

ALASKA DEPARTMENT OF REVENUE
News 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 20 cents on a pack of cigarettes, or from the current rate of eight cents per cigarette to nine cents. The increase is one of a series of phased-in increases authorized by the Legislature in 2004.

The tax increase legislation did not include a floor stack tax. Therefore, cigarettes physically in the state on or before June 30 will be taxed at the old rate of \$.08 per cigarette. Cigarettes imported into the state after June 30 will be taxed at the new rate of \$.09 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 on cigarettes manufactured by nonparticipating manufacturers, those who did not sign the MSA, will be taxed at the rate of \$.1025 per cigarette (\$2.05 per pack of twenty).

"This increase is the second of three increases passed by the legislature during a special legislative session called by Governor Murkowski in July 2004," said Johanna Bales, the supervisor of the excise tax group of the Tax Division. "The final increase will take place on July 1, 2007, when the tax on a pack of cigarettes will be \$2.00."

Revenue generated by the cigarette tax is deposited into the School Fund and General Fund. The School Fund receives \$.038 per cigarette. The remainder of the cigarette tax is deposited in the General Fund. In addition, beginning January 1, 2005, 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. "Cigarette tax stamps reflecting the new tax rate will be available for sale beginning June 1st," Ms. Bales said. 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 Terri Doyle at (907) 269-6924 with the State of Alaska Tax Division.

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