



## 2025 Legislative Priorities

Alaska's hospitality industry continues to face significant ongoing challenges to business operations including labor shortages, liquor liability insurance rate hikes, and significant increases in operating costs. On behalf of the 2,000 businesses and over 36,000 employees of Alaska's hospitality industry, the following are our legislative priorities for 2025.

### **Pass SB 15 – Allow Employees Aged 18-20 to Serve or Sell Alcohol**

Alaska is one of only three states (along with Utah and Nevada) that requires an alcohol server to be 21 or older. Employers struggle to promote or retain quality employees who are 18-20 because they are prohibited from taking or delivering alcohol orders or being promoted into supervisor roles. Alaska is not competitive in this space. Last year, HB 189 would have accomplished this but was passed after the constitutional deadline. Thank you to the many legislators who have sponsored and/or acted to swiftly move this legislation so that the industry and workers may benefit from it this tourism season.

### **Liquor Liability (Dram Shop) Reform**

Over the past few years, lack of access to affordable liquor liability insurance has become a crisis for hospitality businesses. As of 2024, Alaska now has the worst rating for liquor liability in the country by the Insurance Services Office (ISO). The insurance landscape has changed – companies are no longer interested in writing policies in states with an ISO score higher than 6. Alaska is rated an 8.

Too many establishments are going without insurance, either because they cannot afford it or because they have been rejected for coverage by the few remaining insurance companies in Alaska. At least one agency specializing in liquor liability insurance has seen **45%** of their customers **lose coverage** or reject it due to the exorbitant cost. This crisis puts both the public and the industry at risk. Without reform, Alaska is in danger of losing its most iconic establishments because a single loss will result in their bankruptcy. What's worse is that the affected victims will never be able to recover their losses, as businesses will no longer have insurance to pay claims.

In recent years, the other states with worse (higher) grades all worked with their legislatures to fix their dram shop laws. A draft legislative fix is currently being reviewed by the ISO to confirm that it will bring Alaska to a rating of 5 or lower. The other states have reduced their ratings by creating a wider standard for the furnishing of alcohol – the server must knowingly furnish to a drunken or underage person.

Alaska needs common sense liquor liability reform. If passed, legislation should help drive down the cost of liquor liability insurance for restaurant, bar, hotel/motel, and liquor store owners while still protecting the public interest, health, and safety. The net result is that businesses will regain access to coverage or purchase higher amounts of protection at a lower cost – a benefit to all.

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## **Prohibit Interchange Fees on Taxes and Tips**

Hospitality businesses are the cornerstones of our communities and an engine of our economy. In 2024, Alaska's restaurant industry exceeded \$4.02 billion in economic output and collected \$254 million in taxes for all levels of government. However, this service for the government comes at a significant cost for the business owner, because credit card networks require businesses to pay interchange fees (also known as "swipe fees") on the taxes they collect. The same is true for tips left by credit card for servers and bartenders. In both cases, the operator collects the money, but 100% of the amount is passed on to either the government or hospitality employees. But the swipe fees (averaging 2-4% per transaction) must still be paid on the total check amount, so those fees are coming out of businesses' margins.

Merchants in Alaska are paying over \$6.2 million in credit card swipe fees annually just to carry out their role in collecting taxes on behalf of localities. This figure is likely much higher for gratuities/tips given that a conservative estimate for the typical restaurant tip is 15% across the nation. Alaska businesses should be protected from paying costly interchange fees when collecting money on behalf of the government or employees.

## **Improve Processing Times at AMCO**

The omnibus bill fondly referred to as the "Title 04 Rewrite" was signed into law in 2022. Subsequently, the initial review and processing of license applications by the Alcohol & Marijuana Control Office (AMCO) have been delayed for months, or even over a year. This has resulted in significant business disruptions, permanent closures of businesses before they're even able to open, and tens to hundreds of thousands of dollars in additional costs to small businesses. Alaska needs a solution to improve processing times of applications submitted to AMCO.