handbook as of 10/1/71 Commerce Clearing House, Inc.

Including all U.S. & Municipal Bond Interest
By Rate of Tax



Average 7.8%

Attachment ②

Alabama

Alaska

California

Hawaii

Kansas

Maryland

Massachusetts

Minnesota

Missouri

New Mexico

New York

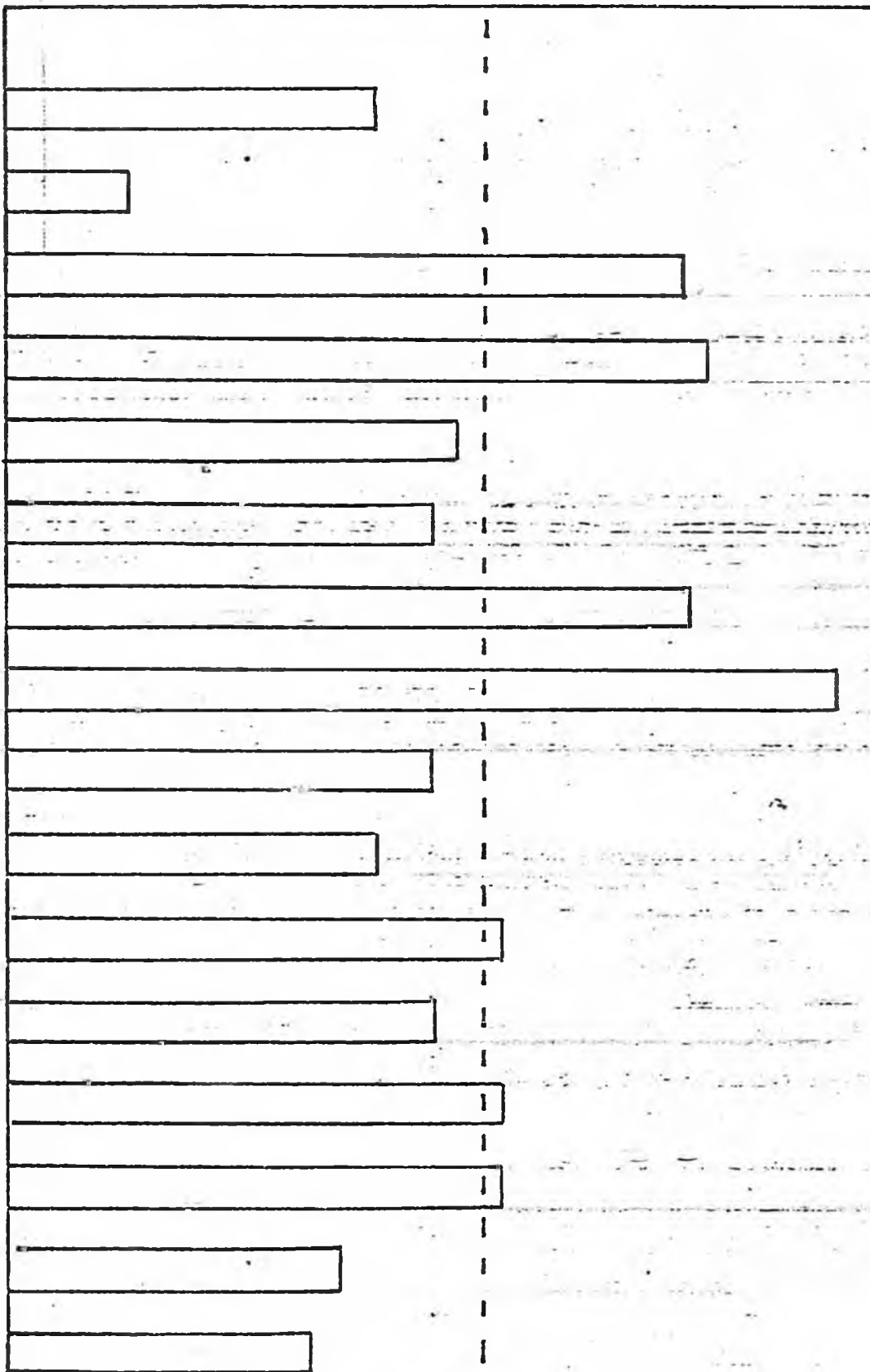
North Dakota

Oregon

Rhode Island

South Dakota

Wisconsin



Including all U.S. & Municipal Bond Interest
By Rate of Tax

Attachment ②

In accordance with the various legislative appropriations that have been made, and the fact that the Alaska State Department of Education has been authorized to purchase...

