

Sponsor Statement

HB 505

"An Act relating to importing beer or wine for personal consumption and a liquor license for that purpose, and to taxes on beer or wine imported for personal consumption."

The 21st Amendment to the United States Constitution grants to states the authority to regulate taxation, distribution and sale of alcoholic beverages. The key provision in the 21st Amendment reads as follows: "The transportation of importation into any State, Territory, or possession of the United States for the delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited."

The vast majority of states require consumers to purchase alcoholic beverages from retailers licensed by the state. This type of system for the distribution and marketing of alcohol is called the "three tier" system. The "three tier" system is the system that the State of Alaska adopted at statehood and has operated successfully in the state for nearly one-half century. However, technology, primarily in the form of direct purchasing of alcohol over the Internet, threatens the "three tier" system in Alaska. It is estimated that more than \$1 billion in alcohol sales is illegally shipped to consumers in the United States, avoiding state taxation and state laws, which prohibit the sale of alcohol to minors.

HB 505 was introduced to establish a statutory framework for control of alcohol sales over the Internet while we still have time to avoid problems, which have occurred in the lower 48 states.

The objectives of HB 505 are:

- To prohibit Internet sales and shipment of alcoholic beverages to minors in our state. A recent National Academy of Sciences report, citing recent data gathered in a 2000 report published by the Journal of Studies on Alcohol, estimates that as many as 10 percent of internet sales are purchased and received by minors.
- To allow the State of Alaska to continue to collect taxes on the sales of alcoholic beverages shipped within it's borders.
- To protect the integrity of the "three tier" system, which as served Alaskans well for nearly one half century
- To send a strong message to Internet bootleggers that Alaska will not tolerate the illegal use of technology to create a loophole in the state law which allows out of state alcohol retailers to prey on the underage citizens of this state.
- To assert our State's right to strictly regulate the distribution and sale of alcohol within Alaska borders

In summary, HB 505 proposes to establish in Alaska law:

Creation of a new Title 4 license called the connoisseur license, which would allow adults to purchase limited amounts of boutique beers, and wines from out of state breweries and wineries.

The connoisseur's license provision in HB 505 is modeled after Montana statute, which has been successfully implement in that State.

The creation of new stiff criminal penalties for those out of state wineries and breweries who would violate these provisions, and creation of a new mechanism in to collect alcohol taxes on sales of beer and wine which take place outside of our State's borders.