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**Governor Bill Walker**  
**STATE OF ALASKA**

January 15, 2016

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the excise tax on alcoholic beverages.

The bill would increase the tax rates on alcoholic beverages under AS 43.60 (excise tax on alcoholic beverages). Alcoholic beverage excise taxes are levied on malt beverages, cider with at least 0.5 percent alcohol, wine, and other beverages with a higher alcohol content. The bill would double the tax rates on a gallon or fraction of a gallon. As a result, the excise tax on malt beverages or cider would be \$2.14 a gallon or fraction of a gallon; the tax on wine or other beverages would be \$5.00 a gallon or fraction of a gallon; and the tax on beverages containing more than 21 percent alcohol by volume would be \$25.60 a gallon.

The bill also would amend AS 43.60.040(a) related to surety bonds. Current law requires a \$25,000 surety bond before a license is issued. This amount is out of date as many wholesalers require a surety bond much greater than that; at the same time very small brewers and distillers require a smaller surety bond. The bill proposes to amend AS 43.60.040(a) to delete the \$25,000 bond and instead add language that the surety bond amount would be determined by the department.

This legislation would generate approximately \$40,000,000 annually in increased revenue, with half of that unrestricted general funds. The alcoholic beverage tax rates have not been raised for many years. This proposed increase is reasonable, especially considering the high societal cost of alcoholic beverage consumption. The alcoholic beverage industry could continue to operate in this state but, under this bill, would bear a fairer share of industry costs to the state.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The Honorable Mike Chenault  
Transmittal Alcohol Tax  
January 15, 2016  
Page 2

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker". The signature is written in a cursive style with a large, stylized "B" and "W".

Bill Walker  
Governor

Enclosure

**HOUSE BILL NO. 248**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-NINTH LEGISLATURE - SECOND SESSION

**BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**Introduced: 1/19/16**

**Referred: Labor and Commerce, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act requiring the electronic submission of a tax return or report with the**  
2 **Department of Revenue; relating to the excise tax on alcoholic beverages; and providing**  
3 **for an effective date."**

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

5 **\* Section 1.** AS 43.05.220 is amended to add a new subsection to read:

6 (f) A penalty of \$25 or one percent of the total tax before any payment,  
7 whichever is greater, shall be assessed against a taxpayer that fails to electronically  
8 submit a return or report under AS 43.05.222, unless the taxpayer has received an  
9 exemption under AS 43.05.222 or can show reasonable cause.

10 **\* Sec. 2.** AS 43.05 is amended by adding a new section to read:

11 **Sec. 43.05.222. Electronic submission of return or report.** (a) A taxpayer  
12 required to submit a return or report for a tax levied under AS 43 or any other tax  
13 administered by the department shall submit the return or report electronically in a  
14 format prescribed by the department. Unless the taxpayer has received an exemption

1 under (b) of this section or can show reasonable cause, a return or report not submitted  
2 electronically is subject to a civil penalty under AS 43.05.220.

3 (b) A taxpayer may request an exemption from the requirement that a return or  
4 report be submitted electronically. The taxpayer or taxpayer's representative shall  
5 contact the department and request the exemption before the return or report is due  
6 and shall submit evidence that the taxpayer does not have the capability to submit the  
7 return or report electronically. An exemption granted under this subsection is valid for  
8 two years after the first tax filing due date after the exemption is granted; after the two  
9 year period, the taxpayer may apply for another exemption.

