

**ALASKA LEGISLATURE**

**2748**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

Introduced By: Mayor/Council  
Date: April 14, 2004  
Action: Amended, Adopted  
Vote: 6 Yes, 0 No

CITY OF SOLDOTNA  
RESOLUTION 2004-19

A RESOLUTION OPPOSING A STATEWIDE SALES TAX

WHEREAS, a bill is pending in the State Legislature, which proposes to institute a statewide tax on the sale, lease, rental, or use of tangible personal property and services within the state; and

WHEREAS, a state sales tax would be a statutory mandate, while almost all municipalities must seek voter approval for sales tax; and

WHEREAS, local voters have already set their sales tax at the highest rate acceptable to the community and the local economy; and

WHEREAS, an additional mandated state sales tax without voter approval would likely force communities to reduce their local sales tax rates to avoid excessive tax rates on local purchases; and

WHEREAS, many communities must have access to both a property and sales tax to provide needed services and infrastructure now and in the future; and

WHEREAS, many rural areas lack a property tax base and sales tax is their only viable option to avoid being fully dependent on the state for revenue; and

WHEREAS, state sales tax exemptions would replace local exemptions specifically crafted to encourage local business, which could cause significant loss of local revenue or disadvantage local businesses; and

WHEREAS, mandating a state sales tax on top of voter approved local sales taxes could cause potential commerce and accompanying jobs to move to the lower 48, cutting local government revenue; and

WHEREAS, additional state mandated sales tax will hurt the economic recovery of the nearly 75% of communities facing local economic downturns; and

WHEREAS, if the state adds a state sales tax, it is likely that no municipality will be able to successfully ask for a voter approved sales tax increase in the future and many communities will have no revenue options for schools and growing local needs.

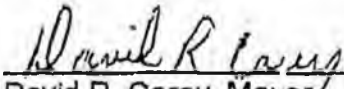
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOLDOTNA, ALASKA:

Section 1. That the City Council of the City of Soldotna, Alaska hereby opposes, in the strongest terms possible, the establishment of a statewide sales tax.

Section 2. That copies of this Resolution be sent to the Senate and House Finance Committees; Senators Gary Stevens, Gene Therriault, and Thomas Wagoner; Representatives Pete Kott, Paul Seaton, and Kelly Wolf; and the Honorable Governor Frank Murkowski upon its adoption.

Section 3. That this resolution becomes effective immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL this 14<sup>th</sup> day of April 2004.

  
\_\_\_\_\_  
David R. Carey, Mayor

ATTEST:

  
\_\_\_\_\_  
Teresa Fahning, City Clerk



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
committee name

Committee on SB 366 State Sales Tax, dated 4-22-04  
bill # / subject public hearing date

A statewide sales tax is the worst possible choice for more state revenue. It is regressive and would hit resident Alaskans the hardest. Furthermore since many boroughs and cities already have sales taxes in place, it would place an even greater burden on resident Alaskans. The only more regressive proposal is the \$100 "education" tax.

An income tax is the best way to go. Currently the legions of out-of-state workers take the money and run. They use state services and pay nothing in return. This includes oil field workers, commercial fishers (including guides), tourism workers, legions of consultants and others.

An income tax could be tailored to give credits and exemptions to either Alaskan residents or out-of-state workers who could legally take advantage of the available credits and exemptions.

The biggest problem facing Alaska is the inability of the Legislature and the Governor to come up with an honest orderly plan to downsize state government and state funded entities and programs. Any tax implemented now without honest orderly downsizing merely guarantees that when the budget crash and burn occurs it will be far worse.

If more money is available to spend it will be spent. Legions of beneficiaries of state funds will have legions of lobbyists in Juneau and in your home districts hounding you for more. Are they not already doing this? Even when we're running deficits?

Anyone who claims spending has been effectively cut has no real understanding of bureaucracies and how and why they grow and grew. Anyone who expects across the board percentage budget cuts to reduce government definitely does not understand bureaucracies.

Anyone who expects any state agency to honestly and orderly downsize itself does not understand the rational of the state salary system.

One agency did try to downsize. It was done in an orderly manner. The public screamed in some locations. Their Legislators loudly complained to the Governor. The Governor issued a wishy-washy statement and ordered the proposed downsizing stopped and issued a patronizing statement about the head of that agency. After that do you really expect anyone else to stick out their necks to get them chopped off?

The non-oil economy of Alaska cannot support the state government, state funded entities and state funded programs that plentiful oil moneys built. We're not even meeting current spending levels. In the near future, even if you used all the earnings of the Fund, it would still require a crushing tax burden to finance steadily expanding state expenditures. Of course, it will happen on somebody else's watch so who cares about the future?

Signed: William J Phillips  
Testifier

Self and future Alaskans  
Representing (optional)

35555 Spur Hwy. #294 Soldotna, AK 99669  
Address

907-283-2733  
Phone number

## 2004 FEDERAL LEGISLATIVE PRIORITIES

**1 Strong advocacy for Alaska resource development:** The key to Alaska's long-term fiscal health is a strong resource industry base. AML continues its strong advocacy for ANWR, the natural gas line, and development of the fisheries, timber, mining, and tourism industries. AML also supports the development of **stronger regional economic development organizations** to ensure that the regional infrastructure, capital, and other support are available to nurture local entrepreneurs and regional development plans.

**2 Federal Highway Funding:** AML supports continued and enhanced federal funding for the improvement of Alaska's highways, transit, trails, and sidewalks to improve quality of life, cheaper cost of living and enhanced economic development opportunities.

**3 Denali Commission:** AML supports continued and enhanced funding for the Denali Commission to provide a reasonable standard of sustainable rural community infrastructure and better economic opportunities for Alaskans.

**4 Federal Payment in Lieu of Taxes (PILT):** AML supports this program to partially offset the cost of supplying services to tax exempt federal lands and facilities. With recent state cuts to revenue sharing and municipal capital matching grants, this program has become critical to communities.

**5 Homeland security:** AML supports continued efforts to provide direct federal support of local public safety services, technical improvements to allow federal, state, and local public safety agencies to communicate during an emergency, and improving TSA services in Alaska, especially local hire and training.

**6 Unfunded Federal Mandates:** AML opposes unfunded federal mandates, such as the unfunded "No Child Left Behind" education program.



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**ALASKA MUNICIPAL  
LEAGUE**

**ALASKA CONFERENCE  
OF MAYORS**

**2004  
LEGISLATIVE  
PRIORITIES**

SB 366

Provided 3/29/04

# 2004 STATE LEGISLATIVE PRIORITIES

**1** **Adopt a long-range fiscal plan this year to avoid negative impacts on Alaska's economy and communities.** In light of deep state budget cuts impacting communities and state budget discipline, the AML supports a full public discussion of all potential state government revenue options to provide an adequate, reasonable and stable revenue base for Alaska, including:

**a.** **The use of some earnings of the Permanent Fund to pay for public services while maintaining a growing PFD.** AML supports consideration of a Percent of Market Value (POMV) management of the Fund as advocated by the Permanent Fund Trustees. This approach can protect and inflation-proof the Fund, maintain a growing PFD, and help balance the state budget.

**b.** **The AML urges the Legislature to explore a Community Dividend** to be funded by a portion of the earnings of the Permanent Fund (in addition to the individual PFD) and controlled by communities/local voters to provide needed local infrastructure and public services such as education and public safety. This concept can be used in conjunction with the POMV management of the Permanent Fund.

**c.** **If needed, consideration of a low state income tax while maintaining local control of sales tax:** AML continues its opposition since statehood to State pre-emption of local sales tax rates, administration, and exemptions due to the long-term negative impacts on communities, local taxpayers, and businesses.

**d.** **Other revenue:** Alaska, like other states, should also debate and implement a variety of other reasonable state excise and industry taxes and user fees to provide a more stable and broad-based revenue plan for Alaska.

**2** **Continued strong advocacy for Alaska resource development:** The key to Alaska's long-term fiscal health is a strong resource industry base. AML continues its strong advocacy for ANWR, the natural gas pipeline, and development of the fisheries, timber, mining, and tourism industries. AML also supports the development of strong **regional economic development organizations** to ensure that the regional infrastructure, capital, and other support are available to nurture local entrepreneurs and regional development plans.

**3** **Opposition to State unfunded mandates on local taxpayers:** AML supports legislation prohibiting unfunded state mandates on local taxpayers, and the adoption of a **municipal fiscal note** for all legislative and administrative actions. State budget cuts that directly or indirectly shift state services and revenue problems to local taxpayers are a rapidly accelerating problem. Currently, Alaska is one of only eight states that do not protect local taxpayers with a **municipal fiscal note** to allow the identification and debate of the impact of legislative and administrative actions on communities and local taxpayers.

## **Strong Cities and Boroughs The Foundation of Alaska**

*The League of Alaskan Cities was organized in 1950 at the advent of statehood and became the Alaska Municipal League in 1962 when boroughs joined the League.*

*The Alaska Municipal League (AML) is a voluntary, nonprofit, nonpartisan, statewide organization of over 140 cities, boroughs, and unified municipalities in Alaska, representing over 98 percent of Alaskan residents. AML is committed to maintaining and supporting Alaska's local governments and local government leaders. The League provides technical assistance, training, legislative advocacy and information to its members.*



# State Sales Tax

## Issue Primer

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Alaska Municipal League  
March, 2004

## Executive Summary

### 1. **Many states have state sales tax, but at statehood Alaska gave sales tax authority to its communities because: (See pages 4-5)**

- Alaska's constitution designed the strongest communities in the U.S., **but without a major revenue source, local control guarantees are meaningless.** Most mid-size to larger communities, like Juneau, Ketchikan, Kodiak, Kenai, etc. must have access to both a property and sales tax to provide needed services and infrastructure now and in the future.
- Alaska's vast rural areas lack a property tax base because much of the land is federal or state owned. Therefore, **sales tax is the only viable local option to avoid making Alaska's rural communities fully dependent on the state for revenue;** (See page 9)
- **Variations in Alaska's cost of living** are far greater than any other state, therefore a state sales tax is unfair because it requires paying higher state sales taxes depending on where an item is purchased; (See page 10)

### 2. **Mandating a State Sales Tax on top of voter approved local sales taxes will push additional commerce and jobs to the lower 48 states, and cut local government revenue:**

- Out of state and internet purchases will become a greater problem for Alaska business as sales taxes increase to the highest levels in the U.S. for many communities in Alaska. **Note:** Even though the maximum sales tax rate in the U.S. is 11% in Alabama, the average sales tax rate in Alabama is 7% to 8% according to Alabama officials. (See pages 6-7 and 14-15)
- **Additional state mandated sales tax will hurt the economic recovery of the nearly 75% of communities facing local economic downturns.** (Alaska Municipal League Municipal Fiscal Conditions Survey, March 2004).
- Local sales tax exemptions and rules have been carefully developed since statehood in each community to encourage local commerce and industry. They are **complex and different** because Alaska's communities and economies are different. Mandated statewide "one size fits all" rules and exemptions will further hurt local economies and revenues. (See pages 16-24)

**3. A legislatively mandated state sales tax will out-compete voter approved local sales taxes – Many communities will have no revenue options for schools and other growing local needs:**

- Voters in Alaska's communities have already set local sales tax rates as high as the economy and voters feel is appropriate. It is likely that voters in many communities will reduce local sales taxes because they cannot reduce the state sales tax. (See pages 6-7)
- If the state adds a state sales tax, it is likely that no municipality will be able to successfully ask for a voter approved sales tax increase in the future for capital projects or other local needs.
- The state sales tax is likely to rise in the future. According to the National Conference of State Legislatures, "The sales tax has been a stable state revenue source, although rate increases have been necessary to preserve its share of the state revenue mix." (See page 11)
- Local sales and property taxes are already high – nearly One Billion Dollars in 2003. To have a balanced fiscal plan for Alaska, the State should focus on untapped revenues – use of some Permanent Fund earnings, or a state income tax. (See page 8). The average sales tax rate in the U.S. is 6.25%, if a 4% state sales tax is added, 68 municipalities that now have sales tax would be above the national average and Wrangell would have the highest sales tax in the U.S. (See pages 6-7, 14-15)

**4. If Alaska needs a broad-based tax, and state income tax simply beats a state sales tax:**

- The University of Alaska estimates that a \$250 million state sales tax would cost Alaska at least an additional 2,325 jobs in the private sector, many more than an income tax. Use of Permanent Fund earnings under a "percent of market value approach" while maintaining a PFD would cost no jobs. (See page 12)
- 7% to 10% of a state sales tax would be paid by out of state residents, while 22% to 25% of a state income tax would be paid by out of state residents and the federal IRS in tax deductions, according to the University of Alaska and Department of Revenue (2002). (See page 13)
- According to the National Conference of State Legislatures, "The personal income tax is a reliable and stable source of state revenue...The responsiveness of the income tax to economic growth also helps explain why state income tax reliance has increased over time." (See page 11)

