

Governors Marijuana Advisory Task Force:

Meets Monday @ 11:00am

December 5, 2022

Members: Leif Abel, Sam Hachey, Gary Evans, Brian Fechter, Frank Malone, Aaron Stiasny, Ryan Tunseth, Jana Weltzin

Absent: Brandon Emmet, Julie Sande, Nick Miller, David Pruhs, Mia Kirk, Joan Wilson

Support: Maya Ali & Bailey Stuart

Agenda Items	Discussion	Decision(s) / Conclusions
Agenda Approval	<p>Ryan Tunseth Motions to amend the agenda to add Public Comment to number 7.</p> <p>Leif Abel 2nds Motion.</p> <p>Task Force members voted in favor.</p>	Public Comment added to agenda item #7.
Discussion Regarding updates from Director Joan Wilson on timeframe to get data from METRC for modeling;	<ul style="list-style-type: none"> Director Wilson has been in contact with METRC and expects METRC to give her a time frame for receiving reports today. Stassja Gomez government program manager with METRC reports they've received a request for reports on 2020, 2021 and 2022. 3 different reports were requested. <i>"A summary of retail sales by product type, prices and breakdowns of potency ranges, ... wholesale prices versus retail price. Current "This is top priority for us at METRC".</i> 	<p>Joan expects to hear from METRC on time frames today.</p> <p>Stassja Gomez reports they should have those data sets by Friday, the latest being Wednesday next week.</p>
Identifying if Dept. Revenue needs any other data sets to start modeling;	<ul style="list-style-type: none"> Task Force would like to identify 3 or 4 tax structures to start modeling" <p>Brian Fechter <i>"We can model however many tax structures that the panel here decides that we want to take a look at, you know, just with the caveat that a couple of the concepts might be a little bit challenging to model like the proof tax where we might not have a lot of data to really lean on. But we can certainly see what our Economics research group can do."</i></p>	The data sets to be provided by METRC will be enough for Dept. of Revenue to start modeling boards recommended structures. With the caveat that proof tax concept may be challenging to model with data sets.
<p>Continued discussion on tax types to model;</p> <ul style="list-style-type: none"> a. Retail sales tax b. Continuing cultivation excise model 	<ul style="list-style-type: none"> Gary Evans wants to hear more from Dept. of Revenue (DoR) on what is easier to implement. If it's 2 million and X amount of time to implement what is most cost effective and good for our industry. Back end excise makes more sense. Retail tax the only hold is 	<p>Board members request 2 different model types from Dept. of Revenue.</p> <ul style="list-style-type: none"> 1. Model a percentage retail sales tax. Scaling up starting at 25%,