10 \* **Sec. 3.** AS 43.60.010(a) is amended to read:

11 (a) Except as provided in (c) of this section, every brewer, distiller, bottler,  
12 jobber, retailer, wholesaler, or manufacturer who sells alcoholic beverages in the state  
13 or who consigns shipments of alcoholic beverages into the state, whether or not the  
14 alcoholic beverages are brewed, distilled, bottled, or manufactured in the state, shall  
15 pay on all malt beverages (alcoholic content of one percent or more by volume),  
16 wines, and hard or distilled alcoholic beverages, the following taxes:

17 (1) malt beverages at the rate of \$2.14 [\$1.07] a gallon or fraction of a  
18 gallon;

19 (2) cider with at least 0.5 percent alcohol by volume but not more than  
20 seven percent alcohol by volume, at the rate of \$2.14 [\$1.07] a gallon or fraction of a  
21 gallon;

22 (3) wine or other beverages, other than beverages described in (1) or  
23 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$5 [\$2.50]  
24 a gallon or fraction of a gallon; and

25 (4) other beverages having a content of more than 21 percent alcohol  
26 by volume at the rate of \$25.60 [\$12.80] a gallon.

27 \* **Sec. 4.** AS 43.60.010(c) is amended to read:

28 (c) A brewer shall pay a tax at the rate of 70 [35] cents a gallon on sales of the  
29 first 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2001, for  
30 beer produced in the United States if the producing brewery meets the qualifications of  
31 26 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer

1 must file with the department a copy of an Alcohol and Tobacco Tax and Trade  
 2 Bureau acknowledged copy of the brewer's notice of intent to pay reduced rate of tax  
 3 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins  
 4 for which the partial exemption is sought. If proof of eligibility is not received by the  
 5 department before June 1, the tax rate under this subsection does not apply until the  
 6 first day of the second month after the month the notice is received by the department.  
 7 For purposes of applying this subsection, a barrel of beer may contain not more than  
 8 31 gallons.

9 \* **Sec. 5.** AS 43.60.020(a) is amended to read:

10 (a) Each brewer, distiller, bottler, jobber, wholesaler, manufacturer, or other  
 11 consignor shall **submit** [SEND] a statement [BY AIRMAIL, POSTAGE PREPAID,]  
 12 to the department on or before the last day of each calendar month. **The statement**  
 13 **must be submitted in a format prescribed by the department.** The statement must  
 14 contain an account of the alcoholic beverages sold or consigned to buyers or  
 15 consignees in the state during the preceding month, setting out

- 16 (1) the total number of gallons, including fractional gallons sold or  
 17 consigned;  
 18 (2) the names and Alaska address of each buyer and consignee; and  
 19 (3) the gallonage of each kind of beverage sold or consigned to the  
 20 respective buyers or consignees.

21 \* **Sec. 6.** AS 43.60.040(a) is amended to read:

22 (a) Each brewer, distiller, bottler, jobber, wholesaler, or manufacturer is  
 23 primarily liable for the payment of the excise taxes on alcoholic beverages sold, and  
 24 shall furnish a good and sufficient surety bond **in an amount as determined by** [OF  
 25 \$25,000 PAYABLE TO] the department and approved by the Department of Law. If a  
 26 **licensee** [WHOLESALER] fails to pay the tax to the state the **licensee**  
 27 [WHOLESALER] forfeits the bond and the **licensee's** [WHOLESALER'S] license  
 28 shall be revoked. The department, in its discretion, may issue permits in place of  
 29 bonds to resident holders of wholesale, malt beverage, and wine licenses doing  
 30 business wholly in the state who pay the tax before shipment.

31 \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 APPLICABILITY. (a) AS 43.60.010(a), as amended by sec. 3 of this Act, and  
3 AS 43.60.010(c), as amended by sec. 4 of this Act, apply to alcoholic beverages sold on or  
4 after the effective date of this Act.

5 (b) AS 43.60.020(a), as amended by sec. 5 of this Act, applies to the first monthly  
6 statement submitted after the first full month after the effective date of this Act.

7 \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
8 read:

9 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations  
10 necessary to implement the changes made by this Act. The regulations take effect under  
11 AS 44.62 (Administrative Procedure Act), but not before the effective date of the law  
12 implemented by the regulation.

13 \* **Sec. 9.** Section 8 of this Act takes effect immediately under AS 01.10.070(c).

14 \* **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect July 1, 2016.