## Alaskan Sales Tax Issues Background

- ❖ **Alaska is unique and requires unique solutions:** While many states have state sales taxes, Alaska has given sales tax authority only to its cities and boroughs because of Alaska's unique conditions. Alaska is unique because:
  - Alaska's **wide range of cost of living** across the state makes a statewide sales tax inequitable and unfair. Under a statewide sales tax, residents in different parts of Alaska would have to pay as much as three times the amount of state sales tax to purchase something as simple as a glass of milk for a child.
  - Alaska's vast **rural areas lack a sufficient property tax base** in private ownership to establish property taxes. Therefore, sales tax is the only major local revenue source for the majority of Alaska's communities.
  - Alaska's Constitution has the strongest local control provisions of any state and guarantees "maximum local self-government." **Without a major revenue source, constitutional local control guarantees are meaningless.**
  - Alaska's communities have built **very different sales tax systems that work for their specific local economy.**
  - State imposition of an additional 4% (**giving some municipalities the highest sales tax rates in the U.S.**), preemption of local sales tax exemptions, rules, and collection **will increase out of state and internet purchases and reduce local tax revenues.**
- ❖ Alaska has 94 municipalities that depend on general local sales taxes. Current local tax rates are:

<u>Sales Tax Rate</u>	<u>Number of Municipalities</u>	
	<u>1999</u>	<u>2003</u>
7 %	1	1
6 %	3	6
5% or 5.5%	11	18
4% or 4.5%	12	11
3% or 3.5%	37	30
2 %	31	25
1% or 1.5%	3	3

- ❖ According to the 2003 "Alaska Taxable", General Sales Taxes provided \$132,839,856, and Special Sales Taxes (on fish, hotel beds, alcohol, tobacco, etc.) provided \$43,734,035 to operate municipal services. (Total 2003 Sales Tax = \$176,537,891)

## Issues concerning the creation of a State sales tax:

- ❖ Conflicts with local sales tax exemptions: Municipalities have their own exemptions designed for the local economic needs. (See attached summary of municipal sales tax exemptions on pages 14-18) A state sales tax would require standard exemptions that would necessarily conflict with the local exemptions. If the State requires municipalities to conform to the State's exemptions, huge local revenue losses would likely occur. (Note: while current sales tax proposals have limited exemptions, it is highly likely that industry proposals will arise and put intense pressure on the legislature to expand exemptions.)
- ❖ Total State/Local Sales Taxes would be too high: Municipal sales taxes vary from 1% to 7%. A State general sales tax on top of local sales taxes would almost certainly require many municipalities to lower the local sales tax and raise property taxes. In many small municipalities, there is practically no local property tax base, so there is no practical revenue alternative.
- ❖ Forestall future growth in municipal sales taxes: If a State sales tax is created, it will almost certainly forestall any increase in local sales tax rates to meet capital needs or to finance unfunded state or federal mandates.
- ❖ Federal Internet Sales Tax Exemption: Some feel that if the State of Alaska took control of sales tax away from municipalities, the state could collect sales tax on out of state and internet purchases, and thereby raise additional revenue. There are two bills in Congress on this topic: One bill calls for an additional two year moratorium before any decision is made: the other calls for a permanent exemption for internet and out of state sales.

## A 4% State Sales Tax could take millions away from municipalities, send more local business to lower 48

(Data from "Alaska Taxable" 2002-2003 DCED, Office of the State Assessor)

### Summary of Sales Taxes in Alaska:

- 94 cities and boroughs have **general** sales taxes on good and services.
- 52 cities and boroughs have **special** sales taxes on hotels, alcohol, tobacco, etc.
- 114 cities and boroughs have a **general or special or both** types of sales tax.

### Impact Narrative:

- **State Sales tax would be a statutory mandate, while almost all municipalities must seek voter approval for sales tax.** Local voters have already set their sales tax at the highest rate acceptable to the community and the local economy. High sales taxes hurt local businesses. Therefore, an additional mandated 4% state sales tax without voter approval would likely force communities to reduce their local sales tax rates by up to 3% to avoid excessive tax rates on local purchases.
- **State Sales Tax Exemptions would replace local exemptions specifically crafted to encourage local business.** Loss of local control of exemptions could cause significant loss of local revenue or disadvantage local businesses.

<u>Municipality</u>	<u>Current Rate</u>	<u>With State 4%</u>	<u>If Munis Lose 3%</u>
• Wrangell	7%	11%	\$807,000
• Cordova	6%	10%	\$1,174,000
• Kodiak	6%	10%	\$3,570,000
• Kotzebue	6%	10%	\$1,220,000
• <b>Seward*</b>	<b>6%</b>	<b>10%</b>	<b>\$2,197,000</b>
• Petersburg	6%	10%	\$1,152,000
• <b>Dillingham</b>	<b>6%</b>	<b>10%</b>	<b>\$1,030,000</b>
• Ketchikan City*	5.5%	9.5%	\$5,951,000
• Klawock	5.5%	9.5%	\$258,000
• Haines Borough	5.5%	9.5%	\$1,033,000
• Homer*	5.5%	9.5%	\$2,968,000
• Sitka	5%	9%	\$3,826,000
• Juneau	5%	9%	\$17,271,000
• Bethel	5%	9%	\$2,516,000
• Soldotna*	5%	9%	\$4,827,000
• Kenai*	5%	9%	\$3,809,000
• <b>Thorne Bay</b>	<b>5%</b>	<b>9%</b>	<b>\$91,000</b>
• Seldovia*	4%/6.5%	8%/10.5%	\$73,000
• Craig	5%	9%	\$786,000
• Aleknagik	5%	9%	\$22,000
• Clarks Point	5%	9%	\$18,000

(Note: Cities or boroughs in **bold** increased local sales tax since 2001)

(\* Includes total City and Borough General Sales Tax Rates)

• Hoonah	5%	9%	\$211,000
• Kake	5%	9%	\$100,000
• Kwethluk	5%	9%	\$56,000
• Unalakleet	5%	9%	\$146,000
• Skagway	4%	8%	\$2,331,000
• Alakanuk	4%	8%	\$84,000
• Hooper Bay	4%	8%	\$190,000
• Hydaburg	4%	8%	\$8,500
• <b>Nenana</b>	<u>4%</u>	<u>8%</u>	<b>\$94,000</b>
• Nome	4%	8%	\$1,917,000
• Marshall	4%	8%	\$47,000
• Pelican	4%	8%	\$43,000
• Pilot Station	4%	8%	\$35,000
• Port Alexander	4%	8%	\$6,000
• St Michael	4%	8%	\$54,000
• Yakutat	4%	8%	\$480,000
• <b>Saxman</b>	<u>3.5%</u>	<u>7.5%</u>	<b>?</b>
• North Pole	3%	7%	\$1,219,000
• Palmer	3%	7%	<u>\$2,464,000</u>
			\$64,000,000

- 3%: **Adak 3%**, Ambler, **Angoon 3%**, Brevig Mission, Chevak, Deering, Diomede, Emmonak, Fort Yukon, Galena, **Gambell 3%**, King Cove, Kotlik, Larsen Bay, **Mountain Village 3%**, **Nondalton 3%**, Noorvik, **Nunapitchuk 3%**, Ouzinkie, Quinhagak, St Mary's, Saint Paul, Sand Point, Savoonga, Selawik, Stebbins, **Teller 3%**, Unalaska, Whittier
- 2%: Aniak, Buckland, Chefornak, Eek, Elim, False Pass, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kiana, Kivalina, Koyuk, Manokotak, Mekoryuk, **Napakiak 2%**, Newhalen, Nightmute, Scammom Bay, Shaktoolik, **Shishmaref 2%**, Nunam Iqua, Shungnak, **Tanana 2%**, Togiak, Toksook Bay, Wasilla
- 1%: Tenakee Springs, **White Mountain 1%**.

(Note: Cities or boroughs in **bold** increased local sales tax since 2001)

(Note: List and figures do not include the 52 Special Sales Taxes on hotel, etc.)

## Municipal Taxpayers Must Be Considered in A Balanced State Fiscal Plan

Alaskans in municipalities already pay close to \$1 Billion per year in local property and sales taxes to pay for schools, public safety, roads, and other local services. Therefore, instead of state preemption of local sales tax authority, a **balanced state fiscal plan should focus on totally untapped revenue measures, e.g. the use of some Permanent Fund earning or a state income tax, not preemption of local sales tax authority.**

If the State decides to mandate a local sales tax, **local taxpayers in many municipalities would pay the highest sales tax rates in the U.S.** This will hurt both Alaskan taxpayers and Alaskan businesses that must compete with out of state and internet sales.

### Major Municipal Taxes 2001 and 2003

Office of the State Assessor, "Alaska Taxable," 2001 and 2003

	<u>2001</u>	<u>2003</u>
Property tax (not include oil)	\$497,339,323	\$560,869,163
Oil property in municipalities	\$214,758,724	\$220,865,409
Municipal General Sales Tax	\$125,134,493	\$132,839,856
Special Sales Tax (hotel, etc.)	<u>\$ 40,728,724</u>	<u>\$ 43,734,035</u>
<b>TOTAL</b>	<b>\$877,961,380</b>	<b>\$958,308,464</b>

## Sales Tax is the only local tax option for small communities without a significant property tax base

Even though all municipalities have property tax "authority," most do not have sufficient local property tax bases. Bethel, for example, is a large rural municipality:

- **Bethel would have to levy a 50 mill property tax**, (which is 20 mills over the current 30 mill statutory property tax limit in Alaska) to equal the revenue from its current 5% sales tax, according to estimates by the State Assessor. Bethel has a very little taxable property.
- **A property tax is not feasible in Bethel** because many residents living on federal land or in federal housing would pay nothing while their neighbors on private land would pay among the highest property rates of any city in the U.S.

Sales tax has been the key local revenue of the majority of Alaska's cities and boroughs since statehood. In almost every community, sales tax must be approved by local voters. If the state mandates state sales tax without a vote, and preempts local sales tax exemptions and rules, many cities and boroughs will have to lower or eliminate their sales taxes and become fully dependent on the state. **Without this key local revenue source communities will lose "maximum local self-government" guaranteed by our constitution.**

### Note 1: Many rural communities have only 10% to 25% of urban property taxes

For example: (Per Capita Full Values from 2001 Alaska Taxable)

Anchorage	\$69,849 per capita
Fairbanks NSB	\$59,899 per capita
Bethel (5,449 pop.)	\$17,000 per capita *
Emmonak (804 pop.)	\$8,428 per capita

### Note 2: 2001 Bethel SALES TAX Revenue (population 5,449)

General 5%	\$4,194,997
Alcohol 5%	\$65,686
Bed 3%	\$61,960
Local Fish 5%	\$80,450
Motor Vehicle Flat	\$62,251
Gaming	<u>\$406,711</u>
Total	\$4,875,025

### \* Note 3: Details on the Property Tax Estimate for Bethel

"Full and true" Assessed Value estimated by Assessor in "Alaska Taxable) is \$186,653,400 however, the State Assessor feels that actual taxable property based on exemptions (e.g. exemption for federally constructed housing) in most municipalities would be about 40 to 50% of that, or \$93,500,000. Therefore, a 10 mill property tax would yield approximately \$935,000, and a 50 mill property tax would yield about \$4,675,000.

## A State Sales Tax is Not Fair to Alaskans

Why, should a family in one part of Alaska buying milk pay far more than a family in a large city to support state government ?



A state sales tax is unfair because it is based on a percentage of the cost of goods and services. The cost of goods and services vary widely across the state. This makes a state sales tax regionally regressive due to differences in basic cost of living purchases.

For Comparison on a ½ Gallon of 2% milk (AC or Safeway/Carrs 3/22/04)

- Nuiqsut                 \$6.99
- Kaktovik                \$6.18
- Fort Yukon             \$4.49
- Kotzebue               \$3.95
- Dillingham             \$3.59
- Anchorage             \$2.65
- Fairbanks              \$2.35
- Juneau                 \$2.19

Also, for example, according to the Alaska Department of Labor "Alaska Economic Trends" in 2002 food for a family of four in Nome, Dillingham, or Bethel **cost 180% to 190% of similar purchases** in Anchorage or Fairbanks. While a family of four in Cordova pays 163%, Kodiak 143%, and Homer 138%.

On the other hand, the current municipal sales tax is fair (not regionally regressive) because everyone in the taxing area faces equal costs for goods and services.