<p>c. Proof tax</p> <p>d. Tax credits and how it works in tangent with various types of tax models</p> <p>e. Value added tax</p> <p>f. Net income type of tax</p>	<p>inability to take cards at the retail level makes it harder for DoR and customers.</p> <ul style="list-style-type: none"> • Brian Fechter adds that to add tax credit can be done with additional FTD. The easiest fix is to continue back-end tax and fix rates. This can be knocked out in a few weeks. • Frank “Dru” Malone thoughts are the excise is a simple solution. • Keeping the tax structure the way it is and adding tax credits is the simplest solutions however; <ul style="list-style-type: none"> ○ How does the proposal pass the legislature? ○ How do to include hemp products? ○ How to implement when current tax structure is weight base? • Jana Weltzin wants the tax structure to cast a broader net when the tax is on the retailers. This would be the simplest way to capture hemp THC. • Lief Abel does not want to leave the tax structure the way it is. <i>“Cultivators have a 40% tax burden. That can’t continue unless we want to see massive business failures.”</i> Believes if we lower the current tax structure no one will pass it in legislation. <p>Colleen Glover (Dept. of Revenue) <i>“Any new tax takes a lot of work to implement.” “You might want to do more research and understand the impacts of the different taxes.” “Our job is to figure out how to implement and make that happen.”</i></p> <p>Gary Evans <i>“My idea as far as lowering it in general, is to tap into what is the Black Market” “So we need to be able to compete, and I don’t know what anyone else here thinks, but I hear the Black Market is still doing very well in the State of Alaska. Especially on the concentrate side. And I think if we’re able to compete with that, we, even though we see less taxation on our end, I would assume that it would actually increase tremendously for the State of Alaska once we’re able to tap into that”</i></p> <ul style="list-style-type: none"> • Black Market pounds prices are \$1,600 of flower and concentrates are heard to be around \$100 an ounce compared to the \$1400 an ounce in recreational retail. • Sam Hachey would like to focus on the dollar assessed for the FY 2021 being revenue neutral. He would like the board to look at taxation structure on multiple levels. A straight \$100 a pound on flower, with no tax structure changes for different types of flower. Then a retail excise tax on the wholesale price, with a tax credit for in-state producers. So that producers outside of the state make up 	<p>50%, 75% and 100%. Numbers based on 2021 marijuana excise tax.</p> <p>2. Model \$10 an ounce for all flower types, keeping clones at \$1. Dry weight model</p>
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	<p>the rest of the taxes, incentivizing Alaskan grown and produced.</p> <ul style="list-style-type: none"> • Value added tax on wholesale and retail level. Credits are more easily applied on the wholesale level, in terms of protection from outside marijuana products. <p>Ryan Tunseth <i>“We recognize the tax was too high, and that needs to be changed. I don’t necessarily think that that means exactly just dropping the excise, and I certainly don’t agree with keeping it revenue neutral. That’s why we were formed. We’re in this group there might be others that think differently. But me personally. I absolutely want it to be reduced.” “And so that’s my goal is a drastic reduction” “I think that the model is sort of a combination of all these things. If you have the ability to give a credit back to cultivators. If they produce in state that would help level the playing field. And then you maintain an excise with that credit back that would help that idea of outside products coming in. And then I think you also need either a value-added model that would tax good when they move to retail so that there’s a mechanism in place assign a value to that for people who are vertically integrated. If you don’t do that you’re going to have vertically integrated companies at their retail, with a cost of good sold as 0, and you’re doing to have standalone retails with their cost of goods sold in excess of millions of dollars.”</i></p> <ul style="list-style-type: none"> • Proof base taxation may be the only way the Task Force can capture all THC products, including hemp derived if Delta-9 is properly definition properly. • How would the industry report on Proof tax? • Flat excise tax, an in-state producer credit plus a low end capture all retail tax. Example would be 3% retail tax, applicable to any product that contains intoxicating cannabinoids and provide a credit to the retailer for purchase products that are in state products, that are manufactured or produced in Alaska. • DoR to model a sales tax in FY 2021 at 100%, 75%, 50% and 25%. <p>Jana Weltzin Motions to request DOR to model a percentage retail sales tax. Scaling up starting at 25%, 50%, 75% and 100% of FY 2021 Aaron Stiassny 2nds Motion Task Force members voted in favor.</p> <p>Lief Able Motions to model a \$10 an ounce for all flower types, keeping clones at \$1, dry weight model.</p>	
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	<p>Sam Hachey 2nds Motion.</p> <ul style="list-style-type: none"> • Maya Ali reminds the board that licensing fee’s cover AMCO operational costs. • AMCO budget for this fiscal year is \$1.867 million. • Last year’s licensing fees were approximately \$1.65 million. After Marijuana Handler fees come in AMCO will be close to the revenue budget. Anything more is carried forward. • Task Force requested additional reports from METRC on what amount of total product is on the market. • Stassja reports they have an inventory report on sitting inventory, product that is already packaged by the licensees. To include current harvest batch information, and on the current test status. • Task Force requests additional information from METRC for 2022, 2021 & 2020. • Task Force requests a report of actual transfers from a cultivation outgoing to retail and cultivation outgoing to manufacture. • Colleen reports that the DoR is in the middle of doing a statewide forecast. It is crunch time for the department currently. Depending on when they get the data sets will determine when DoR will be able to report back to the Task Force. • Jana requests the information from DoR be provided at least two weeks before the report is due by December 26th, 2022. • Maya Ali will help streamline reports as they come in and will create a separate email chain for Task Force members once data has been collected. And be uploaded to Task Force landing page. <p>Kevin Higgins <i>“The point of my email about the Open Meetings Act has not been to discourage sharing of information.” “Working from the same document, those types of things can be shared but to the extent that you’re starting a conversation through email. That’s not a part of the Open Meetings Act.”</i></p> <ul style="list-style-type: none"> • Jana Weltzin is looking for volunteers to do research on defining intoxicating cannabinoids in different states and then report back to the Task Force at the next meeting. <ul style="list-style-type: none"> ○ Aaron Stiassny to report on California. ○ Gary Evans to report on Washington. ○ Ryan Tunseth to report on Colorado. 	
<p>Defining Intoxicating Cannabinoid</p>	<p>Lief Abel Motions to move agenda item to the next meeting. Jana Weltzin 2nds Motion.</p>	<p>Defining intoxicating cannabinoid moved to the 12/12/2022 agenda.</p>

Public Comment	<p>Lacy Wilcox has public comment.</p> <p><i>“Hi, you guys have all of my thoughts in writing, and they've been put in your memos. I'm not gonna go long. But I just wanted to lend support to these conversations that you guys are having. I feel like you are clearly going in a really good direction. Tax credits is something that I personally really want to see explored I know that it's complex, but I also know that it can be done. So I just wanted to kind of applaud. You guys, I don't have any more to add that you haven't already covered. but I'm right here. I'm listening. and then I guess Fyi for those who have access to the AMIA drive, which is several people here. There is a State by State comparison document that's been ongoing in the tax discussion that we've been building off of for years. It may be way out of date. But, I can go. Make sure that you all have that link, and it it's similar to Ryan's stuff, but it could be a good landing place for each State. And Jana, when you ask, are there other states that might be important? That's a good glance over. You might see something there that you had forgotten about. So, I'll send that link and carry on. You guys are doing a great job. Thanks.”</i></p>	
Items Task Force Members would like to discuss on next Agenda	<ul style="list-style-type: none"> • Reports from Task Force members on different state definitions of intoxicating cannabinoid. • Distributor Licenses discussion • License caps discussion “Limited Entry” • Discussion and resolution of goals of Task Force • Current Industry State of Affairs • METRC reports • Discussion regarding Marijuana Tax allocation • Discussion with Rob Carter on Proof Tax • Public Comment period 	
Adjournment	<p>Jana Weltzin Motions to Adjourn at 12:33pm Sam Hachey 2nds Motion</p>	Meeting Adjourned at 12:33pm