The amount of the proposed expenditure to purchase and install the proposed equipment is \$12,500.00. It is necessary to appropriate the amount of \$12,500.00...

After consultation with the various interested parties, the Alaska State Department of Education has recommended that the proposed expenditure be authorized. It is recommended that the amount of \$12,500.00 be appropriated...

The total amount of the proposed expenditure for the purchase and installation of the proposed equipment is \$12,500.00. It is recommended that the amount of \$12,500.00 be appropriated...

I am submitting for your approval the proposed expenditure which is recommended by the Alaska State Department of Education. It is recommended that the amount of \$12,500.00 be appropriated...

A 4-cent increase in the license tax on motor vehicles, bringing it to 4 cents per gallon, would produce revenue exceeding that of the 3-cent license tax on motor vehicles in Fiscal Year 1974.

A 2-cent increase in the license tax on motor vehicles, bringing it to 2 cents per gallon, would produce revenue exceeding that of the 1-cent license tax on motor vehicles in Fiscal Year 1974. The first would produce about \$21,000 in revenue in Fiscal Year 1974 and the second about \$22.5 million.

A 4 per cent increase on the license tax on motor vehicles, bringing it to 4 per cent per gallon, would produce revenue exceeding that of the 3 per cent license tax on motor vehicles in Fiscal Year 1974. The first would produce about \$21,000 in revenue in Fiscal Year 1974 and the second about \$22.5 million.

Along with these proposals, I will introduce a statute which will allow the State to issue and transfer individual bonds to calculate and will thereby pay off the State debt at our current rate. The bill would also provide for the issuance of bonds to the taxpayer. The bill would also provide for the issuance of bonds to the State revenue, by circulating the increased credit earned by...

STATE OF ALASKA

DEPARTMENT OF REVENUE

File #B57
WILLIAM A. EGAN, GOVERNOR

POUCH SA — JUNEAU 99801

January 23, 1973

The Honorable Andrew S. Warwick
Subcommittee Chairman
House Finance Committee
State Capitol
Juneau, Alaska 99801

Dear Representative Warwick:

At this morning's meeting of the House Finance Committee you requested the following information:

1. How do we arrive at a 9.36% figure as an effective Alaska Corporation Tax rate? The formula is as follows:

The Alaska Corporation Tax rate currently is 18% of the 1963 Federal Corporate Tax rate. The 1963 Federal Corporate Tax rate was 52%. Accordingly $52\% \times 18\% = 9.36\%$ effective Alaska tax rate.

2. What are the four methods allowed under Public Law for taxing national banks (and by reference State banks)?

I have attached a copy of USC 12 Section 548 which spells out the methods by which states may tax banks. You will note that Alaska has opted Method Four. In addition, I have attached a copy of Public Law 91.156 which delineates further methods by which states may tax banks. You will note that this Act called for a study by the Board of Governors of the Federal Reserve System, such study being due by December 31, 1970. The Board did not meet that deadline and accordingly it is my understanding that the effective date of Section 2, The Permanent Amendment, was moved to January 1, 1973. To date we have had no further advice concerning this matter, nor have we been advised concerning the report by the Federal Reserve Governors.

3. You requested information on the effect of exempting state and municipal bond interest earnings from the Alaska Bank License tax.

Unfortunately my records do not permit a breakdown of each item. However, I am furnishing the total of state and municipal bond interest as shown on the returns of all banks for calendar year 1971 and the effective tax at the present rate of 2% and the proposed rates of 6% and 8%.

The Honorable Andrew S. Warwick

-2-

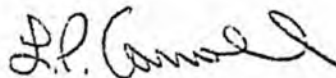
January 23, 1973

<u>1971 Total All Banks State and Municipal Bond Interest Reported</u>	<u>Tax at 2%</u>	<u>Tax at 6%</u>	<u>Tax at 8%</u>
\$6,078,828	\$121,576	\$364,729	\$486,306

As discussed with you on the telephone I am attaching herewith a copy of an Attorney General's opinion dated February 29, 1960 which points out the difficulty in attempting to exempt state and local bond interest from the measure of net income. Please refer to page 7 of the attached opinion.

Please do not hesitate to contact this office if I may offer any further information or assistance.