## Comparison of State Sales Tax and State Income Tax

According to the National Conference of State Legislators (NCSL), there are "six principles that are appropriate for evaluating individual tax sources." The excerpts below are from the NCSL's "Tax Policy Handbook for State Legislators."

State Sales Tax	State Income Tax
<p><b>Reliability</b>                      "The sales tax has been a stable state revenue source, although rate increases have been necessary to preserve its share of the state revenue mix."</p>	<p><b>Reliability</b>                      "The personal income tax is a reliable and stable source of state revenue... The responsiveness of the income tax to economic growth also helps explain why state income tax revenue has increased over time."</p>
<p><b>Equity</b>                      Two primary issues dominate the debate over the equity of the sales tax. The first is regressivity, in which sales taxes claim a larger share of low-income taxpayer incomes. The second issue involves whether exemptions for certain goods and services make the sales tax inequitable."</p>	<p><b>Equity</b>                      "The personal income tax scores well on both vertical and horizontal equity... inclusion of personal income taxes in the overall mix of state taxes helps minimize the regressivity of the system."</p>
<p><b>Administration and Compliance</b>                      "Much of the administrative burden is shifted to the vendor."</p>	<p><b>Administration and Compliance</b>                      "States that link personal income tax to the federal code gain efficiency in administration and reduce compliance costs for businesses and individuals."</p>
<p><b>Interstate and International Competition</b>                      "In a competitive interstate and international marketplace, States that tax business inputs may put firms at a competitive disadvantage."                      "(States) cannot require the out of state retailer to collect and remit sales tax..."</p>	<p><b>Interstate and International Competition</b>                      "Since firms do not pay a personal income tax, this is more an intangible concern in the mind of senior executives than a direct cost of doing business."</p>
<p><b>Economic Neutrality</b>                      "States that tax services may disproportionately burden small business because larger firms may provide services (legal, accounting) in-house." "For example, States that exempt labor repairs but tax new purchases may affect decisions about whether to fix a machine or buy a new one."</p>	<p><b>Economic Neutrality</b>                      "State income taxes may be a factor in decisions about work effort, but they probably are not the deciding factor for most taxpayers."</p>
<p><b>Accountability</b>                      "Most taxpayers are unaware of the total annual sales tax burden."</p>	<p><b>Accountability</b>                      "The personal income tax is the most visible tax paid by individuals."</p>
<p><b>Additional Issues</b>                      "...Congress repealed the federal income tax deduction for sales taxes..."</p>	<p><b>Additional Issues</b>                      "The state income tax can be claimed as an itemized deduction ... This deduction reduces the effective state tax rate by up to 40 percent for taxpayers in the highest federal tax bracket."</p>

Source: "Tax Policy Handbook for State Legislators" by the National Conference of State Legislatures, December 1997 pp.9-18.

## Estimated Economic Impacts of Budget Balancing Options

Based on \$250 million in cuts or new revenue  
(University of Alaska – Institute of Social and Economic Research, 7/03)

- **State Budget Cuts – 4,650 estimated job loss** due to both direct and indirect job loss. Budget cuts can double the job loss versus taxes due to direct loss of eliminated government jobs, plus secondary loss of jobs from less money spent on goods and services throughout the economy.
- **State Sales Tax – 2,325 estimated job loss** due to indirect job loss only. Taxes have only secondary job loss because taxes mean a little less income for each household, i.e. no jobs are directly eliminated. **In addition to job loss calculated above**, community job loss would also occur from the loss of sales in Alaska due to competition with tax-free internet sales.
- **State Income Tax – 1,875 estimated job loss.** Indirect job loss only, but significantly lower than state sales tax because 23% to 25% of the income tax is paid by out of state workers and IRS deductibility. Also, an income tax does not add to the cost of goods and services so there is no additional Alaska job loss due to the incentive to purchase more goods and services over the internet or from out of state.
- **Use of PF Earnings – 0 estimated job loss** If voters approve 5% POMV, maintain PFD's at \$1000 (higher than estimated for next year), & use up to \$600 million for state/municipal support. Use of Permanent Fund Earnings, under a POMV (Percent of Market Value) fund management system, does not take any money out of the economy so there are no direct or indirect job losses. In fact, for at least the next two years it would add money to Alaska's economy through higher PFDs.

## Is a State Sales Tax or Income Tax best for Alaskans?

### Who Pays?

## Which best captures non-resident & out of state revenue?

According to separate studies by the University of Alaska Institute of Social and Economic Research and the Alaska Department of Revenue in 2002, a state sales tax costs Alaskans significantly more than other major taxes.

### **Here are the results:**

	<b>% paid by Non-Residents</b>	<b>% paid by Non-Residents + IRS deduction</b>
	<u>Sales Tax</u>	<u>Income Tax</u>
<b>By U of A – ISER</b>	<b>7%</b>	<b>25%</b>
<b>By AK Dept of Revenue</b>	<b>10%</b>	<b>22%</b>

### **Narrative:**

While both a sales and income tax can collect tax from out of state wage earners working in Alaska, federal deductibility of state income tax benefits Alaskans. **State income tax is deductible from federal income tax, sales tax is not.** That means that the federal government essentially subsidizes the state income tax by allowing Alaskans to pay less federal income tax.

What does it mean? For Example, using the higher U of A estimates:

If the State needs \$300 million in revenue:

- **Sales tax:** \$279 million from Alaskans, **\$21 million by non-residents**
- **Income tax:** \$225 million from Alaskans, **\$75 million by non-residents & IRS**
- **Savings to AK** \$ 54 million Saved by state income tax (\$86 less per Alaskan/year)

## U.S State and Local Sales Taxes

**Note by Alaska Municipal League:** The "maximum rate" in the Federal Tax Administrators chart below is footnoted as applying to "at least one jurisdiction" is misleading. For example, Alabama is shown as having a maximum rate of 11%, the average combined state and local sales tax is 7% to 8%. Only one county in the U.S. has a rate of 11%.

According to the Sales Tax Clearinghouse (<http://theste.com/STRates.stm>):  
What is the average sales tax nationally?

The average sales tax across the nation is 6.25%, including all county and city taxes.

<p>Louisiana, Tennessee, and Washington have the dubious distinction of having the <u>highest average sales tax rates</u> in the nation, of 8.25% or more.</p>	<p>Delaware, Montana, New Hampshire, and Oregon have <u>no sales taxes</u> at all.</p>
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Arab, AL (Cullman County) has the highest combined rate of 11%, while many locations in AL, LA, and OK have combined rates of 9% or more. Chicago has the highest combined rate for a metropolitan area at 8.75%.

### Federation of Tax Administrators - Comparison of State and Local Retail Sales Taxes January 2004

\*\*Added below in states with the highest maximum sales tax rates are the actual total sales tax rates for 12 counties in each state listed in the "Sales Tax Clearinghouse" site.

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4.00	7.00	11.00 **(2 at 7%, 9 at 8%, 1 at 8.5%)
Alaska	T	---	7.00 [3]	7.00
Arizona	E	5.60	4.50	10.10 **(2 at 7.1% to 7.8%, 10 at 8.1% to 8.8%)
Arkansas	T	5.125	5.50	10.625 **(4 at 8% to 8.7%, 4 at 9%, 1 at 10%, 1 at 10.5%, 1 at 10.75%)
California	E	6.00	2.75	8.75
Colorado	E	2.90	7.00	9.90 **(11 at 3.15% to 7.5%, 1 at 8.15%)
Connecticut	E	6.00	---	6.00
District of Columbia	E	5.75	---	5.75
Florida	E	6.00	1.50	7.50
Georgia	E	4.00	3.00	7.00
Hawaii	T*	4.00	---	4.00
Idaho	T*	6.00	3.00	9.00
Illinois	T**	6.25	3.00	9.25

Indiana	E	6.00	---	6.00
Iowa	E	5.00	2.00	7.00
Kansas	T*	5.30	3.00	8.30
Kentucky	E	6.00	---	6.00
Louisiana	E [4]	4.00	6.25	10.25
				** (7 at 7.5% to 8%, 5 at 8.5% to 9%)
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Michigan	E	6.00	---	6.00
Minnesota	E	6.50	1.00	7.50
Mississippi	T	7.00	0.25	7.25
Missouri	T**	4.225	4.5	8.725
Nebraska	E	5.50	1.50	7.00
Nevada	E	6.50	1.00	7.50
New Jersey	E	6.00	---	6.00
New Mexico	T	5.00	2.25	7.25
New York	E	4.25	4.50	8.75
				** (9 at 7%, 2 at 7.5%, 1 at 8.65%)
North Carolina	E [4]	4.50	3.00	7.50
North Dakota	E	5.00	2.50	7.50
Ohio	E	6.00	2.00	8.00
Oklahoma	T	4.50	6.00	10.50
				** (9 at 7% to 8.5%, 3 at 8.85% to 9%)
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T**	5.00	2.00	7.00
South Dakota	T*	4.00	2.00	6.00
Tennessee	T	7.00	2.75	9.75
Texas	E	6.25	2.00	8.25
Utah	T	4.75	2.25	7.00
Vermont	E	6.00	1.00	7.00
Virginia	T**	3.50	1.00	4.50
Washington	E	6.50	2.40	8.90
West Virginia	T	6.00	---	6.00
Wisconsin	E	5.00	1.00	6.00
Wyoming	T*	4.00	2.00	6.00

**\*\* Added above in states with the highest maximum sales tax rates are the actual total sales tax rates for 12 counties in each state listed in the "Sales Tax Clearinghouse" site.**

[1] Food purchased for consumption off-premises.

[2] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

[3] Alaskan cities and boroughs may levy local sales taxes from 1% to 6%. (AML NOTE: Incorrect)

[4] Food exempt from state tax, but subject to local taxes.

\* Income tax credit allowed to offset sales tax on food.

\*\* Food taxed at lower rate.

Source: Compiled by the Federation of Tax Administrators from various sources.

## Municipal Sales Tax Exemptions Definitions (1999)

- **Causal Sales** A casual and isolated sale not made in the regular course of business is exempt
- **Dues and Fees** Dues and fees paid to clubs, labor unions and fraternal organizations are exempt.
- **Gov't Prohibitions** A sale which the municipality is prohibited from taxing under the Constitution and laws of the United States or the Constitution of the state of Alaska is exempt
- **Gov't Agency** A sale directly to the United States government, the state of Alaska and its political subdivisions, the city and borough, or any departments thereof, is exempt. A sale made to a contractor to be utilized in the manufacture and production of property for sale to an agency of any of the above governments under a cost plus contract is taxable as the contractor is deemed the consumer. A sale to a government contractor, which does not become a physical part of the property being constructed for any of the above governments is taxable.
- **Funeral** Sale of cemetery plots, caskets, funeral and burial related items and services by a funeral home.
- **Medical** Medical, dental, hospital, and veterinary services are exempt. The sales of hearing aides and medicinal preparations when prescribed by a licensed practitioner are exempt. Medical, dental, hospital, and veterinary services do not include services rendered by chiropractors, barbers, cosmeticians, masseurs, nor do they include the clipping, grooming or boarding of animals.
- **Newspapers & Pubs.** The sale of daily newspapers to a consumer is exempt
- **Nonprofits Charitable Org.** Sales made by nonprofit charitable organizations which do not have paid employees and which do not keep normal business hours are exempt.
- **Student Transportation** The service of transporting students to and from a school in vehicles is exempt.
- **Food Stamps** Sales of goods made with food coupons, food stamps, or other type of certificate issued under the Food Stamp Act or Special Supplemental Food Program for Women, Infants, and Children.
- **Food at Schools** The sale of food and beverages to the public in high school or college cafeterias or lunchrooms which are operated primarily for teachers and students and not for profit is exempt.

- **Residential Rentals** Residential rentals other than rentals to transients who occupy or rent a suite, room or rooms in a hotel-motel for fewer than thirty consecutive days for the purpose of habitation.
- **Utilities** Sales of electricity, water/sewer, or services provided by the city.
- **Child Care** The sale of child care services is exempt.
- **Freight & Wharfage** Freight and wharfage charges, whether arising out of foreign, interstate or intrastate commerce, are exempt. Warehouse and storage services are taxable.
- **Insurance** The sale of insurance policies, guaranty bonds and fidelity bonds are exempt.
- **Banking Services** Services associated with any deposit accounts, including service fees, NSF fees, fees for the purchase of bank checks, money orders, travelers checks, loan fees, pass-through charges on loan transactions, services associated with the sale, exchange or transfer of currency, stocks, bonds and other securities.
- **Manufacturing and Contracting** A sale to a manufacturer or contractor is exempt if the article becomes a physical part of a manufactured product or structure which when sold is subject to this tax. A "physical part of a manufactured product or structure" means that the article must be easily and readily identifiable in the manufactured article or the structure, as the case may be.
- **Catalog Sales** Sales of goods resulting from orders received from outside a city by mail, telephone or other similar public communication where delivery of the property ordered is made outside the city by mail or common carrier.
- **Games of Skill & Chance** Sales of lottery tickets and other forms of games of skill and chance
- **Other** Salaries, Veteran's Org., Drugs, Travel and Adventure Services, Arts & Crafts, lobbying, ATV's, Boats, Counseling, Animal Food, Advertising, Jet Fuel, Printing Services outside of city, Personal Property, Video Games, etc.

