

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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ISAAC W. CHOY
DIRECTOR OF TAXATION

To: The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: February 10, 2021
Time: 2:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 771, Relating to Liquor

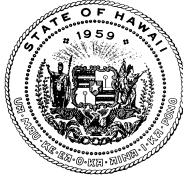
The Department of Taxation (Department) offers the following comments regarding H.B. 771, for your consideration.

H.B. 771 creates a three-year surcharge imposed in addition to the existing liquor tax under chapter 244D, Hawaii Revised Statutes (HRS). The three-year surcharge is effective from July 1, 2021 to June 30, 2024.

The Department notes that the wording imposing this surcharge is unnecessarily complex as it creates a separate calculation and imposition. The Department suggests amending the bill to simply increase the per-gallon liquor tax rates currently found in section 244D-4, HRS, by the desired amount per wine gallon.

Thank you for the opportunity to provide comments on this measure.

DAVID Y. IGE
GOVERNOR OF HAWAII



ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

WRITTEN
TESTIMONY ONLY

**Testimony COMMENTING on HB 0771
RELATING TO LIQUOR**

REPRESENTATIVE AARON LING JOHANSON, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Hearing Date: 2/10/2021 Room Number: Videoconference

1 **Fiscal Implications:** Undetermined

2 **Department Testimony:** The subject matter of this measure falls within the scope of the
3 Department's Behavioral Health Administration (BHA) whose statutory mandate is to assure a
4 comprehensive statewide behavioral health care system by leveraging and coordinating public,
5 private and community resources. Through the BHA, the Department is committed to carrying
6 out this mandate by reducing silos, ensuring behavioral health care is readily accessible, and
7 person-centered. The BHA's Alcohol and Drug Abuse Division (ADAD) provides the following
8 testimony on behalf of the Department.

9 The Department of Health (Department) supports the intent of this measure but defers to the
10 Department of Taxation on this matter. Excessive drinking can also lead to a range of unintended
11 health and social consequences such as injuries from motor vehicle accidents, alcohol poisoning,
12 violent behavior, suicide, sexual assault, HIV infection, unplanned pregnancy, and fetal alcohol
13 spectrum disorders.

14 The ADAD is working to expand contractual services and staffing provided by the Hawai'i
15 Coordinated Access Resource Entry System, or Hawai'i CARES (<https://hicares.hawaii.gov/>)
16 which is ready to support adults and youth through crisis, treatment and recovery, to assist those
17 who are eligible for Medicaid services, and to work with community partners to improve service
18 as a safety net for those impacted by the pandemic.

19 **Offered Amendments:** None

- 1 Thank you for the opportunity to testify on this measure.

HB711 Liquor Tax for 3 Years

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE:

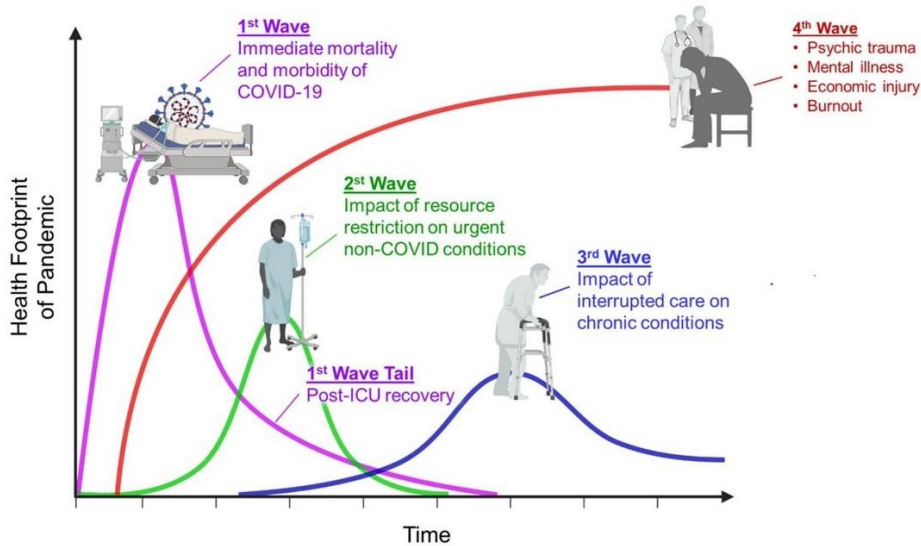
- Rep. Aaron Johanson, Chair; Rep. Lisa Kitagawa, Vice Chair
- Wednesday, Feb. 10 2021: 10:00 am: Videoconference

Hawaii Substance Abuse Coalition Supports HB711:

GOOD MORNING CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization of over 30 substance use disorder and co-occurring mental health disorder treatment and prevention agencies.