Very truly yours,



L. P. Carroll, Chief
Miscellaneous Tax Division

LPC:ge

Enclosures

cc: The Honorable Earl S Hillstrand
Chairman, House Finance Committee



JOHN L. RADER
ATTORNEY GENERAL

STATE OF ALASKA
DEPARTMENT OF LAW
Box 2170
JUNEAU

February 29, 1960

The Honorable Peter Gatz
Commissioner of Revenue
Alaska Office Building
Juneau, Alaska

Re: State Taxation of National and State Banks
under Sec. 5(b), Ch. 43, SLA 1949.

Dear Mr. Gatz:

In your letter of February 9, you have requested our advice as to the taxation of state and national banks under Sec. 5(b), Ch. 43, SLA 1949. You have stated that some of the banks have failed to include federal bond interest in their computation of net income which is the measure of the tax. An opinion from this office dated October 8, 1953 advised that federal bond interest should not be included in the computation. Attached to your letter were copies of excerpts from Prentice-Hall Tax Service wherein the author states that income from any source, including interest from federal bonds, may be used as the measure of an excise tax upon the privilege of doing business in the state. You have requested that we review our decision of October 8, 1953, and have asked whether federal bond interest should be included in the net income which is used as a measure of this tax?

It is the opinion of this office, that under the present statute there is serious doubt whether federal bond interest can be included in net income which is used as a measure of this tax.

Section 5(b) of Ch. 43, SLA 1949, (35-1-75 Cum. Supp.) provides as follows:

"(b) The license fee for national and territorial banks, trust companies and savings and loan associations shall be two per centum (2%) upon the net income of each such tax payer, computed as required under the Internal Revenue Code of the United States."

The tax imposed by this section is an excise tax upon the privilege of doing business in Alaska. There are many decisions holding the imposition of an excise tax

measured by income from all sources, including federal bonds, is valid.

In Flint v. Stone Tracy Co., 220 U.S. 107 (1911) the United States Supreme Court upheld the validity of a federal tax, levied upon a corporate franchise granted by a state. The tax was measured by the entire corporate income, including income from tax exempt bonds. Mr. Justice Day delivered the opinion of the court and after reviewing the previous decisions of the court said:

"There is nothing in these cases contrary, as we shall have occasion to see, to the former rulings of this court which hold that where a tax is lawfully imposed upon the exercise of privileges within the taxing power of the state or nation, the measure of such tax may be the income from the property of the corporation, although a part of such income is derived from property in itself nontaxable. The distinction lies between the attempt to tax the property as such and to measure a legitimate tax upon the privileges involved in the use of such property.

"It is therefore well settled by the decisions of this court that when the sovereign authority has exercised the right to tax a legitimate subject of taxation as an exercise of a franchise or privilege, it is no objection that the measure of taxation is found in the income produced in part from property which of itself considered is nontaxable."

In Educational Films Co. v. Ward, 282 U.S. 379, 389, (1931), the courts sustained the imposition of the New York State franchise tax measured by the entire net income of the corporation. By statute "net income" was defined as the total net income, including all dividends received on stocks, and all interest received from federal, state, municipal or other bonds. Mr. Justice Stone, speaking for the court said:

"While this court, since McColloch v. Maryland, 4 Wheat. 316, has consistently held that the instrumentalities of either government, or the income derived from them, may not be made the direct object of taxation by the other, . . . it is held with like consistency that the privilege of exercising the corporate franchise is no

less an appropriate object of taxation by one government merely because the corporate property or net income, which is made the measure of the tax, may chance to include the obligations of the other, or the income derived from them. The constitutional power of one government to reach this permissible object of taxation may not be curtailed because of the indirect effect which the tax may have upon the other."

While a state may impose a tax measured by the entire income of a corporation, including interest from tax exempt securities, for the privilege of doing business in the state it cannot impose a tax upon an instrumentality of the United States. National banks are instrumentalities of the United States and are subject to taxation only as Congress expressly permits. Section 548 of 12 U.S.C. (1958 ed.) authorizes four alternative methods whereby a state may impose a tax upon national banking associations.

"The legislature of each state may determine and direct, subject to the provisions of this section, the manner and place of taxing all the shares of national banking associations located within its limits. The several states may (1) tax such shares, or (2) include dividends derived therefrom in the taxable income of an owner or holder thereof, or (3) tax such associations on their net income, or (4) according to or measured by their net income, provided the following conditions are complied with:

"a. The imposition by any state of any one of the above four forms of taxation shall be in lieu of the others, except as hereinafter provided in subdivision (c) of this clause.