**Municipal Sales Taxes And Exemptions (Compiled in 1999)**

Municipalities	Mun. of Anchorage	Fairbanks NS Borough	City of Fairbanks	City of North Pole	Mat-Su Borough	City of Palmer	City of Wasilla	City of Houston	Kenai Borough	City of Kenai	City of Soldotna	City of Homer	City of Seward	City of Seldovia	C/B of Juneau
Population	258,782	83,928	31,601	1,619	55,747	4,318	5,134	939	48,815	7,058	4,134	4,155	3,040	281	30,684
<b>Special Sales Taxes:</b>															
Bed Tax	8%	8%	8%		5%	5%	5%	5%					4%		7%
Raw Fish															
Liquor			5%												3%
Tobacco	15%		8%	8%											6%
Other															
<b>General Sales Tax</b>				3%		3%	2%		2%	3%	3%	3.5%	3%	3%	5%
<b>Exemptions:</b>									Same as Kenai Peninsula Borough						
Seniors (age)				65											65
Sales Tax Cap (amt)						\$500									
Casual Sales				x		x			x						x
Dues & Fees				x		x			x						x
Gov't Prohibitions						x			x						x
Gov't Agencies				x		x			x						x
Funeral						x			x						x
Medical				x		x			x						x
Newspapers & Pubs.				x		x			x						x
Nonprofits						x			x						x
Student Trans.						x									x
Food Stamps, WIC				x		x			x						
Food at Schools				x		x			x						x
Res. Rentals				x											x
Utilities						x									
Child Care															x
Freight & wharfage									x						
Insurance				x											x
Banking Services				x					x						x
Manufacturing															
Catalog Sales															x
Sale of Real Property															
Real Estate Fees				x		x									
Construction									x						
Resale Items									x						
Wholesale Items															x
Fuels															
Arts & Crafts															
Birgo															
Pull Tabs															
Other				x		x			x						x

Municipal Sales Taxes And Exemptions (Compiled in 1999)

Municipalities	Ketchikan Borough	City of Ketchikan	City of Saxman	Kodiak Borough	Kodiak	Ouzinkie	North Slope Borough	Wainwright	C/B of Sitka	Northwest Arctic Borough	Kotzebue	Haines Borough	City of Haines	Aleutians East Boro.	Sand Point
Population	14,231	8,460	379	13,848	6,589	252	9,389	543	8,779	6,844	2,964	2,476	1,463	2,199	830
<b>Special Sales Taxes:</b>															
Bed Tax	4%	6%	4%	5%	5%				4%		6%				
Raw Fish														2%	2%
Liquor											6%				
Tobacco															
Other				.925 sever.		0.93%			x						
<b>General Sales Tax</b>	<b>2%</b>	<b>3.5%</b>	<b>3.5%</b>		<b>6%</b>	<b>3%</b>		<b>3%</b>	<b>5%</b>		<b>6%</b>	<b>1.50%</b>	<b>4.00%</b>		<b>3%</b>
<b>Exemptions:</b>															
Seniors (age)	65	65	65		65	65			65		65				
Sales Tax Cap (amt)		\$1,000			\$500							\$5,000	\$5,000		
Casual Sales	x	x			x	x			x		x	x	x		x
Dues & Fees	x	x			x				x			x	x		
Gov't Prohibitions	x	x	x		x				x		x	x	x		x
Gov't Agencies	x	x	x		x	x			x		x	x	x		x
Funeral	x	x			x				x		x	x	x		x
Medical	x	x			x				x		x	x	x		x
Newspapers & Pubs.	x				x				x		x				
Nonprofits	x	x	x		x				x		x	x	x		x
Student Trans.	x	x							x			x	x		
Food Stamps	x	x							x		x	x	x		x
Food at Schools	x	x			x				x		x	x	x		
Res. Rentals		x										x			x
Utilities					x	x						x	x		
Child Care		x			x				x			x	x		x
Freight & wharfage									x						
Insurance		x			x							x	x		x
Banking Services					x							x	x		x
Manufacturing									x						
Catalog Sales												x	x		x
Sale of Real Property											x	x	x		x
Real Estate Fees															
Construction									x		x	x	x		
Resale Items															
Wholesale Items															
Fuels															
Arts & Crafts															
Bingo		x	x		x										
Pull Tabs		x	x		x										
Other	x	x		x	x							x	x		

Municipal Sales Taxes And Exemptions (Compiled in 1999)

<u>Municipalities</u>	<u>King Cove</u>	<u>False Pass</u>	<u>Lake &amp; Pen Borough</u>	<u>Chignik</u>	<u>Denali Borough</u>	<u>Bristol Bay Borough</u>	<u>Yakutat Borough</u>	<u>Bethel</u>	<u>Unalaska</u>	<u>Nome</u>	<u>Petersburg</u>	<u>Wrangell</u>	<u>Dillingham</u>
Population	703	58	1,867	121	1,864	1,297	810	5,463	4,285	3,706	3,398	2,589	2,332
<b>Special Sales Taxes:</b>													
Bed Tax			6%		7%	6%	4%		5%			\$1. per night	
Raw Fish	2%	2%	2%	1%		3%			2%				
Liquor								5%					
Tobacco													
Other				x									
<b>General Sales Tax</b>	<b>3%</b>	<b>2%</b>					<b>4%</b>	<b>5%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>	
<b>Exemptions:</b>													
Seniors (age)											65	65	
Sales Tax Cap (amt)								>\$3,000		\$1,500	\$1,000	>\$1,000	>\$2,000
Casual Sales		x					x	x	x		x	x	x
Dues & Fees							x	x	x	x		x	x
Gov't Prohibitions							x	x	x	x		x	x
Gov't Agencies		x					x	x	x	x		x	x
Funeral		x					x				x	x	x
Medical		x					x	x	x	x	x	x	x
Newspapers & Pubs.		x					x		x	x		x	x
Nonprofits		x					x		x	x	x	x	x
Student Trans.							x	x				x	x
Food Stamps							x	x		x	x	x	x
Food at Schools							x	x	x				x
Res. Rentals		x					x	x		x	x		
Utilities									x		x		
Child Care							x				x	x	
Freight & wharfage							x	x	x		x	x	x
Insurance		x						x	x		x		x
Banking Services								x		x			
Manufacturing									x			x	
Catalog Sales								x			x		
Sale of Real Property		x								x			x
Real Estate Fees													
Construction							x	x	x	x			
Resale Items									x		x		
Wholesale Items													x
Fuels													
Arts & Crafts													
Bingo												x	
Pull Tabs												x	
Other		x		x		x	x	x	x	x	x		x

## Municipal Sales Taxes And Exemptions (Compiled in 1999)

Municipalities	Craig	Cordova	Hoonah	Emmonak	Togiak	Unalakleet	Saint Paul	Chevak	Alakanuk	Gambell	Klawock	Thorne Bay	Pilot Station	Fort Yukon	Kotlik	Scammon Bay	Nenana	
Population	2,145	1,909	896	838	801	784	761	741	671	670	659	597	558	553	552	450	435	4
<b>Special Sales Taxes:</b>																		
Bed Tax						10%												
Raw Fish					2%													
Liquor						5%												
Tobacco																		
Other																		
<b>General Sales Tax</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>2%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>5.50%</b>	<b>3%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>3%</b>	<b>2</b>
<b>Exemptions:</b>																		
Seniors (age)	60	65	65	65		65		65	65		60	60		55		65		
Sales Tax Cap (amt)	<\$150.00		<\$125.00	\$1,000	\$1,000						\$1,000	\$10,000		<\$125				
Casual Sales	x	x	x	x		x	x	x	x	x	x		x	x	x	x	x	
Dues & Fees	x	x	x	x				x	x	x	x	x		x				x
Gov't Prohibitions	x	x	x	x		x	x	x	x	x	x	x		x	x	x	x	
Gov't Agencies	x	x	x	x		x	x	x		x	x	x		x	x			x
Funeral	x		x	x		x			x	x	x	x		x				x
Medical	x		x	x		x		x	x	x		x			x			x
Newspapers & Pubs.	x		x			x		x	x		x	x		x	x			x
Nonprofits	x	x		x		x		x	x	x	x	x	x	x		x		x
Student Trans.	x		x					x	x		x			x				x
Food Stamps	x	x				x												
Food at Schools	x	x	x	x		x	x	x	x	x		x		x	x	x	x	
Res. Rentals								x	x	x								x
Utilities				x				x	x	x	x	x	x			x		
Child Care	x	x	x	x								x						
Freight & wharfage	x	x					x	x	x			x						
Insurance		x	x	x				x		x	x			x				x
Banking Services			x															
Manufacturing	x							x	x									
Catalog Sales			x	x				x	x	x	x		x			x		
Sale of Real Property						x						x		x				x
Real Estate Fees																		
Construction	x	x	x			x				x								x
Resale Items	x	x							x			x						
Wholesale Items				x			x		x		x	x						x
Fuels								x	x									
Arts & Crafts				x		x		x	x									
Bingo																		
Pull Tabs																		
Other	x	x	x				x	x	x	x	x	x	x	x		x	x	

## Municipal Sales Taxes And Exemptions (Compiled in 1999)

<u>Municipalities</u>	Saint Michael	Tanana	Ambler	Elim	Marshall	Aleknagik	Newhalen	White Mountain	Pelican	Egegik	Port Alexander
Population	362	317	315	306	300	259	191	188	149	132	90
<b>Special Sales Taxes:</b>											
Bed Tax						5%			6%		6%
Raw Fish							2%			3%	
Liquor											
Tobacco											
Other											
<b>General Sales Tax</b>	<b>4%</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>2%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>2%</b>
<b>Exemptions:</b>											
Seniors (age)											
SalesTax Cap (amt)											
Casual Sales	x	x				x	x	x		x	x
Dues & Fees		x	x	x				x			
Gov't Prohibitions		x		x	x	x		x		x	x
Gov't Agencies	x	x		x		x	x	x		x	
Funeral		x		x		x	x				
Medical	x	x		x			x	x			
Newspapers & Pubs.	x	x		x		x	x				
Nonprofits	x	x	x	x	x	x	x	x		x	x
Student Trans.		x									
Food Stamps							x		x		
Food at Schools	x	x		x			x	x	x		
Res. Rentals			x	x	x		x	x		x	
Utilities				x		x	x	x			
Child Care		x									
Freight & wharfage											x
Insurance		x		x		x	x	x			
Banking Services			x		x			x			
Manufacturing		x						x			
Catalog Sales				x				x			
Sale of Real Property		x	x		x	x	x				
Real Estate Fees											
Construction				x							
Resale Items									x		
Wholesale Items	x	x	x		x			x			x
Fuels							x				
Arts & Crafts											
Bingo											
Pull Tabs											
Other	x	x	x		x		x			x	x

