



# Memo

Date: September 24, 2018  
To: Assembly, CFO  
From: Debra Schnabel, Manager, Haines Borough  
Re: Excise Taxes generally, selected states and municipal levies

## What is an 'Excise Tax'

An excise tax is an indirect tax on the sale of a particular good or service such as fuel, tobacco and alcohol. Indirect means the tax is not directly paid by an individual consumer — instead, the government levies the tax on the producer or merchant, who passes it onto the consumer by including it in the product's price.

Excise taxes are imposed by all levels of government — federal, state and municipal. These taxes fall into one of two categories: ad valorem and specific. Ad valorem excise taxes are fixed percentage rates assessed on particular goods or services. Specific taxes are fixed dollar amounts applied to certain purchases.

## What is an 'Indirect Tax'

An indirect tax is collected by one entity in the supply chain (usually a producer or retailer) and paid to the government, but it is passed on to the consumer as part of the purchase price of a good or service. The consumer is ultimately paying the tax by paying more for the product.

Indirect taxes are defined by contrasting them with direct taxes. Indirect taxes can be defined as taxation on an individual or entity, which is ultimately paid for by another person. The body that collects the tax will then remit it to the government. But in the case of direct taxes, the person immediately paying the tax is the person that the government is seeking to tax.

The most common example of an indirect tax is import duties. The duty is paid by the importer at the time the goods enter the country. When the goods are sold to the consumer, the cost of the duty is "hidden" in the price that the consumer pays.

Essentially, any taxes or fees imposed by the government at the manufacturing or production level are an indirect tax.

Indirect taxes are commonly used and imposed by the government in order to generate revenue. They are essentially fees that are levied equally upon taxpayers, no matter their income, so rich or poor, everyone has to pay them.

## Marijuana Tax Structures in Various States

- In **Alaska** marijuana growers pay a specific excise tax of \$50 per ounce when selling the product to marijuana dispensaries or retailers. This is passed on to consumers in the retail price which is taxed ad valorem by municipalities (sales tax).
- In **California**, cultivators pay a specific excise tax at a rate of \$9.25 per ounce of marijuana flowers and \$2.75 per ounce of leaves. In addition, retailers collect from customers a 15 percent excise tax on the average market price of the product.
- **Colorado** imposes a 15 percent excise tax on the sale of marijuana from a cultivator to a retailer. In addition, the state levies a 15 percent sales tax on retail sales to customers.
- **Maine** levies 21.5% (ad valorem) excise tax on wholesale marijuana paid by processors and retailers and sets a 10% tax at the point of retail.
- **Massachusetts** charges an ad valorem excise tax of 10.75 percent.
- **Nevada** imposes an ad valorem 15% excise tax on the sale of marijuana by a cultivator to a distributor. Nevada also levies a 10 percent sales tax paid by consumers.
- **Oregon**, which does not have a general sales tax, levies an ad valorem 17 percent sales tax on marijuana.
- **Washington** levies a 37 percent sales tax on recreational marijuana.

Source: <https://taxfoundation.org/state-marijuana-taxes-2018/>

### Selected Alaska Municipalities Tax Levies (reference Municipal websites, code)

**Petersburg:** The Borough levies an excise tax of \$25.00 per ounce on all marijuana and marijuana products brought or transported into the Petersburg Borough for commercial use inside the Petersburg Borough. The Borough levies an excise tax of \$25.00 per ounce on all marijuana cultivated in the Petersburg Borough for commercial use and on all marijuana products manufactured in the Petersburg Borough for commercial use.

**Fairbanks North Star Borough:** 5% Borough Sales Tax. Sales within the city of Fairbanks and the city of North Pole are partially exempt from the borough tax by the amount of sales tax the city separately levies on the same item up to five percent of the sales price. Wholesale marijuana and marijuana products by a cultivation facility or a marijuana manufacturing facility are exempt.

**City and Borough of Juneau:** Normal levy of Borough Sales Tax of 4% increasing to 5% on October 1, 2018 PLUS an additional ad valorem excise tax of 3% on marijuana and marijuana products.

**Municipality of Anchorage:** Initial rate of levy is 5% on all retail sales of marijuana and marijuana products. The Assembly is authorized to raise the rate by ordinance every two years by 2 % to a maximum of 12%. Any increase beyond 12% requires vote of the people.

**Matanuska-Susitna Borough:** 5% sales tax is levied on all retail sales of marijuana and marijuana product. Sales within Palmer, Wasilla and Houston are partially exempt from the borough sales tax by the amount of tax the city separately levies on marijuana up to 3% of the sales price. Note: The City of Palmer establishes its sales tax annually with the adoption of the city budget.

**Ketchikan Gateway Borough:** General Sales Tax 2.5% plus "Special Sales Tax" of 5% on marijuana and marijuana products. Code provides that the borough sales tax on marijuana shall be reduced in the City of Ketchikan by the sales tax rate levied by the City of Ketchikan up to a maximum of 5%.