"b. In case of a tax on or according to or measured by the net income of an association, the taxing state may, except in case of a tax on net income, include the entire net income received from all sources, but the rate shall not be higher than the rate assessed upon other financial

corporations nor higher than the highest of the rates assessed by the taxing state upon mercantile, manufacturing, and business corporations doing business within its limits:"

In Tradesman Bank v. Tax Commissioner, 309 U. S. 560 (1940), the United States Supreme Court upheld a statute of Oklahoma, which imposed a tax upon national banks measured by net income which included interest from the obligations of the United States. In discussing the federal statute, Mr. Justice Murphy, speaking for the court said:

"R. S. 5219, 12 U.S.C. § 548, . . . authorizes four alternative methods whereby a state may impose a tax on the national banking associations located within its limits. Method numbered (4) provides for a tax on such associations 'according to, or measured by' 'the entire net income received from all sources' subject only to certain restrictions as to the rate. This method was added to the three previously authorized under R. S. 5219 by amendment of March 25, 1926 . . . The plain meaning of the amendment is confirmed by its legislative history showing beyond doubt that Congress intended to authorize a franchise tax measured by net income including interest on tax immune federal securities."

From the above we may conclude that the State of Alaska may impose an excise tax upon national banks pursuant to R. S. 5219, 12 U.S.C. § 548, and that net income of the banks, including federal bond interest, may be used as a measure of the tax.

R. S. 5219, 12 U.S.C. § 548, imposes certain restrictions on state taxation of national banking associations. The imposition by the state of any one of the four methods of taxation must be in lieu of all others. Thus, a state must elect one method for taxation of national banks. The State of Alaska has elected method No. 4 providing for a tax measured by net income. See letter of January 10, 1951, from this office to Commissioner of Taxation.

In case of a tax measured by net income "the rate shall not be higher than the rate assessed by other financial corporations nor higher than the highest of the rates assessed by the taxing state upon mercantile, manufacturing, and business corporations doing business within its limits." Some question may be raised as to whether the Alaska Business License Act meets this requirement of the federal statute.

Under the Alaska Business License Act the tax upon "national and territorial banks, trust companies and savings and loan associations" is two per cent (2%) of net income. The tax upon other financial, mercantile, manufacturing and business corporations is at the rate of one per cent (1%) and one fourth per cent ($1/4\%$) of gross receipts.

In Tradesman's Bank v. Tax Commissioner, supra, the court considered a similar question with respect to the Oklahoma statute and said:

"A consideration of the course of judicial decision on R. S. 5219 and its predecessors can leave no doubt that the various restrictions it places on the permitted methods of taxation are designed to prohibit only those systems of state taxation which discriminate in practical operation against national banking associations or their shareholders as a class . . . Thus, it is not a valid objection to a tax on national bank shares that other moneyed capital in the state or shares of state banks are taxed at a different rate or assessed by a different method unless it appears that the difference in treatment results in fact in a discrimination unfavorable to the holders of the shares of national banks . . . We think the same purpose to prevent actual discrimination but to allow the states considerable freedom in working out an equitable tax system is discernible in the particular restriction upon which appellant relies.

"The resolution of the issue raised by appellant thus turns upon examination of the whole tax structure of the state. . . .

"This brief survey suffices to show that, considering all the taxes imposed upon business and mercantile corporations doing business in the state, the scheme of taxation adopted by Oklahoma does not discriminate against national banking associations."

Under our statute the method of taxing financial, mercantile, manufacturing and business corporations differs from the method used for national and state banks, trust companies and savings and loan associations but it does not appear that there is any discrimination against national banking associations, especially when the entire Alaska

scheme of taxation is considered.

However, there appears to be a serious defect in our present statute. The measure of the tax upon national and state banks, trust companies and savings and loan associations is two per cent (2%) upon the net income of each such taxpayer, computed as required under the Internal Revenue Code of the United States. Net income as computed under the Internal Revenue Code includes interest from federal bonds but does not include interest from state and municipal bonds. See 26 U.S.C., § 103 (1958 ed.). A state tax which results in discrimination against the securities of the United States is invalid.