TABLE 2

2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Adak	3%	\$570,978	2% Fuel Transfer Tax	\$41,374
Akhiok	No		No	
Akiak	No		No	
Akutan	No		1% Raw Fish Tax	\$734,653
Alakanuk	NR	NR	NR	
Aleknagik	5%	\$106,606	5% Bed Tax	\$0
Aleutians East Borough	No		2% Raw Fish Tax	\$2,493,342
Allakaket	No	NR	NR	
Ambler	3%	\$20,600	No	
Anaktuvuk Pass	No		No	
Municipality of Anchorage	No		8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat)	\$11,007,248/ \$4,682,406/ \$5349091/\$202,860
Anderson	No		8% Utility Tax	\$38,503
Angoon	3%	\$100,471	3% Bed Tax	amount included in sales tax revenue
Aniak	2%	\$48,847	2% Bed Tax	\$1,254
Anvik	No		No	
Atka	No		2% Raw Fish Tax/ 10% Bed Tax	\$25,989/\$3,957
Atkasuk	No		No	
Barrow	No		No	
Bethel	5%	\$4,603,797	3% Bed/5%/Alcohol/5%Gaming	\$77,250/\$52,575/\$483,123
Bettles	No		\$.02/gal. Fuel Transfer Tax	\$3,299
Brevig Mission	3%	\$29,146	No	
Bristol E. Borough	No		3% Raw Fish Tax/10% Bed Tax	\$131,111 / \$57,244
Buckland	2%	\$21,231	No	
Chefornak	2%	55,840	2% Raw Fish Tax	\$343
Chevak	3%	\$83,738	No	
Chitina	No		1%salmon tax/2% other seafood	\$49,808/\$36,652
Chitina	No		No	
Cla	5%	\$5,895	No	
Coffey Cove	No		No	
Cold Bay	No		8% Bed Tax/\$.02/gal. Fuel Tax	\$16,536/\$29,142
Cordova	6%	\$2,124,800	6% Bed Tax/6% Vehicle Rental Tax	\$54,418/\$12,919
Craig	5%	\$1,231,647	6% Liquor Tax	\$87,439
Deering	3%	\$10,128	No	
Della Junction	No		No	
Denali Borough	No		Sev. Tax \$.05/tyd gravel-\$.05 ton-coal-5; Bed Tax 7%	\$54,691/\$1,233,331
Dillingham	6%	\$1,838,724	10% Bed Tax / 10% Liquor Tax/6% Gaming	\$39,162/\$156,859/\$93,299
Diomedes	3%	\$13,198	No	
Eagle	No		No	
Eek	2%	\$21,400	No	
Egegik	No		2% Raw Fish Tax	\$313,063
Ekwok	No		No	
Elim	2%	\$37,073	No	
Emmonak	3%	\$122,902	No	
Fairbanks	No		8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax	\$1,821,459/\$1,123,951/\$934,316
Fairbanks North Star Borough	No		8% Bed Tax	\$1,305,822
False Pass	2%	\$82,598	No	
Fort Yukon	3%	\$99,279	No	
Galena	3%	\$150,000	No	
Gambell	3%	\$65,989	No	
Golovin	No		No	
Goodnews Bay	No		No	
Grayling	No		No	
Haines Borough	5.5%	\$1,899,249	4% Bed Tax/4% Tour Tax	\$101,683/\$191,192
Holy Cross	No		No	
Homer	3.50%	\$3,978,578	No	

TABLE 2 - continued

2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Hoonah	5%	\$374,101	No	
Hooper Bay	4%	\$160,299	No	
Houston	No		No	
Hughes	No		No	
Huslia	No		No	
Hydaburg	4%	\$11,273	No	
Juneau, City & Borough of	5%	\$29,739,796	7% Bed Tax/ 3% Liquor Tax/ 6% Tobacco Tax	\$940,000/\$622,700/\$303,889
Kachemak	No		No	
Kake	5%	\$142,142	No	
Kaklovik	No		No	
Kallag	No		No	
Kasaan	No		No	
Kenai	3%	\$3,953,561	No	
Kenai Peninsula Borough	2%	\$14,370,582	No	
Ketchikan	3.5%	\$7,364,065	6% Bed Tax	\$273,338
Ketchikan Gateway Borough	2%	\$4,832,084	4% Bed Tax	\$32,771
Kiana	2%	\$24,937	No	
King Cove	3%	\$926,188	Fish Business impact tax-flat rate	\$45,000
Kivalina	2%	\$19,184	No	
Klawock	5.5%	\$457,237	6% Bed Tax	\$29,196
Kobuk	No		No	
Kodiak	6%	\$7,003,452	5% Bed Tax	\$101,795
Kodiak Island Borough	No		9.25 mill Severance Tax/5% Bed Tax	\$702,065/\$30,412
Kollik	3%	\$80,658	No	
Kotzebue	6%	\$2,405,615	6% Bed Tax/ 6% Alcohol Tax	\$46,212/\$27,650
Koyuk	2%	\$28,948	No	
Koyukuk	No		No	
Kupreanof	No		No	
Kwethluk	5%	\$91,607	No	
Lake & Peninsula Borough	No		2% Raw Fish Tax/Guide Fees/6% Bed Tax	\$484,545/\$24,992/\$117,639
Larsen Bay	3%	\$6,317	No	
Lower Kalskag	NR	NR	NR	
Manokotak	2%	\$24,807	No	
Marshall	4%	\$52,845	No	
Matanuska-Susitna Borough	No		5% Bed Tax	\$676,780
McGrath	No		No	
Mekoryuk	2%	\$7,616	No	
Mellakalla	No		No	
Mountain Village	3%	\$82,776	No	
Napakiaik	2%	\$26,779	No	
Napaskiak	No		No	
Nenana	4%	\$127,480	No	
New Sluyahok	No		No	
Newhalen	2%	NR	NR	
Nightmute	2%	\$9,687	No	
Nikolai	No		No	
Nome	4%	\$2,621,576	4% Bed Tax	\$88,988
Nondalton	3%	\$692	No	
Noorvik	3%	\$106,979	No	
North Pole	3%	\$1,336,630	No	
North Slope Borough	No		No	
Northwest Arctic Borough	No		No	
Nuiqsut	No		No	

TABLE 2- continued

## 2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Nulato	No		No	
Nunam Iqua (Sheldon Point)	2%	\$4,185	No	
Nunapilchuk	3%	\$38,238	No	
Old Harbor	NR	NR	NR	
Ouzinkie	3%	\$8,134	No	
Palmer	3%	\$2,914,417	No	
Pelican	4%	\$46,570	10% Bed Tax	\$3,872
Petersburg	6%	\$2,312,188	4% Bed Tax	\$33,077
Pilot Point	No		3% Fish Tax	\$112,500
Pilot Station	4%	\$58,166	No	
Platinum	No		No	
Point Hope	No		No	
Port Alexander	4%	\$13,475	6% Bed Tax	\$1,688
Port Heiden	No		No	
Port Lions	No		5% Bed Tax	\$3,409
Quinhagak	3%	\$70,150	No	
Ruby	No		No	
Russian Mission	No		No	
St. George	NR	NR	NR	
St. Mary's	3%	\$106,347	No	
St. Michael	4%	\$85,092	No	
Saint Paul	3%	\$294,629	3% Raw Fish Tax	\$621,291
Sand Point	3%	\$338,881	7% Bed Tax/2% Raw Fish Tax	\$3,194/\$419,971
Savoonga	3%	\$34,789	No	
Saxman	3.50%	\$92,811	No	
Scammon Bay	2%	\$26,700	No	
Selawik	3%	\$74,991	No	
Seldovia	2%/4.5%	\$116,133	No	
Seward	3%	\$2,165,586	4% Bed Tax	\$217,482
Shageluk	No		No	
Shaktolik	2%	\$30,000	No	
Shishmaref	2%	NR	No	
Shungnak	2%	\$16,910	No	
Sitka, City & Borough of	5%	\$7,119,114	6% Bed Tax/ 5.02/gal Fuel Tax	\$311,892/ \$19,926
Skagway	4%	\$2,531,977	8% Bed Tax	\$91,782
Soldotna	3%	\$5,232,283	No	
Stebbins	3%	\$55,504	No	
Tanana	2%	\$19,628	No	
Teller	3%	\$18,523	No	
Tenakee Springs	1%	\$6,612	6% Bed Tax	\$1,981
Thorne Bay	5%	\$79,252	No	
Togiak	2%	\$58,000	2% Raw Fish Tax	\$45,000
Toksook Bay	2%	\$22,365	No	
Unalakleet	5%	\$253,717	5% Bed Tax/5% Alcohol Tax	\$5,395/\$4,344
Unalaska	3%	\$5,906,859	2% Raw Fish Tax/ 5% Bed Tax	\$3,662,645/\$125,792
Upper Kalskag	No		No	
Valdez	No		6% Bed Tax	\$256,803
Wainwright	No		No	
Wales	NR	NR	NR	
Wasilla	2%	\$6,497,070	No	
White Mountain	1%	\$7,390	No	
Whittier	3%	\$117,418	Passenger Trans. Tax	\$87,296
Wrangell	7%	\$1,761,568	\$4 per night Bed Tax	\$22,686
Yakutat, City & Borough of	4%	\$588,561	1% Raw Fish Tax/4% Bed & Car Rental Tx	\$13,346/\$78,727
<b>TOTAL SALES TAX REPORTED</b>		<b>\$ 132,839,856</b>	<b>TOTAL SPECIAL TAXES REPORTED</b>	<b>43,734,035</b>

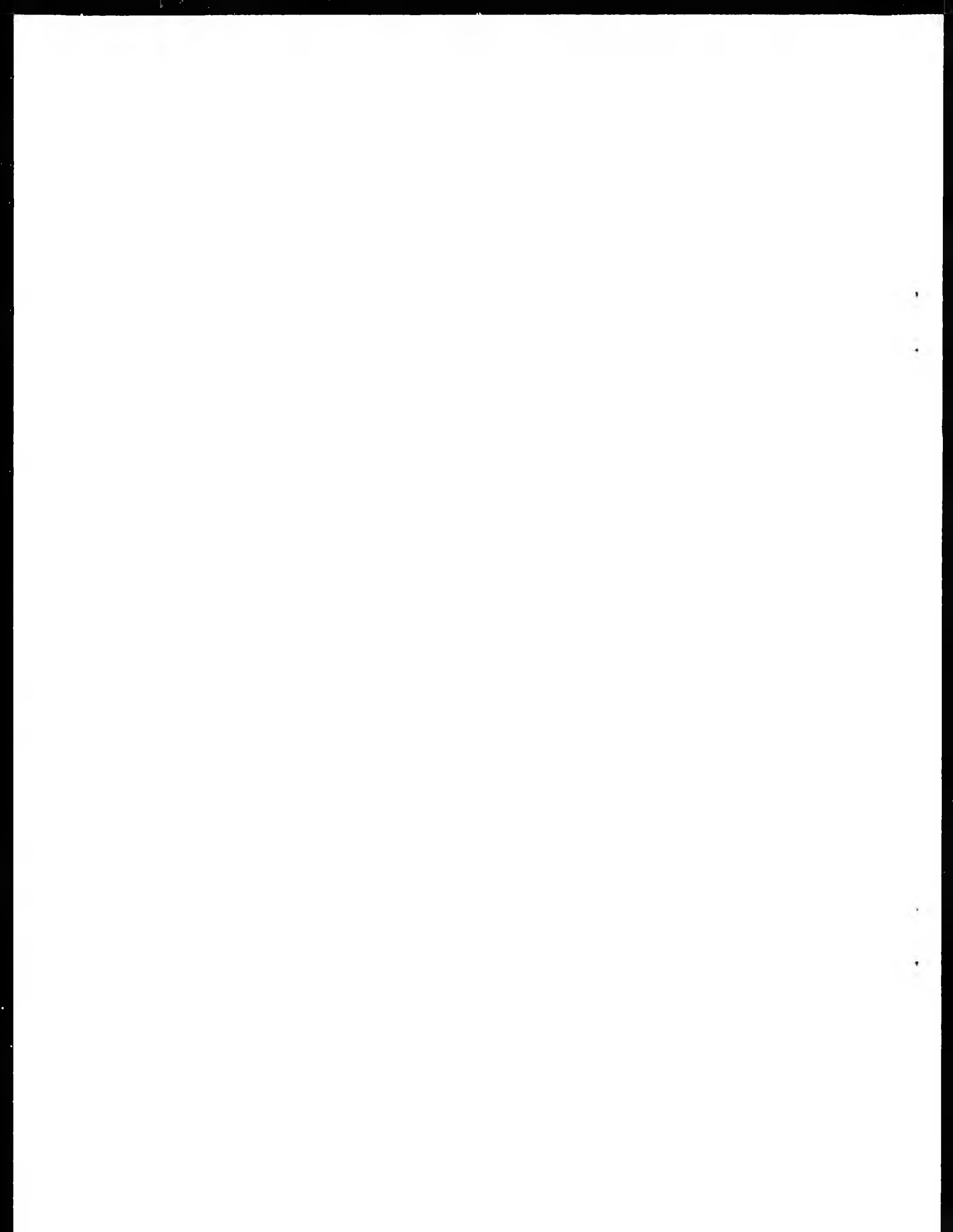


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TOTAL SALES TAX REPORTED \$ 132,839,856

TOTAL SPECIAL TAXES REPORTED 43,734,035

March 11, 2004

Senator Gene Therriault  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Therriault:

Last October, the undersigned business, civic and trade associations representing hundreds of Alaskan companies and organizations, and tens of thousands of Alaskan workers wrote to encourage the Legislature to address the state's structural fiscal imbalance this year. Since then a number of additional groups, from the Alaska League of Women Voters to the Associated Builders & Contractors of Alaska have signed on, and grassroots efforts in support of a long-term fiscal plan are growing.

Although some progress is being made, our concerns remain unabated.