5 Reasons Why this Bill is a Good Idea:

1. Federal sources and Hawaii State Predict a 4th Wave of Behavioral Health Problems including Excess Use of Alcohol. A tax can slow down consumption and benefit both the people and Hawaii's Budget.



2. **Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day.** Wow. We really need to slow it down. It is a leading



cause of preventable death in the United States.¹

3. **Treatment Funds are being slashed in Hawaii. We need the funds to help the economy recover** which will help people get the treatment they need instead of going to the emergency rooms.
4. **Taxes on Alcohol are behind for increasing compared to other commodities.** During the last 20 years (after years of high taxes), the taxes on beer, wine, and liquor have increased more slowly than the overall price level. The result has been a substantial reduction in the price of alcoholic beverages relative to other commodities. Federal and state alcohol tax policies during this period have thus had the effect of providing an economic incentive for increased drinking. Since alcohol consumption is a contributing factor in the etiology of highway accidents, violent crime, suicide, cirrhosis, and a number of other causes of injury and death, it is possible that the downward trend in the relative price of alcoholic beverages has had the effect of reducing Americans' life expectancies and increasing morbidity.²
5. **Increasing taxes on alcohol is one of the most cost-effective methods of reducing the harms caused by alcohol** consumption, according to research in the new issue of the *Journal of Studies on Alcohol and Drugs*.³ But increasing these rates is "an ambitious but feasible strategy," according to the study, and this change in public policy "would **bring excise taxes for alcoholic beverages more in line with those imposed on tobacco products.**"

We appreciate the opportunity to provide testimony and are available for questions.

¹ CDC Centers for Disease Control and Prevention: Excessive Use of Alcohol in the U.S.: <http://www.cdc.gov/NCCDPHP/dph/>

² National Research Council (US) Panel on Alternative Policies Affecting the Prevention of Alcohol Abuse and Alcoholism; Moore MH, Gerstein DR, editors. Alcohol and Public Policy: Beyond the Shadow of Prohibition. Washington (DC): National Academies Press (US); 1981. The Effect of Liquor Taxes on Drinking, Cirrhosis, and Auto Accidents. Available from: <https://www.ncbi.nlm.nih.gov/books/NBK216412/>

³ Journal of Studies on Alcohol and Drugs. "Higher alcohol taxes are cost-effective in reducing alcohol harms." ScienceDaily. ScienceDaily, 9 August 2018. <www.sciencedaily.com/releases/2018/08/180809093453.htm>.

HB-771

Submitted on: 2/8/2021 2:41:58 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Comerford	Hawaii Bar Owners Association	Oppose	No

Comments:

Hawaii Bar Owners Association

HB771 OPPOSED , OPPOSED, OPPOSED

BUT WHO CARES!

WE ARE ALREADY OUT OF BUSINESS

WHAT HAVE YOU AS LEGISLATORS DONE TO KEEP OUR BUSINESSES ALIVE

NOTHING, NOTHING, NOTHING

YOU TAXED ME TO DEATH ON 6.5 MILLION IN SALES IN 2019

THIS PAST YEAR I HAD 340k IN SALES AND MY BUSINESSES ARE PERMENANTLY CLOSED BUT YOU COLLECTED ALL TAXES AND FEES

SO GO AHEAD TAX EVERYTHING YOU WANT

BECAUSE SCREW THIS, I'M LEAVING HAWAII AND HOPE TO NEVER PAY A PENNY TO YOU BUMS AGAIN,

WHY? BECAUSE FOR ALL THE TAXATION I PAID I NEVER GOT AN EAR FROM ANYBODY IN GOVERNMENT, STATE, CITY, HEALTH, LEGISLATORS ETC