A Pennsylvania statute imposed a tax on the shares of a trust company. The measure of the tax was the value of the net assets less the amount invested in stock of certain Pennsylvania corporations. The United States Supreme Court in Schuylkill Trust Co. v. Pennsylvania, 296 U.S. 113 (1935) held this tax to be invalid. The court said:

"If the tax is lifted from the shares of certain trust companies because those companies own only stocks already taxed or relieved from taxation by the state, and shares in other trust companies are taxed amongst whose assets there are United States Bonds or other securities entitled to exemption because issued by federal instrumentalities, which are figured in the base of the tax, it is impossible to avoid the conclusion that the law discriminates in favor of the former and against the latter solely by reason of ownership of such federal securities."

In Fidelity and Guarantee Fire Corporation v. Lesser, 172 Md. 652, 193 Atlantic 164, 167 (1937) the court referred to the Schuylkill opinion and said:

"The quoted portion of the Schuylkill opinion seems to declare that the state, in valuing the stock of the corporation for purposes of taxation, cannot exempt any of its securities, whether tax exempt or not, when amongst its assets are national bank stocks of federal securities unless they also are exempted, in which event the local tax exempt property or securities would also be exempted. In other words, the federal policy seems to be with respect to the taxing of shares in domestic corporations owning national bank shares, federal securities, tax exempt or already taxed shares, to tax all or omit the na-

tional bank stocks and federal securities."

In Peter Kiewit Sons Co., v. County of Douglas, 161 Neb. 93, 72 N.W.2d 415 (1955) a state tax resulting in discrimination against United States securities was also declared to be invalid.

The leading case on this problem is Commissioner v. Curtis Publishing Co., 363 Pa. 299, 69 A.2d 410 (1949). In that case the court dealt with a statute very much similar to our own. The state imposed a franchise tax on the net income of the corporation for the privilege of doing business in the state. Net income was defined as net income for the calendar year or fiscal year as returned to, and ascertained by the federal government. The court pointed out that net income as determined for the federal income tax included interest from federal obligations but did not include interest from state obligations. The court held this statute was invalid as it discriminated against the obligations of the federal government. After an exhaustive review and analysis of leading cases on state taxation of national banks the court said:

"No case has been brought to our attention and we have found none in which the United States Supreme Court has upheld any tax imposed by a state if that tax discriminated either directly or indirectly against the securities of the United States."

The computation of net income under our statute is the same as net income computed under the Internal Revenue Code. This computation omits interest from state and municipal obligations. If the banks are required to include federal bond interest, as is required under the Internal Revenue Code, the tax on such interest may be held to result in discrimination against the securities of the United States and invalid for the same reason as the Pennsylvania statute was found invalid. While an Alaska court might reasonably arrive at a different conclusion we are nevertheless of the opinion that federal bond interest should not be included in the computation of net income for the purposes of this tax.

*This was done
G.M.A. 5/1/60*

It is believed that our statute should be amended to require the addition of interest from state and municipal bonds. With this amendment it is believed that the state may impose a tax upon the net income of the banks computed as required under the Internal Revenue Code and include in that computation interest from federal obligations. A copy of the draft of a proposed amendment to this statute is submitted with this memorandum for your consideration. This draft also strikes the net operating loss deduction which can now be claimed by

The Honorable Peter Gatz
Commissioner of Revenue

February 29, 1960
-8-

banks.

Very truly yours,

JOHN L. RADER
ATTORNEY GENERAL

By

Robert C. Lowe
Robert C. Lowe
Legal Assistant

RCL:lb
Encl.



Public Law 91-156
91st Congress, H. R. 7491
December 24, 1969

An Act

83 STAT. 434

To clarify the liability of national banks for certain taxes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

§ 1. Temporary amendment of section 5219, Revised Statutes

National banks.
Taxation by
States.

(a) Section 5219 of the Revised Statutes (12 U.S.C. 548) is amended by adding at the end thereof the following:

"5. (a) In addition to the other methods of taxation authorized by the foregoing provisions of this section and subject to the limitations and restrictions specifically set forth in such provisions, a State or political subdivision thereof may impose any tax which is imposed generally on a nondiscriminatory basis throughout the jurisdiction of such State or political subdivision (other than a tax on intangible personal property) on a national bank having its principal office within such State in the same manner and to the same extent as such tax is imposed on a bank organized and existing under the laws of such State.