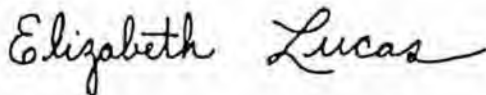
The recent Conference of Alaskans identified various solutions to our current situation. In fact, the Conference set forth many of the same policy positions enumerated in our prior letter to you on this subject. Clearly there is growing support among Alaskans for resolution of this issue.

Although many different approaches are being debated, we believe Alaskans are unified in their assessment of the problem. Everyday more and more Alaskans are coming to understand the negative effect fiscal uncertainty is having on Alaska's quality of life, investment climate, economy and job market. Despite the temporary good fortune of higher than expected oil prices, we must take decisive action now.

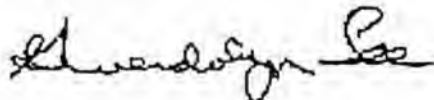
We, a broad representation of the Alaskan people, encourage the Legislature to pass this session a fiscal package based upon the elements of the Conference's resolutions.

We remain eager to support your efforts during the balance of the session. The need for leadership, cooperation and consensus is vital. Nothing less than the economy and the future of Alaska are at stake.

Sincerely,



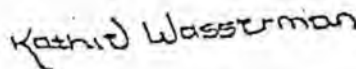
Elizabeth Lucas, State President  
AARP Alaska



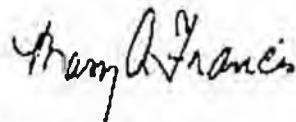
Gwen Lee, President  
Alaska Association of Developmental  
Disability Providers



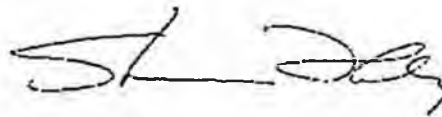
R.B. Stiles, President  
Alaska Coal Association



Kathy Wasserman, President  
Alaska Conference of Mayors



Mary Francis, Executive Director  
Alaska Council of School Administrators




Sharman Haley, Chair  
Alaskans for Fair Taxes



David Tyler, President  
Alaska Fire Chief's Association



Stacy Schubert, President  
Anchorage Chamber of Commerce



Steve Borell, Executive Director  
Alaska Miners Association



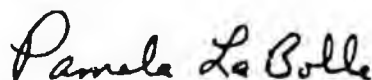
Bruce Bustamante, President & CEO  
Anchorage Convention & Visitors Bureau



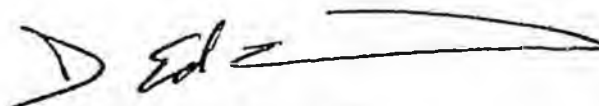
Jim Cooper, President  
Alaska Municipal League



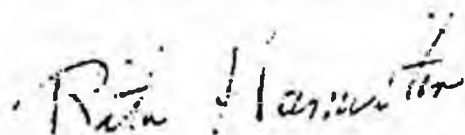
Larry Crawford, President & CEO  
Anchorage Economic Development  
Corporation



Pam La Bolle, President  
Alaska State Chamber of Commerce



Eden Larsen, President & CEO  
Associated Builders & Contractors of  
Alaska, Inc.



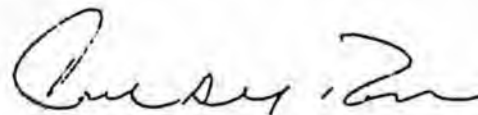
Rita Hamilton, President  
Alaska State Home Building Industry  
Association



Richard Cattnach, Executive Director  
Associated General Contractors of Alaska



Larry Houle, General Manager  
Alaska Support Industry Alliance



Carl Rose, President  
Association of Alaska School Boards

Terry Hoefflerle, CEO  
Bristol Bay Native Association

John Shively, President  
Resource Development Council for Alaska,  
Inc.

Jack Cushing, Mayor  
City of Homer  
Homer City Council

Michael Catsi, Executive Director  
Skagway Development Corporation

Pam Fitch, Mayor  
City of Unalaska

Kim Brink, President  
Wrangell Chamber of Commerce

Valerie McCandless, Mayor  
City of Wrangell

Mark Walker, Director  
Wrangell Community Services

Rich Heig, President  
Council of Alaska Producers

James A. Stough, President  
Wrangell Cooperative Association  
Wrangell Tribe

Lance Miller, Executive Director  
Juneau Economic Development Council

Brian D. Gilbert, CEO  
Wrangell Medical Center

Carl Evertsbusch, President  
Key Coalition of Alaska

Cheryl Jebe, President  
League of Women Voters of Alaska

Tonnie Barlow, President  
Wrangell School Board

March 24, 2004

Senate Finance Committee  
Senator Lyda Green Co-Chair  
Senator Gary Wilken, Co-Chair  
Senators Bunde, Stevens, Hoffman and Olson

Re: SB 366

Dear Senators,

It is with sincere regret I am unable to attend the hearing this morning at our local LIO.

As a member of the Kenai Peninsula Borough Assembly, I am keenly aware of the impact this legislation would have for the Peninsula, for the Borough and for our cities, all of which are so dependent on a local sales tax. I urge the committee not support this legislation.

The current two percent Borough sales tax is fully dedicated to support local education. It garners for the Borough about \$18 million per year. Because of the yearly education funding shortfall to the Kenai Peninsula, the Assembly has over the past years fully funded to the cap, 2003-2004 school year funding one third of the education budget in the amount of \$31 million dollars.

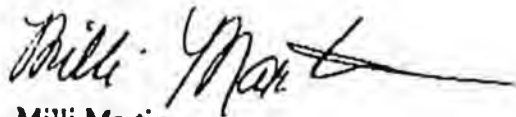
It is my view that a state sales tax would not only seriously impact the Kenai Peninsula, but it is not in the State's best interest. Administration alone would create a whole new bureaucracy at tremendous cost. It would also force on municipalities exemptions that would override those currently in place that best serve each individual municipality.

A sales tax is not the route the state should be going. Instead I believe the plan put forward by Governor Jay Hammond would best serve this wonderful state.

Please vote no on SB 366.

Thank you,

Sincerely,



Milli Martin  
P.O. Box 2652  
Homer, AK 99603

TESTIMONY ON SB 366  
WEDNESDAY, April 14, 2004

Good Morning Senators

Thank you for the opportunity to testify on SB366 this morning. I know you are all busy, so I will be brief. My name is Debra Mack and I am the City Clerk for the City of Unalaska. Part of my job responsibilities as a City Clerk for the last 25 years has been the enforcement and collection of local sales tax for the Cities of Sand Point and Unalaska.

I am speaking today in opposition to SB366, for all the reasons that have already been submitted to you by other municipalities, individuals and AML. I won't reiterate them here.

What I would like to share with you today is my perspective of SB366 as a person that enforces a sales tax ordinance and collects local sales tax.

Unalaska has approximately 400 licensed businesses. On any given day, roughly 10-15% of them are on our delinquent list for failure to file reports or remit taxes. That's 40 to 60 businesses, just in Unalaska with only a 3% sales tax. My office works directly with each of these on a monthly basis, sometimes weekly. We have developed relationships with these businesses, and it is a full time job to stay on top of it. It is my opinion that transferring the collection effort from a local effort to a State effort, and increasing the tax rate, will only make this statistic rise. Who will lose the most when this happens? The municipalities.

It scares me to think that if this bill is passed, local tax collectors will no longer have the authority to demand taxes from our local businesses. The respect and authority that many of us have built up over the years will be gone, in an instant. Last year's bill included a provision to allow the State to contract with cities for enforcement. Cities partnering with the State for the collection of local and state sales tax has been left out of this version. If this bill were to pass, cooperation with municipalities is what will make it work.

I find it almost impossible to believe that a State Department will be able to collect taxes better than those of us who have been doing it for years. We are the face of local government when it comes to delinquent sales tax. The State now proposes to take that face away.

I believe that, over time, the smaller communities will be forgotten in this process if the State assumes the responsibility. How will the State of Alaska enforce the collection of sales tax in a state as vast as Alaska without a road system? Will there be sufficient funds to travel to the smaller communities to enforce this law? I don't believe there will be. Anchorage businesses have never had to collect a sales tax. I believe that enforcement will be focused in the larger communities. The smaller communities, who are not on the road system, will be the losers. And for many of us, sales tax is our main source of revenue.

Levying a sales tax and enforcing a sales tax are two entirely different things. I would ask that the State research exactly how enforcement and collections will be handled for municipalities, and exactly what the cost will be. I think you will be surprised.

I'm concerned that the exemptions listed in the bill are not clear enough. In my experience, businesses will study this law to find every loophole they can, and they will find them. The City of Unalaska is very concerned that there is a possibility of a sales tax exemption on the purchase of marine fuel. Like many Alaskan coastal communities, the majority of Unalaska's sales tax revenue is generated from the sale of marine fuel. This exemption will have a devastating effect for Unalaska.

The proposed tax cap of \$60 on a single sale, lease or rental is sure to have serious consequences for municipalities that don't currently have a cap. Unalaska is one of those entities that does not have a tax cap. Unalaska generates a large amount of sales tax from the rental of commercial and industrial properties in Unalaska. This revenue will disappear.

Another concern of mine is that many specifics of enforcement and remittance are left out of this bill. If passed, I realize that regulations will be developed to administer it.

However, when will municipalities have an opportunity to provide input to regulations that will affect them?

An example of this is I don't see in the bill that states how often the State will forward local tax revenue to the municipalities. Will it be once a year like the fisheries tax, or monthly like smaller municipalities will need to meet payroll? The rules should be clearly set out in SB366, so there is no misunderstanding. I can almost predict that each year, municipalities in your districts will be lined up trying to convince you to change a portion of this law because it doesn't work for them.

I have the same thought this year as I did last year. Before rushing into adopting a statewide sales tax, the State should consider input from people like me who have been enforcing sales tax regulations for years. We could share our knowledge, and assist the State with regulations that would help both the State and municipalities, if a sales tax bill does indeed get adopted.

Again, thank you for this opportunity to testify. It is my opinion, as a tax collector for the last 25 years, that a state sales tax to generate revenue is not in the best interest of the State of Alaska and its municipalities as a whole.

I sincerely urge you to consider not supporting this bill. Thank you



## CITY OF PETERSBURG

P.O. BOX 329 • PETERSBURG, ALASKA 99833  
TELEPHONE (907) 772-4511  
TELECOPIER (907) 772-3759

March 31, 2004

State of Alaska  
Senate Finance Committee  
FAX: 907-465-2187

Dear Committee Members:

Thank you for the opportunity to testify on the State Sales Tax issue.

My name is Ted Smith and I am the Mayor of Petersburg. Our community has an existing 6% sales tax and a 4% hotel bed tax. If the proposed State sales tax is added, the total tax combination between state and municipality will rise to 19%. These taxes are in addition to a 10 mill property tax currently levied by the city. A 19% tax is too large a burden for our residents and visitors to carry.

Not only will this new tax proposal discourage visitation to our State and local communities, it will most certainly curtail local purchases by our own citizens. Internet, television and catalog shopping by telephone are very attractive and convenient services and are a real threat to our State and local economies. Adding more sales tax to local purchases will result in more retail dollars leaving our communities and State.

I do not profess to know the final answer to the financial problems the State faces, but to implement a tax program as proposed, cripples local governments' ability to utilize their constitutional rights to levy taxes for their own community's needs. Is the State prepared to be responsible for municipal services that will be lost when a State wide sales tax is imposed? In addition, how large of a bureaucracy will be formed to administer this atrocious program?

I encourage you to look elsewhere other than a state-wide sales tax to improve the State's fiscal condition.

