

ALASKA DEPARTMENT OF REVENUE
News Release

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FOR IMMEDIATE RELEASE

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Cigarette Tax Will Go Up on July 1

(Juneau) – The Alaska Department of Revenue will begin collecting a higher rate of tax on cigarettes beginning July 1. The tax will go up by twenty cents on a pack of cigarettes, or from the current rate of nine cents per cigarette to ten cents. This increase is the final increase in a series of phased-in increases established by the legislature during a special session in June of 2004.

The tax increase legislation did not include a floor stock tax. Therefore, cigarettes physically in the state on or before June 30 will be taxed at the old rate of \$.09 per cigarette. Cigarettes imported into the state after June 30 will be taxed at the new rate of \$.10 per cigarette. These rates apply only to certain cigarettes manufactured by companies that are signatories of the Master Settlement Agreement (MSA), a 1998 agreement between 46 states and several major tobacco companies.

The tax rate on cigarettes manufactured by nonparticipating manufacturers, those who did not sign the MSA, will increase from \$.1025 per cigarette (\$2.05 per pack of twenty) to \$.1125 per cigarette (\$2.25 per pack of twenty).

The Tax Division deposits cigarette tax revenue into both the School Fund and General Fund. The School Fund receives \$.038 per cigarette. The remainder of the cigarette tax, including the entire amount of the cigarette tax increases passed during the special legislative session is deposited in the General Fund. In addition, the legislature may appropriate 8.9% of the receipts deposited in the General Fund to the Tobacco Use Education and Cessation Fund for tobacco cessation programs.

The Alaska cigarette excise tax is paid through the use of tax stamps. Cigarettes sold or possessed in the state that do not bear a valid tax stamp are contraband and are subject to immediate seizure.

For more information concerning the cigarette tax increase, please contact either Janis Hales at (907) 269-6627 or Johanna Bales at (907) 269-6628 with the State of Alaska Tax Division.