PLEASE READ THE FICTIONOUS HAWAII SMALL BUSINESS BILL OF RIGHTS

Small business owners and operators should be informed of their rights, responsibilities and obligations and be assured that these rights will be protected throughout their contact with agencies and departments of the State of Hawaii, among them:

1. The right to expect state agencies to provide a prompt, accurate, and courteous response to a request for information and to work together to ensure ready

access to the information needed to assist businesses in their relationships with state government;

NEVER A CONVERSATION WITH ANYONE IN OUR GOVERNMENT BEFORE THEY PUT ME OUT OF BUSINESS

TAX ME

IGNORE ME

WHO CARES

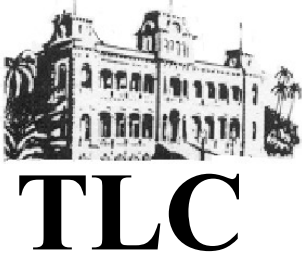
GOODBYE

Bill Comerford

Chairman of the Hawaii Bar Owners Association

bill@ejlounge.com

808-223-3997



THE LEGISLATIVE CENTER

1188 BISHOP STREET, SUITE 1003
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February 10, 2021

Testimony To: House Committee on Consumer Protection & Commerce
Representative Aaron Ling Johanson, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies

Subject: H.B. 771 – RELATING TO LIQUOR

Chair Johanson and Members of the Committee:

I am Tim Lyons, Legislative Liaison for Anheuser Busch Companies and we oppose this bill.

We understand that the state is in severe financial problems. We also understand that as legislators, you need to look for revenue sources wherever you can possibly find them. We also think however, that it is totally within your purview to take a look at the consequences of those tax increases.

In the case of liquor products, you are talking about products that are extremely price sensitive and have great elasticity. That is to say, the majority of people who consume our products are not alcoholics, but rather are casual drinkers. This means that they can do with or they can do without and as history has shown throughout the nation, as the price goes up, sales go down. As sales go down, unemployment goes up.

We also do not believe that you can tax people into drinking responsibly. People who drink in moderation do not have health problems...abusive drinkers will drink regardless of the cost.

We do not believe that in this COVID economy, although it seems a perfectly natural reaction to increase taxes, that you also do not want to do anything that will promote more people losing their jobs or having their hours cut back based on reduced sales. A liquor tax increase of almost any nature will do just that.

On the surface the bill talks about a five (.05) or ten (.10) cent surcharge; what this bill is really about is the job of the salesman, the truck driver, the refrigerator repair person, the restaurant server and even the bookkeeper.

What is proposed in this bill is an unspecified tax on liquor products. With the lack of details it is difficult to project but by our calculations the increases on beer proposed in this bill will result in almost \$12 million less in retail sales resulting in almost 250 less jobs and \$10 million less in wages paid. In short, the liquor industry is not the "cash cow" it once was. Sales have plummeted since COVID. Although we are sometimes grouped under the heading of a "sin tax", we would like to remind this Committee that what we manufacture and sell is a legal product and it is not a sin to sit in your living room, watch the football game and , consume a beer.

While we know that everyone has to do their part in this kind of an economy, we are also of the belief that if you ask an industry to do too much from their part, jobs will suffer and all we will achieve is more unemployment and less personal income.

Based on the above, we are opposed to this bill.

Thank you.

Kauai Beer Company
Justin Guerber
Head Brewer
4265 Rice St
Lihue, HI 96766
justin@kauaibeer.com



HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Position: **Oppose**

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

My name is Justin Guerber and I am the Head Brewer of Kauai Beer Company. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely impacted our business, and we are struggling to survive. A tax surcharge on liquor would directly drive customers from our products to other, cheaper products made by large manufacturers that import to the state and that can absorb such costs. We believe in responsible consumption of alcohol, and if customers no longer buy our products face-to-face, but instead purchase larger volumes cheaper at the store, we believe ultimately irresponsible consumption will actually increase.

