

Sponsor Statement for SB 291

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

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

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

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