

## Task Force Recommendations numbered as motions by priority - Leif Abel

**Issues to fix:** Over taxation of Licensed Cannabis Farms (raw material producers) that is crippling the cannabis industry. Over regulation of cannabis farms. Inadequate agricultural oversight and support for cannabis farms. Lack of regulation and taxation of intoxicating hemp products. Lack of tax collection enforcement in the cannabis industry. Lack of protections and support for farms that provide Alaskans with jobs and serve as critical infrastructure capable of local food production. Lack of State preparedness for Federal cannabis legalization/regulation. State taxation of manufactured cannabis and hemp products is not occurring in Alaska. Disparity of one plant and two systems.

### Actions to be implemented:

- 1) **Immediately remove the cultivator tax entirely** through legislation. This action will protect Alaska's food security by supporting the upkeep of the cultivation facilities. It will serve to support the raw material producers and prepare Alaska for Federal cannabis legalization.
- 2) **Move cannabis cultivation licensing and oversight to the Department of Agriculture** via legislation. A board comprised of cannabis and hemp cultivators and the department of Agriculture should create a set of regulations for hemp and cannabis cultivators. Some regulations pertaining to cameras, security, and preventing product diversion should be maintained for farms growing cannabis plants high in THC. De-regulate the cultivation regulations, removing smell and sight regulations and others that do not protect the health and safety of the public. The profit margin for cultivating a plant is not high enough to sustain these current regulatory costs. If cultivators are to be ready for federal legalization these steps are critical. This will also increase the public health and safety as it relates to cultivation oversight and practices. This will give access to services for cultivators from the Department of Agriculture that they currently cannot access under AMCO.
- 3) **Move hemp manufacturers and retails to AMCO (ACCO) and put them under the same tax structure as cannabis.** The ACCO board should make regulation changes to adjust to this new system. Products from Hemp and Cannabis manufacturers/cultivators that test under .3 percent concentration of THC or other intoxicating drug content can be sold outside of the ACCO regulation and taxation system.
- 4) **Change AMCO to ACCO (Alcohol & Cannabis Control Office)**, adding two hemp board seats and changing the structure to include two cannabis industry seats. Remove any language in the Cannabis regulation on the ACCO side referring to recreational marijuana or limiting medical and therapeutic discussion. How cannabis is used is very personal. Where and how it is purchased has no bearing on if it is being used medically or not. This does not mean manufacturers should put false claims on their packaging.
- 5) **Task the Department of Revenue (DOR) with building a retail tax for cannabis and hemp products**, based on a percentage of the retail sale price to the consumer. The legislation should give the DOR one year for project completion, so the tax collection/funding lag is as short as possible. All products will be taxed, including manufactured cannabis and hemp (except those under .3% intoxicating drug content). The tax should be 20% of the value of sale to consumer, with a 75% credit (of the tax value) for products grown in Alaska. Any product that is over 5% (by mg of total drug content) made from product cultivated out of state will not be eligible for the tax credit. Any product 95% or greater (by mg of total drug content) cultivated in state will be eligible for the tax credit. If the tax rate is not enough to fund the ACCO cannabis side, the DOR should be able to raise the tax rate up to 25% but no more. This tax structure will protect

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Alaska's food security by encouraging the upkeep of our current cultivation facilities. The State should give the local governments a portion of the state cannabis/hemp taxes for local administration if they keep their own excise/sales tax below 3%.

- 6) **Lower or eliminate renewal licensing Fees.** Fund AMCO (ACCO) cannabis side and the Department of Agriculture Cannabis Hemp Division with a tax allocation, not just licensing fees. Leave initial Licensing and Application Fees high (current rate or higher), including for cultivation (even if moved to the Department of Agriculture). This will ensure responsible and serious participants apply to the industry and help continue funding ACCO while DOR builds the new tax structure. This will also limit license numbers without an immediate cap.
- 7) **Create a cultivator tax rebate** for previous excise taxes paid. Only those licensees who have never been delinquent on taxes and hold a current cultivation license are eligible. They should be able to apply and be refunded 50% of the tax they paid since the inception of the industry. A cultivator who has been or is delinquent on taxes may pay back taxes in full thereby becoming eligible to apply for the rebate but at 25% only.
- 8) **Farm to bowl:** Allow Department of Agriculture Hemp and Cannabis farms to sell product directly to adults who visit the farm. Maintain all rules that apply from AMCO as far as age, security, quantity, and preventing product diversion. Farms could not purchase product from other farms or manufacturers for resale. This would help maintain farms and food security. The percentage-based tax would still need to be levied here.
- 9) **Direct enforcement to prioritize the reigning in of non-licensed,** non-taxed sellers of cannabis and hemp products. Allocate some taxes for this purpose. Task AMCO, DOR enforcement, and Department of Agriculture as well as State Troopers and local police with the job.
- 10) **Create a legislative switch that will cap the number of Alaskan cannabis and hemp licenses** when Federal cannabis legalization/de-scheduling occurs.
- 11) **Distributor Licensing type:** Create a distributor licensing type for regulating out of state products. In state companies should continue to be able to sell directly to retailers. A tax may be levied at this level.
- 12) **Create Legislation that immediately revokes the license** of any cannabis or hemp business that is over 60 days delinquent in taxes (this includes cultivation licenses under the current excise tax system). There should be no confusion here. It is unfair for some businesses to expand or pay bills using state tax dollars while others faithfully pay taxes on time. This would increase taxes collected by moving sales from non-taxpayers to tax paying businesses.

**Purpose/Intent:** To create a fair system for licensed, tax-paying Cannabis and Hemp businesses in Alaska while continuing the protections for the safety and health of the public. To fix a broken excise tax system that currently levies 40% or more on the cultivator that produces the raw material, making us noncompetitive versus hemp or Federal legalization. To de-regulate where needless money is wasted. To put what is essentially one plant (Hemp & Cannabis) under one regulation and taxation system. To put the taxes at the point of the end consumer so as not to cripple the businesses. To put cannabis cultivations under the Department of Agriculture whose job it is to oversee farming and growing. To protect the food security of Alaskans. To support small business owners and local jobs. To create a profitable tax system for the State of Alaska that encourages businesses who follow rules and pay taxes (there is currently an astounding balance of unpaid cultivator taxes - due to the State). To keep the combined local and state tax on cannabis products at the retail to 5% for products created from locally grown drug content. To bring our Alaskan businesses closer in line with current and eventual Federal

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standards. If Alaskan cannabis businesses want to be competitive after federal legalization, then these steps are absolutely needed.

Why do we need a percentage-based tax collected from the end consumer? The percentage-based tax at the Point of Sale (POS) level will capture products whose full value currently does not get taxed. These products include all manufactured goods such as drinks, edibles, vape cartridges and other extracts. Coupled with moving hemp products into the same tax system, this will provide more revenue to the State than the current system which only taxes the raw material. Putting the percentage-based tax at the retail level is also the least burdensome for the industry in general. The tax would then be collected from the end consumer that pays for the product.