Respectfully Submitted,

Ted M. Smith  
Mayor

Provided during  
4/14/04 Public Testimony  
by Linde Freed,  
Kodiak  
City  
Manager

**CITY OF KODIAK  
RESOLUTION NUMBER 04-5**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK OPPOSING A  
STATEWIDE SALES TAX**

WHEREAS, the Legislature and Governor have considered new revenue sources to balance the state budget; and

WHEREAS, the Legislature and Governor have discussed initiating a statewide sales tax as a revenue-generating mechanism; and

WHEREAS, during the first half of the 23rd Alaska Legislature the Alaska State House introduced HB 293, and the Alaska State Senate introduced SB 220, which would implement a statewide sales tax; and

WHEREAS, at least 88 Alaskan communities, including the City of Kodiak, depend on a general municipal sales tax to pay for local services; and

WHEREAS, a statewide sales tax would produce revenue for the state at the expense of a majority of the municipalities in the state and to the detriment of the citizens and businesses of those municipalities; and

WHEREAS, if HB 293 and/or SB 220 are implemented in their current form, the following significant, negative effects would be felt by the City of Kodiak, its residents and businesses:

- The City of Kodiak would be required to reduce its local sales tax from 6% to 5%, an estimated annual loss of revenue of \$1.2 million dollars;
- The State of Alaska would collect the City of Kodiak's sales tax, resulting in an estimated annual loss of an additional 30%, or \$1.8 million dollars, of City sales tax revenue, based on studies from other states;
- The implementation of a statewide sales tax, as proposed, would result in the estimated annual loss of \$3 million dollars to the City of Kodiak, or 42% of its current sales tax revenue;
- These losses would occur in addition to funding cuts already sustained by municipalities with the elimination of revenue sharing and safe communities and capital matching grant program funding. From FY'03 to FY'05, this represents a loss of \$650,000 dollars in revenue to the City of Kodiak;
- In FY'04 \$3 million dollars is approximately 25% of the City of Kodiak's entire general fund budget;
- Annually, \$1 million dollars of local sales tax revenue is dedicated to the operation of Kodiak's harbors, \$900,000 of local sales tax revenue is used for road construction and \$100,000 of local sales tax revenue is dedicated to park and recreation facility construction;
- The additional \$1 million dollars in lost revenue would result in significant reductions and/or elimination of other city services (e.g. law enforcement, fire and EMS response, library services, and street maintenance);
- The State of Alaska, through legislation and regulation, would control all aspects of sales taxation in the state;

- Specifically, the City of Kodiak would have no local control over sales tax exemptions, sales tax cap, filing requirements, and/or penalties and interest;
- Businesses subject to sales tax collection would be required to file and pay the tax due monthly, rather than quarterly as provided by the City of Kodiak; and

WHEREAS, local control of sales tax sustains local services and ensures strong communities; and

WHEREAS, a state sales tax is unfair because it is based on a percentage of the cost of goods and services, which vary widely across the state; and

WHEREAS, the proposed sales tax hurts communities across the state with the exception of Anchorage and Fairbanks, because they have chosen to not levy a municipal sales tax; and

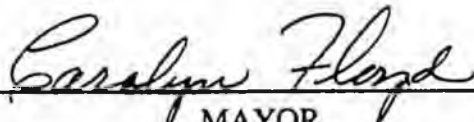
WHEREAS, other means exist to increase state revenues, including allocating surplus Permanent Fund earnings and levying an income tax, that do not create a similar negative burden on municipalities across the state; and

WHEREAS, in addition to establishing new state revenues, the state's fiscal gap can be closed by adopting a balanced, long-range revenue and spending plan that includes a comprehensive economic development strategy, sound fiscal policies, and structural budget changes that save money and increase efficiency, but do not shift costs to local taxpayers, hurt economic development efforts, or diminish key public services by implementing a statewide sales tax;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the Alaska Legislature is urged to oppose a statewide sales tax.

BE IT FURTHER RESOLVED that the Alaska Legislature and Governor are urged to initiate other means, as suggested herein, to balance the state budget.

CITY OF KODIAK

  
MAYOR

ATTEST:

  
CITY CLERK

Adopted: January 22, 2004





SENATE FINANCE COMMITTEE  
PUBLIC TESTIMONY  
SIGN-IN

SB 366-STATE SALES TAX

NAME: LIOTTA FREED Subject/Bill No: SB 366  
Co./Dept./Title: CITY OF KODIAK, CITY MANAGER Phone: 486-8640  
Address: 710 MILLBAY RD. KODIAK AK Zip: 99615  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions



NAME: Doris Bailey Sitka Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: Deputy Mayor City + Borough of Sitka Phone: 747-1811

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

# SB 366 Sales Tax

NAME: JACK SHAY Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: BOROUGH ASSEMBLY Phone: 228-6605

Address: 344 FRONT ST KETCH Zip: 99901

Do you wish to testify?  Yes  No  Respond To Questions

NAME: DOUG STARK Subject/Bill No: SB 366

Co./Dept./Title: COUNCILMAN - CITY OF HOMER Phone: 235-5537

Address: 2073 HORIZON CT Zip: 99603

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

# SB 366 Sales Tax

NAME: Timi Bourcy Subject/Bill No: 366

Co./Dept./Title: Mayor City of Skagway Phone: 983-2544

Address: Box 179 Skagway AK Zip: 99840

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

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Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions













**SITE: Kenai**

**COMMITTEE: Senate Finance**

**DATE: 4-14-04**

**AGENDA :**

**SB 366 State Sales Tax**

**UPDATE #:**

**DO YOU WANT  
TO TESTIFY?**

**PRINT YOUR NAME**

**COMMUNITY**

**REPRESENTING / AFFILIATION**

**Y or N**

✓ **Larry Semmens**

**Kenai**

**City of Kenai**

**Y**







SENATE FINANCE COMMITTEE

SIGN-IN

SB 366-STATE SALES TAX

NAME: Dave Shaw Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: ARRP Phone: \_\_\_\_\_  
Address: Jm Zip: 99802  
Do you wish to testify? \_\_\_ Yes  No \_\_\_ Respond To Questions

NAME: Kevin Ritchie Subject/Bill No: Sales tax 766  
Co./Dept./Title: At Municipal League Phone: 5861325  
Address: 217 2nd St Jm 99801 Zip: 99801  
Do you wish to testify?  Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions











**SB**

**368**

**HFIN**

**FILE**

THE  
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### LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3887 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

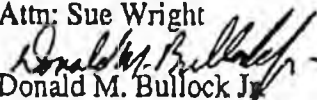
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

#### MEMORANDUM

May 9, 2004

**SUBJECT:** Title change requires a concurrent resolution to waive the rules (CSSB 368(FIN)am)

**TO:** Representative Mike Chenault  
Attn: Sue Wright

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

Enclosed with this memorandum is the amendment you requested for the bill identified above. Please note that the amendment would change the title of the bill and will require a waiver of the rules that prohibit a title change in the second house. Please let me know whether you would like a concurrent resolution drafted to waive the rules for the purpose of amending the title.

If I may be of further assistance, please advise.

DMB:mdr  
04-230.mdr

Enclosure

*Mike*

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS2011A  
Bullock  
5/9/04

**HOUSE CONCURRENT RESOLUTION NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

**Introduced:  
Referred:**

**A RESOLUTION**

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**  
2 **Legislature, concerning Senate Bill No. 368, relating to taxes on cigarettes and tobacco**  
3 **products, to tax stamps on cigarettes, to forfeiture of cigarettes and of property used in**  
4 **the manufacture, transportation, or sale of unstamped cigarettes, and to licenses and**  
5 **licensees under the Cigarette Tax Act.**

6 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7       That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of  
8 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding  
9 changes to the title of a bill, are suspended in consideration of Senate Bill No. 368, relating to  
10 taxes on cigarettes and tobacco products, to tax stamps on cigarettes, to forfeiture of cigarettes  
11 and of property used in the manufacture, transportation, or sale of unstamped cigarettes, and  
12 to licenses and licensees under the Cigarette Tax Act.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

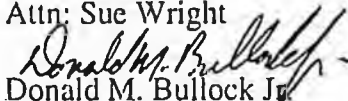
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

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If I may be of further assistance, please advise.

DMB:mdr  
04-230.mdr

Enclosure

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSSB 368(FIN) am

1 Page 1, line 4, following "Act;":

2 Insert "relating to restrictions on shipping or transporting cigarettes;"

3

4 Page 2, following line 19:

5 Insert new bill sections to read:

6 "\* Sec. 4. AS 43.50.105(b) is amended to read:

7 (b) A person who is licensed under this chapter may not ship or cause to be  
8 shipped cigarettes to a person in this state unless the person receiving the cigarettes

9 (1) is licensed under this chapter;

10 (2) holds a tobacco endorsement under AS 43.70.075;

11 (3) is an operator of a customs bonded warehouse under 19 U.S.C.  
12 1311 or 19 U.S.C. 1555; [OR]

13 (4) is an instrumentality of the federal government or an Indian tribal  
14 organization authorized by law to possess cigarettes not taxed under this chapter; or

15 (5) is an individual receiving the cigarettes for personal  
16 consumption and the tax imposed on the cigarettes under this chapter has been  
17 paid.

18 \* Sec. 5. AS 43.50.105(c) is amended to read:

19 (c) A common or contract carrier may not knowingly transport cigarettes to a  
20 person in this state unless the person

21 (1) shipping the cigarettes is licensed under this chapter and, before  
22 shipment, provides the common or contract carrier with a copy of the person's current  
23 license issued by the department and an affidavit from the intended recipient  
24 certifying that the person receiving the cigarettes is a person described under (b)(1) -

1           **(5)** [(b)(1) - (4)] of this section; or

2                               (2) receiving the cigarettes is a person described under (a)(2) or (3) of  
3           this section or is licensed under this chapter and, **before receipt**, provides the common  
4           or contract carrier with a copy of the person's current license issued by the department.

5   \* Sec. 6. AS 43.50.105(d) is amended to read:

6                               (d) If the cigarettes are transported by a common or contract carrier to a home  
7           or residence, it is rebuttably presumed that the common or contract carrier knew that  
8           the person receiving the cigarettes was not a person described under **(b)(1) - (5)** [(b)(1)  
9           - (4)] of this section, **unless the person shipping the cigarettes has satisfied the**  
10          **requirements in (c)(1) of this section.**

11   \* Sec. 7. AS 43.50.105(e) is amended to read:

12                               (e) A person, other than a common or contract carrier, may not knowingly  
13          transport cigarettes to a person in this state, unless the person receiving the cigarettes  
14          is a person described under **(b)(1) - (5)** [(b)(1) - (4)] of this section."

15

16   Renumber the following bill sections accordingly.

17

18   Page 12, lines 23, 24, 26 (the second occurrence), 28, and 29:

19           Delete "Act"

20           Insert "section"

21

22   Page 12, line 26:

23           Delete "sec. 8"

24           Insert "sec. 12"

25

26   Page 13, line 4:

27           Delete "the Act"

28           Insert "this section"

29

30   Page 13, line 6:

31           Delete all material.

1           Insert new bill sections to read:

2       "\* **Sec. 35.** Sections 4 - 7 of this Act take effect immediately under AS 01.10.070(c).

3       \* **Sec. 36.** Except as provided in sec. 35 of this Act, this Act takes effect July 1, 2004."

*Amended  
page 5*

23-GS2116V  
Bullock  
5/10/04

**HOUSE CS FOR CS FOR SENATE BILL NO. 368(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to taxes on cigarettes and tobacco products, to tax stamps on  
2 cigarettes, to forfeiture of cigarettes and of property used in the manufacture,  
3 transportation, facilitation of transportation, possession, offering for sale, or sale of  
4 unstamped cigarettes, to accounting for and use of part of the proceeds of the additional  
5 cigarette tax, and to licenses and licensees under the Cigarette Tax Act; relating to  
6 unfair cigarette sales; relating to supercedas bonds in certain tobacco-related litigation;  
7 amending Rules 204 and 205, Alaska Rules of Appellate Procedure; and providing for  
8 an effective date."

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

10 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
11 to read:

12 **INTENT.** It is the intent of the legislature to provide aggregate funding to meet the

1 minimum amount of tobacco control programs recommended by the United States  
2 Department of Health and Human Services, Centers for Disease Control and Prevention, from  
3 tobacco taxes and other revenue sources accounted for in the tobacco use education and  
4 cessation fund established in AS 37.05.580.

5 \* Sec. 2. AS 43.50.030(a) is amended to read:

6 (a) For each license issued to a manufacturer, and for each renewal, the fee is  
7 \$50 [\$5].

8 \* Sec. 3. AS 43.50.030(c) is amended to read:

9 (c) For each license issued to a vending machine operator, and for each  
10 renewal, the fee is \$50 [\$25].

11 \* Sec. 4. AS 43.50.030(d) is amended to read:

12 (d) For each license issued to a direct-buying retailer, and for each renewal,  
13 the fee is \$50 [\$25].

14 \* Sec. 5. AS 43.50.035 is repealed and reenacted to read:

15 **Sec. 43.50.035. Wholesaler-distributor license.** (a) A person outside of this  
16 state who sells or distributes cigarettes into this state and is not required to be licensed  
17 under AS 43.50.010 may apply for a wholesaler-distributor license.

18 (b) A person outside of this state who sells or distributes cigarettes into this  
19 state, who is not required to be licensed under AS 43.50.010, and who wishes to  
20 purchase stamps under this chapter is required to be licensed as a wholesaler-  
21 distributor.

22 (c) The department shall adopt reasonable regulations necessary for the  
23 collection of cigarette taxes on cigarette sales or distributions made by a wholesaler-  
24 distributor licensee into this state and standards for

25 (1) application and issuance of the license; and

26 (2) refusal to issue the license.