"(b) Except as otherwise herein provided, the legislature of each State may impose, and may authorize any political subdivision thereof to impose, the following taxes on a national bank not having its principal office located within the jurisdiction of such State, if such taxes are imposed generally throughout such jurisdiction on a nondiscriminatory basis:

"(1) Sales taxes and use taxes complementary thereto upon purchases, sales, and use within such jurisdiction.

"(2) Taxes on real property or on the occupancy of real property located within such jurisdiction.

"(3) Taxes (including documentary stamp taxes) on the execution, delivery, or recordation of documents within such jurisdiction.

"(4) Taxes on tangible personal property (not including cash or currency) located within such jurisdiction.

"(5) License, registration, transfer, excise, or other fees or taxes imposed on the ownership, use, or transfer of tangible personal property located within such jurisdiction.

"(c) No sales tax or use tax complementary thereto shall be imposed pursuant to this paragraph 5 upon purchases, sales, and use within the taxing jurisdiction of tangible personal property which is the subject matter of a written contract of purchase entered into by a national bank prior to September 1, 1969.

"(d) As used in this paragraph 5, the term 'State' means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, and Guam."

"State."

(b) The amendment made by subsection (a) of this section shall be effective from the date of enactment of this Act until the effective date of the amendment made by section 2(a) of this Act.

Effective
date.

§ 2. Permanent amendment of section 5219, Revised Statutes

(a) Section 5219 of the Revised Statutes (12 U.S.C. 548) is amended to read:

"Sec. 5219. For the purposes of any tax law enacted under authority of the United States or any State, a national bank shall be treated as a bank organized and existing under the laws of the State or other jurisdiction within which its principal office is located."

(b) The amendment made by subsection (a) becomes effective on January 1, 1972.

Effective
date.

(over)

§ 3. Saving provision

(a) Except as provided in subsection (b) of this section, prior to January 1, 1972, no tax may be imposed on any class of banks by or under authority of any State legislation in effect prior to the enactment of this Act unless

(1) the tax was imposed on that class of banks prior to the enactment of this Act, or

(2) the imposition of the tax is authorized by affirmative action of the State legislature after the enactment of this Act.

(b) The prohibition of subsection (a) of this section does not apply to

(1) any sales tax or use tax complementary thereto,

(2) any tax (including a documentary stamp tax) on the execution, delivery, or recordation of documents, or

(3) any tax on tangible personal property (not including cash or currency), or for any license, registration, transfer, excise or other fee or tax imposed on the ownership, use or transfer of tangible personal property,

imposed by a State which does not impose a tax, or an increased rate of tax, in lieu thereof.

§ 4. Study by Board of Governors of the Federal Reserve System

(a) The Board of Governors of the Federal Reserve System (hereinafter referred to as the "Board") shall make a study to determine the probable impact on the banking systems and other economic effects of the changes in existing law to be made by section 2 of this Act governing income taxes, intangible property taxes, so-called doing business taxes, and any other similar taxes which are or may be imposed on banks. In conducting the study the Board shall consult with the Secretary of the Treasury and appropriate State banking and taxing authorities.

(b) The Board shall make a report of the results of its study to the Congress not later than December 31, 1970. The report shall include the Board's recommendations as to what additional Federal legislation, if any, may be needed to reconcile the promotion of the economic efficiency of the banking systems of the Nation with the achievement of effectiveness and local autonomy in meeting the fiscal needs of the States and their political subdivisions.

Approved December 24, 1969.

Report to
Congress.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-290 (Comm. on Banking & Currency) and No. 91-728 (Comm. of Conference).

SENATE REPORT No. 91-530 (Comm. on Banking & Currency).

CONGRESSIONAL RECORD, Vol. 115 (1969):

July 17: Considered and passed House.

Nov. 21: Considered and passed Senate, amended.

Dec. 10: House agreed to conference report.

Dec. 12: Senate agreed to conference report.

§§ 542-547. Omitted.

Historical Note

Redemption. Section 542, Act Mar. 14, 1901, c. 41, § 13, 31 Stat. 40, related to tax on circulating notes secured by 2 per centum bonds.

Section 543, Act Dec. 21, 1905, c. 3, § 1, 34 Stat. 3, related to tax on circulating notes secured by Panama Canal 2 per centum bonds and rights and privileges of such bonds.

Section 544, R.S. § 5215; Act Mar. 3, 1902, c. 121, § 1, 22 Stat. 488, related to 1 per cent yearly return of circulation.

Section 545, R.S. § 5216; Act Mar. 3, 1902, c. 121, § 1, 22 Stat. 489, related to penalty for failure to make return.

