

Sponsor Statement for Senate Bill 347

Alcohol Beverage Tax

"An Act relating to taxation."

Alcohol use and abuse is exacting a serious financial, as well as social, toll on the resources of the Alaska government, both at the state and local levels. Senate Bill 347 addresses this drain on government resources in two ways. It first allows a municipality to impose a sales tax on alcoholic beverages provided the local voters approve that tax. Secondly it raises the excise tax imposed on alcoholic beverages for the first time since 1983.

In May 2000, the [Alaska Criminal Justice Assessment Commission](#) issued a report in which the [Alcohol Policy Committee recommended both of these measures](#) to address the ever-increasing alcohol-related costs to government. The committee believed that these measures would provide funds to put towards rehabilitative treatment programs and services, that in turn, would lead to further savings through decreased recidivism and decreased demand for state services. The ideas have been supported by the Alaska Municipal League, Alaska State Hospital and Nursing Home Association, the Advisory Board on Alcoholism and Drug Abuse and the Alaska Native Health Board.

Local governments should be given the flexibility to find ways to deal with the massive costs created by alcohol abuse. Senate Bill 347 provides an option to do this, but only upon citizen approval. The legislation amends state law to allow—NOT require—municipalities to impose a sales tax on alcoholic beverages regardless of whether there is a tax on other kinds of sales. Additionally, it allows municipalities to impose a sales tax that is equal to, lower than, or higher than the rate set for other sales.

Currently, municipalities may impose a sales tax on alcoholic beverages only if there is a general sales tax or a sales tax imposed on another commodity, such as hotel beds, tobacco, etc. For example, if Anchorage voters wanted to impose a sales tax on alcoholic beverages, rather than choosing the rate to impose, they would be limited to imposing an 8% tax (equal to the current bed tax and car rental tax) or a 15% tax (equal to the tobacco tax). Senate Bill 347 would allow them to impose a rate that they felt was best for the municipality. As stated previously, this tax could be imposed only after approval by a vote of the citizens.

Senate Bill 347 next increases the excise tax imposed on alcoholic beverages. This would be the first time in 20 years that the excise tax was raised. The increase translates into approximately a dime a drink and is anticipated to increase revenues to Alaska government by between \$22 and \$30 million per year. This additional revenue could be used to offset current alcohol-related costs and expanded alcohol abuse programs.

The effects of alcohol on Alaska are staggering. Statistics show that Alaska ranks among the top in per capita alcohol consumption and incidence of Fetal Alcohol Syndrome. Alcohol is implicated in more than 50% of suicide attempts, child abuse investigations, domestic violence reports, sexual assaults, and hospital emergency department visits. It is implicated in more than 40% of fatal automobile crashes, fatal fires and homicides.

[Senate Bill 347](#) provides valuable tools for both local governments and the State. It first provides municipalities with an option that, if approved by the voters, could provide funds for increasing alcohol-related costs. It also provides badly needed revenue to the state to pay for services such as public safety, care for inebriates and alcohol-related social and health problems.