



# Northwest Arctic Borough

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## SERVING THE COMMUNITIES OF:

Ambler Buckland Candle Deering Kivalina Kiana  
Kobuk Kotzebue Noatak Noorvik Selawik Shungnak

### Northwest Arctic Borough Assembly

### Committee on Regulation and Taxation of Alcohol, Tobacco & Marijuana Meeting Minutes

Thursday, March 5, 2015 – 12:30 P.M.

Northwest Arctic Borough Assembly Chambers – Kotzebue, AK

### CALL TO ORDER

Chair Larry Westlake called the meeting to order at 12:40 P.M.

### INVOCATION

Moment of Silence

### ROLL CALL

Regulation and Taxation of Alcohol, Tobacco and Marijuana Committee Members Present:

Lucy Nelson                      Larry Westlake                      Vern Cleveland

Other Members Present:

None Present

Introduction of Staff and Guests:

Karl Kaufman                      Fred Smith                      Martha Henry

**A quorum was present to conduct business.**

### APPROVAL OF AGENDA

Agenda presented for March 5, 2015 for approval.

**Member Vern Cleveland motioned, Member Nelson seconded to approve the agenda.**

## **Discussion of Alcohol, Tobacco and Marijuana Taxation Options**

Karl Kaufman presented on the topic.

Fred Smith expressed concern that there may be an increased burden to collect and manage the taxes. Additional workforce may be required. The Borough does not currently tax. Mr. Smith stated that according to his understanding of Title 29 of the State Municipal Code the Borough would receive all other community local sales taxes then distributing to each Municipality. Member Westlake questioned if there was an administrative fee that comes from the taxes in Kiana. Mr. Westlake also asked if the taxes come to the Borough, would the fee be imposed to cover the administrative costs and would it take money out of the system.

Member Vern Cleveland asked if home brew, by a licensed HPO brewer, would we be taxed as well under a proposed alcohol tax. Mr. Cleveland also added that the Northwest Arctic Borough has the third highest alcohol fatalities in Alaska or the US. Fred Smith stated that tobacco is the leading cause of death in Alaska according to the documents provided. The question was asked about how the category of deaths are established, and the link to tobacco as of the cause determined. This information would be useful when discussed with the Assembly.

Member Westlake asked about e-cigarettes. The committee requested information about how they are packaged, sold, and availability to purchase or order them.

TECK may have an argument that they are the only Borough tax payer; however, it was clarified that individual residents pay taxes in Kotzebue and every other community. The Borough revenue TECK covers is in addition to the Federal PILT agreements.

Member Westlake questioned whether it was too early to make a determination on marijuana taxation, given that there isn't clarity on whether it will be sold in our area.

Fred Smith requested direction on how the Assembly would like the Borough to take and institute a sales and excise tax.

Member Nelson stated that ratification before the voters may be difficult, as the cost of living in the region is already so high. Taxation in addition to the high costs would be difficult without talking about the benefit; Maniilaq runs a State funded program called Tobacco Prevention. Member Nelson stated that they provide services for \$375,000 to all the communities.

Fred Smith stated that the Borough was approached by Maniilaq's Tobacco Program and they also submitted a number of sample ordinances. A consideration to examine is a sales tax vs. an excise tax. An excise tax does not need to go to the voters. Part of the consideration of the information provided is just a suggestion that the Borough look at tobacco tax as an excise tax.

Member Westlake stated that if we propose any kind of tax to the Assembly the marijuana tax might be better brought up later.

Member Vern Cleveland that there be a comparison with the other states like Colorado, Washington, Oregon. Member Cleveland also raised concern regarding complications with banking. Fred Smith asked what the allowable deductions are on illegal activity.

Member Westlake asked what percentage the revenue was based on. Member Westlake also asked if making the tax too high might result in people smoking more of something else.

Fred Smith stated that the Borough needed one other tax if the assembly was going to look at an excise tax. For the Borough to even consider a sales tax there would also need to be another tax. The committee discussed the possibility of a gross severance tax on Red Dog. A question was posed on whether or not the airlines that are based Kotzebue charge a Kotzebue City Sales tax for the passengers and whether it would be more appropriate for the Borough to have that tax. Nearly all of the flights that occur are trips within the jurisdiction of the borough. Member Westlake raised a question about State lands and whether they could tax airlines on State land.

Fred Smith stated that the Borough would need to consider a cap if they were going to institute an alcohol sales tax. The Assembly should also consider that there is already a 6% sales tax; would the alcohol tax be on top of the 6%. There are some of our communities that do not allow the purchase or sale of Alcohol. Mr. Smith stated that in the Region there are two communities that are involved with reselling alcohol. He asked how that would affect the voting on the Alcohol Tax and regional communities. Member Westlake also expressed the same concern and also brought up the issue of Revenue Sharing.

Fred Smith discussed income tax and questioned State law.

Member Westlake requested examples of a school tax and stated that it had been a great tax in the past.

Karl Kaufman continues presentation.

Fred Smith raised a concern about taxation on guided caribou hunters and the effect on local residents, in, what would the relationship of the Borough be in this role. The tax may reduce the number of hunters that come from outside of our area. Member Westlake stated that there would also be concern in taxing big game, as others may impose changes in response that may affect the Borough and suggested looking at the Bed Tax.

Fred Smith stated that the Delong Mountain Transportation System through the State, built in, that they had a nontaxable asset except for the port site which has up to 90 beds during the summer that are filled up, but very few during the rest of the year its only about 10% of use of those beds during the winter so if you're looking at a bed tax in addition of what we have here in Kotzebue that might be one place that might also be taxed, that's the only part of DMTS that is taxable.

Member Westlake stated that if you look down on the list of bed taxing, that is a money making taxing occurring all over Alaska. Member Westlake also suggested that the fishery tax would not be a suggested tax on his part.

Member Westlake suggested the committee talk about taxing at the next assembly meeting.

Member Nelson suggested that the committee look at the tax table and stated that there is already an alcohol tax that is 6% in Kotzebue. Adding another tax burden is something she was not comfortable with, but suggested a tobacco excise tax. Member Nelson also suggested sharing the tables with the assembly.

Fred Smith posed the question on what it would take to make alcohol eligible for an excise tax and if it was in the States best interest to make alcohol and municipalities able to exercise an excise tax on alcohol.

Member Vern Cleveland suggested looking at miscellaneous taxes, such as, pull tabs. Fred Smith suggested looking into whether the organizations selling the items are taxing them the city sales taxes and maybe gaming can be viewed as a sin tax, so if the Borough is looking at taxing sin, bingo is a problem in some families.

Member Westlake suggested taking the discussion to the assembly at the next meeting. Member Westlake suggested looking at the alcohol tax, tobacco tax, and the bed tax. Member Nelson agreed. Member Vern Cleveland also agreed.

Member Nelson suggested that the Tax make the agenda for the Assembly and that Member Westlake give a report to the Assembly.

Member Westlake suggested another Work Session.

### **OTHER BUSINESS**

No other business.

### **AUDIENCE COMMENTS**

No audience comments presented.

### **COMMITTEE COMMENTS**

No comments provided.

### **ADJOURNMENT**

With no other business to discuss, the meeting adjourned at 2:19 P.M.

**Member Vern Cleveland motioned to adjourn.**