Section 546, R.S. § 5217, related to enforcing tax on circulation.

Section 547, R.S. § 5218; Act June 10, 1902, c. 13, § 304, 42 Stat. 24, related to regarding excess tax.

Repeals. Effective July 1, 1935, the permanent appropriation provided for in

former section 517 of this title was repealed by Act June 28, 1934, c. 756, § 2, 48 Stat. 1226, such act authorizing in lieu thereof, an annual appropriation from the general fund of the Treasury. See section 725a (b) of Title 31, Money and Finance.

Redemption of Bonds; Termination of Circulating Notes. In a communication from the Treasury Department dated February 17, 1941, it was stated: "The Secretary of the Treasury called for redemption the only outstanding issues of United States bonds bearing the circulation privilege as follows:

"2% Consols of 1930, as of July 1, 1935,
"2% Panama Canal bonds of 1916-30,
and

"2% Panama Canal bonds of 1918-33, as of August 1, 1935.

"The retirement of these issues automatically put an end to National Bank note circulation and the collection of the tax thereon."

NATIONAL BANK SHARES

§ 548. State taxation:

The legislature of each State may determine and direct, subject to the provisions of this section, the manner and place of taxing all the shares of national banking associations located within its limits. The several States may (1) tax said shares, or (2) include dividends derived therefrom in the taxable income of an owner or holder thereof, or (3) tax such associations on their net income, or (4) according to or measured by their net income, provided the following conditions are complied with:

1. (a) The imposition by any State of any one of the above four forms of taxation shall be in lieu of the others, except as hereinafter provided in subdivision (c) of this clause.

(b) In the case of a tax on said shares the tax imposed shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State coming into competition with the business of national banks: *Provided*, That bonds, notes, or other evidences of indebtedness in the hands of individual citizens not employed or engaged in the banking or investment business and representing merely personal investments not made in

competition with such business, shall not be deemed moneyed capital within the meaning of this section.

(c) In case of a tax on or according to or measured by the net income of an association, the taxing State may, except in case of a tax on net income, include the entire net income received from all sources, but the rate shall not be higher than the rate assessed upon other financial corporations nor higher than the highest of the rates assessed by the taxing State upon mercantile, manufacturing, and business corporations doing business within its limits: *Provided, however,* That a State which imposes a tax on or according to or measured by the net income of, or a franchise or excise tax on, financial, mercantile, manufacturing, and business corporations organized under its own laws or laws of other States and also imposes a tax upon the income of individuals, may include in such individual income dividends from national banking associations located within the State on condition that it also includes dividends from domestic corporations and may likewise include dividends from national banking associations located without the State on condition that it also includes dividends from foreign corporations, but at no higher rate than is imposed on dividends from such other corporations.

(d) In case the dividends derived from the said shares are taxed, the tax shall not be at a greater rate than is assessed upon the net income from other moneyed capital.

2. The shares of any national banking association owned by non-residents of any State shall be taxed by the taxing district or by the State where the association is located and not elsewhere; and such association shall make return of such shares and pay the tax thereon as agent of such nonresident shareholders.

3. Nothing herein shall be construed to exempt the real property of associations from taxation in any State or in any subdivision thereof, to the same extent, according to its value, as other real property is taxed.

4. The provisions of section 5219 of the Revised Statutes of the United States as in force prior to March 25, 1926, shall not prevent the legalizing, ratifying, or confirming by the States of any tax heretofore paid, levied, or assessed upon the shares of national banks, or the collecting thereof, to the extent that such tax would be valid under said section. R.S. § 5219; Mar. 4, 1923, c. 267, 42 Stat. 1499; Mar. 25, 1926, c. 88, 44 Stat. 223.

January 24, 1973

Mr. Dick Hall
Vice President
National Bank of Alaska
Juneau Branch
123 Seward Street
Juneau, Alaska 99801

Dear Mr. Hall:

As you may be aware, House Bill 57, An Act relating to the Alaska business license tax on national banks and state banks, etc., is presently before the House Finance Committee for consideration. The committee wishes to be apprised of the attitude of the banking industry toward this bill, and has set aside the time of 8:30 a.m. on Tuesday, January 30, 1973 to hear testimony from the banking industry.

You, or whomever you wish to designate, are invited to appear at the time indicated to offer testimony.

Sincerely,

Glen K. Vernon
House Fiscal Analyst