27 \* Sec. 6. AS 43.50.090(a) is amended to read:

28 (a) There is levied an excise tax of 38 mills on each cigarette imported or  
29 acquired in the state. The tax shall be paid through the use of stamps as provided in  
30 AS 43.50.500 - 43.50.700. A person who imports or acquires cigarettes in the  
31 state upon which a stamp required by this chapter has not been affixed in

1 accordance with AS 43.50.500 - 43.50.700, who fails to apply to purchase stamps  
2 as required by AS 43.50.540(a), and who fails to pay the tax through the use of  
3 stamps is not relieved [THE FAILURE TO PAY THE TAX THROUGH THE USE  
4 OF STAMPS DOES NOT RELIEVE A PERSON] of the obligation to pay taxes due  
5 under this chapter. The person shall still pay the tax, and the tax is due on or before  
6 the end of the month following the month in which cigarettes were manufactured,  
7 imported, acquired, or sold in this state. Cigarettes upon which the excise is imposed  
8 are not again subject to the excise when acquired by another person.

9 \* Sec. 7. AS 43.50.090(d) is amended to read:

10 (d) The tax imposed under (a) of this section does not apply to the first 400  
11 cigarettes personally transported into the state by an individual for that  
12 individual's personal consumption [100 CIGARETTES IMPORTED BY AN  
13 INDIVIDUAL FOR PERSONAL CONSUMPTION] during the calendar month.

14 \* Sec. 8. AS 43.50.105(g) is amended to read:

15 (g) A person who violates the provisions of this section is guilty of a

16 (1) class A misdemeanor if the person unlawfully ships, causes to be  
17 shipped, or transports at least one but fewer than 5,000 [1,000] cigarettes;

18 (2) class C felony if the person unlawfully ships, causes to be shipped,  
19 or transports 5,000 [1,000] or more cigarettes.

20 \* Sec. 9. AS 43.50.105 is amended by adding a new subsection to read:

21 (i) A person who violates the provisions of this section is jointly and severally  
22 liable for the taxes imposed by AS 43.50.090 and 43.50.190. To the fullest extent  
23 permitted by the Constitution of the United States, a person who violates the  
24 provisions of this section is required to collect the taxes and pay them to the  
25 department.

26 \* Sec. 10. AS 43.50.170(1) is amended to read:

27 (1) "buyer" means a person who imports or acquires cigarettes for the  
28 person's own consumption from any source other than a manufacturer, distributor,  
29 direct-buying retailer, [OR] retailer, or wholesaler-distributor;

30 \* Sec. 11. AS 43.50.170(3) is amended to read:

31 (3) "direct-buying retailer" means a person who is engaged in the sale

1 of cigarettes at retail in this state, and who brings cigarettes or causes cigarettes to be  
2 brought [CIGARETTES] into the state that are not purchased from a wholesaler-  
3 distributor;

4 \* Sec. 12. AS 43.50.170(4) is amended to read:

5 (4) "distributor" means a person who brings cigarettes that are not  
6 purchased from a wholesaler-distributor, or has cigarettes that are not purchased  
7 from a wholesaler-distributor brought into the state, and who sells or distributes at  
8 least 75 percent [PER CENT] of the cigarettes to others for resale in the state;

9 \* Sec. 13. AS 43.50.170(12) is amended to read:

10 (12) "wholesaler-distributor" means a person outside this state who  
11 sells or distributes cigarettes into this state, [AND] who is not required to be licensed  
12 under AS 43.50.010, and who is licensed under AS 43.50.035.

13 \* Sec. 14. AS 43.50.190(a) is repealed and reenacted to read:

14 (a) There is levied an excise tax on each cigarette imported or acquired in this  
15 state,

16 (1) after June 30, 2004, but before July 1, 2006, 42 mills;

17 (2) after June 30, 2006, but before July 1, 2007, 52 mills;

18 (3) after June 30, 2007, 62 mills.

19 \* Sec. 15. AS 43.50.190(c) is amended to read:

20 (c) The tax imposed under (a) of this section does not apply to the first 400  
21 cigarettes personally transported into the state by an individual for that  
22 individual's personal consumption [100 CIGARETTES IMPORTED BY AN  
23 INDIVIDUAL FOR PERSONAL CONSUMPTION] during the calendar month.

24 \* Sec. 16. AS 43.50.190 is amended by adding a new subsection to read:

25 (d) A portion of the annual proceeds of the tax levied under (a) of this section  
26 equal to 8.9 percent of the total proceeds of the tax shall be deposited into the tobacco  
27 use education and cessation fund established in AS 37.05.580. This deposit shall be in  
28 addition to any sums deposited into the fund under AS 37.05.580(a).

29 \* Sec. 17. AS 43.50 is amended by adding a new section to read:

30 **Sec. 43.50.200. Nonparticipating manufacturer equity excise tax.** (a)  
31 There is levied an excise tax of 12.5 mills on each cigarette imported or acquired in

1 this state from a nonparticipating manufacturer.

2 (b) The tax levied by this section is in addition to the taxes levied by  
3 AS 43.50.010 - 43.50.190. The tax shall be administered and collected in the same  
4 manner as the taxes levied by AS 43.50.010 - 43.50.180, except that receipts from the  
5 tax shall be deposited in the general fund. The penalties provided in AS 43.05 and this  
6 chapter apply to the tax levied in this section.

7 (c) In this section, "nonparticipating manufacturer" means a tobacco product  
8 manufacturer as defined in AS 45.53.100 that is not a participating manufacturer as  
9 that term is defined in sec. II(jj) of the Master Settlement Agreement.

10 \* Sec. 18. AS 43.50.500 is amended to read:

11 **Sec. 43.50.500. Tax payment by use of stamps.** A licensee shall pay the tax  
12 imposed under AS 43.50.090(a), [AND] 43.50.190(a), and 43.50.200 through the use  
13 of stamps issued under AS 43.50.500 - 43.50.700.

14 \* Sec. 19. AS 43.50.530 is amended by adding a new subsection to read:

15 (c) The department may limit the number of stamps sold to a licensee during  
16 the three months immediately preceding the effective date of a tax increase under  
17 AS 43.50.090, 43.50.190, or 43.50.200 to minimize the amount of cigarette  
18 stockpiling by a licensee. The department may not set the limit of stamps that a  
19 licensee may purchase during that three-month period below an amount equal to three  
20 times the average monthly stamp purchases made by the licensee during the 12-month  
21 period immediately preceding ~~that~~ three-month period.

22 \* Sec. 20. AS 43.50.540(f) is amended to read:

23 (f) Title to the stamps passes immediately to the licensee at the time the  
24 stamps are obtained in person or, if the stamps are shipped or transported, at the time  
25 the stamps are placed in the United States mail or received by the common or private  
26 carrier. The licensee bears all costs associated with shipping or transporting the  
27 stamps. The department may replace stamps lost or damaged in transit if the  
28 licensee provides proof acceptable to the department verifying that the loss or  
29 damage occurred while the stamps were in the possession of the shipping  
30 company and the shipping company substantiates the loss or damage. Damaged  
31 stamps must be returned to the department before the department may replace

1 them [AND ALL RISKS OF POSSIBLE LOSS OR DAMAGE WHILE IN  
2 TRANSIT].

3 \* Sec. 21. AS 43.50.550(b) is amended to read:

4 (b) A licensee who submits an application for the purchase of stamps on a  
5 deferred-payment basis shall, as a condition of approval of the application, post a  
6 bond acceptable to the department in an amount equal to

7 (1) 200 percent of the maximum dollar amount of allowed monthly  
8 purchases under this section ; or

9 (2) 100 percent of the maximum dollar amount of allowed monthly  
10 purchases under this section if the licensee

11 (A) holds a license issued under AS 43.50.010 for a physical  
12 location in this state; and

13 (B) has been in full compliance with the provisions of this  
14 title and regulations adopted under this title during the preceding 60  
15 months [AS A CONDITION OF APPROVAL OF THE APPLICATION].

16 \* Sec. 22. AS 43.50.580(b) is amended to read:

17 (b) A licensee may possess unstamped cigarettes in this state if

18 (1) the licensee posts a surety bond in an amount satisfactory to the  
19 department to ensure performance of its duties under this chapter; and

20 (2) unstamped cigarettes are necessary for the conduct of the licensee's  
21 business in making sales or distributions

22 (A) to an instrumentality of the federal government or an  
23 Indian tribal organization authorized by law to possess cigarettes not taxed  
24 under this chapter; or

25 (B) to customers outside the state and the licensee provides  
26 proof acceptable to the department that the licensee is properly licensed in  
27 the jurisdictions outside the state where the sales or distributions are  
28 made.

29 \* Sec. 23. AS 43.50.590(a) is amended to read:

30 (a) The department shall adopt procedures for a refund or credit to a licensee  
31 in the amount of the denominated value, less the discount given under AS 43.50.540,

1 for

2 (1) unused or damaged stamps; [OR]

3 (2) stamps affixed to cigarette packages that have become unfit for use  
4 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if  
5 the licensee provides proof acceptable to the department that the cigarettes have not  
6 been and will not be consumed in this state; or

7 (3) stamps affixed to cigarette packages that are sold or  
8 distributed outside the state if the licensee provides proof acceptable to the  
9 department that the cigarettes have not been and will not be consumed in this  
10 state and the licensee is properly licensed in the jurisdictions outside the state  
11 where the sales or distributions are made.

12 \* Sec. 24. AS 43.50 is amended by adding a new section to read:

13 Sec. 43.50.625. Forfeiture of other property. (a) Upon a showing of  
14 probable cause that a person has committed the crime of misconduct involving  
15 unstamped cigarettes or stamps in the first degree under AS 43.50.640, the following  
16 are subject to forfeiture:

17 (1) material and equipment used in the manufacture, sale, offering for  
18 sale, or possession for sale of cigarettes in this state in violation of AS 43.50.500 -  
19 43.50.640 or 43.50.660 - 43.50.700;

20 (2) aircraft, vehicles, or vessels used to transport or facilitate the  
21 transportation of cigarettes manufactured, sold, offered for sale, or possessed for sale  
22 in this state in violation of AS 43.50.500 - 43.50.640 or 43.50.660 - 43.50.700;

23 (3) money, securities, negotiable instruments, or other things of value  
24 used in financial transactions derived from activity prohibited under AS 43.50.500 -  
25 43.50.640 or 43.50.660 - 43.50.700.

26 (b) Property subject to forfeiture under this section may be actually or  
27 constructively seized under an order issued by the superior court upon a showing of  
28 probable cause that the property is subject to forfeiture under this section.  
29 Constructive seizure is effected upon posting a signed notice of seizure on the item to  
30 be forfeited, stating the violation and the date and place of seizure. Seizure without a  
31 court order may be made if

- 1 (1) the seizure is incident to a valid arrest or search;
- 2 (2) the property subject to seizure is the subject of a prior judgment in
- 3 favor of the state; or
- 4 (3) there is probable cause to believe that the property is subject to
- 5 forfeiture under (a) of this section; property seized under this paragraph may be held
- 6 for not more than 48 hours unless an order of forfeiture is issued by the court before
- 7 the end of that time period.

8 (c) Within 30 days after a seizure under this section, the Department of Public

9 Safety shall make reasonable efforts to ascertain the identity and whereabouts of any

10 person holding an interest, or an assignee of a person holding an interest, in the

11 property seized, including a right to possession, or a lien, mortgage, or conditional

12 sales contract. The Department of Public Safety shall notify the person ascertained to

13 have an interest in the seized property of the impending forfeiture, and, before

14 forfeiture, the Department of Public Safety shall publish, once a week for four

15 consecutive calendar weeks, a notice of the impending forfeiture in a newspaper of

16 general circulation in the judicial district in which the seizure was made, or if a

17 newspaper is not published in that judicial district, in a newspaper published in the

18 state and distributed in that judicial district.

- 19 (d) Property subject to forfeiture under (a) of this section may be forfeited
- 20 (1) upon conviction of a person for a violation of AS 43.50.640; or
- 21 (2) upon judgment by the superior court in a proceeding in rem that the
- 22 property was used in a manner subjecting it to forfeiture under (a) of this section.

23 (e) The owner of property subject to forfeiture under (a) of this section is

24 entitled to relief from the forfeiture in the nature of remission of the forfeiture if, in an

25 action under (d) of this section, the owner shows that the owner

- 26 (1) was not a party to the violation;
- 27 (2) did not have actual knowledge or reasonable cause to believe that
- 28 the property was used or was to be used in violation of the law; and
- 29 (3) did not have actual knowledge or reasonable cause to believe that
- 30 the person committing the violation had, within the last 10 years,
- 31 (A) a criminal record for violating this chapter; or