Ultimately we know that the state needs to generate revenue to make up the budget shortfall, but if we have learned anything from this, it is that we should be charging more for the large corporations to ship their products to the state, and help support more local businesses in order to drive our own local economy. The more we can drive customers to local products, the more we can create local jobs, and keep our dollars in the state. By increasing the tax rates across the board with no consideration to small local businesses, we are tilting the tables the wrong direction.

According to the Tax Foundation, Hawaii is already ranked 3rd for highest excise tax rate for beer in the US. Now is not the time to impose an additional tax burden on our independent craft

beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Three-Year Surcharge

BILL NUMBER: HB 771; SB 1232

INTRODUCED BY: HB by MIZUNO, ICHIYAMA, ILAGAN, KAPELA, PERRUSO, Marten, Ward; SB by KEOHOKALOLE, CHANG, MISALUCHA, Baker

EXECUTIVE SUMMARY: Establishes a three-year surcharge on the liquor tax. Repeals 06/30/2024.

SYNOPSIS: Amends section 244D-4, HRS, to provide that beginning July 1, 2021, and ending June 30, 2024, every person subject to the liquor tax shall pay a _____ cent per drink surcharge on top for the normal liquor tax. One drink appears to correspond to 1.50 ounces of distilled spirits, five ounces of sparkling wine or still wine, and twelve ounces of cooler beverages, beer other than draft beer, or draft beer. The proceeds from the surcharge shall be deposited into the general fund.

Provides other technical and conforming provisions.

EFFECTIVE DATE: Upon approval; repealed on 6/30/2024..

STAFF COMMENTS: This measure proposes a liquor tax increase.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested 2/8/2021

HB-771

Submitted on: 2/8/2021 11:41:24 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Vivian Aiona	Hawaii Fetal Alcohol Spectrum Disorder (FASD) Action Group	Support	No

Comments:

As a board member of the *Hawaii Fetal Alcohol Spectrum Disorder (FASD) Action Group*, I strongly support **HB# 771**, to establish a three-year surcharge on the liquor tax.

Curbing under-age drinking and drunk-driving, promoting public safety, and deterring pregnant women from consuming alcohol, should be a constant priority of our lawmakers.

Estimates of the revenue from this tax, will profit the state approximately, **sixty-three million dollars.**

Personally, I would support that the surcharge continue **BEYOND the proposed three years.**



Tax Analysis

February 8, 2021

Rep. Aaron Ling Johanson, Chair
Committee on Consumer Protection & Commerce
Hawaii House of Representatives
Honolulu, Hawaii

Dear Chairman Johanson,

This testimony is submitted on behalf of the Distilled Spirits Council of the United States (DISCUS), a national trade association representing producers and marketers of distilled spirits and importers of wines sold in the United States, in regard to HB 771. DISCUS must respectfully oppose HB 771, introduced by Representative Mizuno. This bill would levy a temporary surcharge on the alcohol excise tax. The hospitality industry and in state alcohol producers have seen sharp declines in sales and business due to Covid 19 precautions, and passage of this tax increase will hamper any recovery these critical job supporting businesses could hope for.

HB 771 would impose a new tax on spirits, wine and beer purchased in Hawaii. While the bill calls for a “surcharge” on each drink purchased in Hawaii, the surcharge is really just a tax that will more than double the excise tax rate on distilled spirits. Unfortunately, higher taxes lead to lost sales and employment. Over 1,200 Hawaiian’s are projected to lose their jobs if the surcharge is enacted.

Proposal would increase excise tax on spirits by over 140%

- HB 771 calls for a new surcharge on spirits, wine and beer purchased in Hawaii. However, a surcharge is just another name for a tax. At \$5.98/gallon, Hawaii’s spirits excise tax rate is already above the national average of \$5.45.
- While HB 771 does not state an actual rate, even an additional 10 cents per drink would increase the current excise tax rate by over 140% to \$14.51 per gallon.
- The rates on beer and wine would go up as well; wine from \$1.38/gallon to \$3.94 and beer from \$0.93 per gallon to \$2.00.
- The proposed tax increase comes despite that fact that distilled spirits are already overtaxed in Hawaii. On a typical bottle of distilled spirits sold in Hawaii nearly 50% of the bottle price is accounted for by a tax of some kind.



Surcharge projected to cost 1200 Hawaiians their jobs.

- Higher taxes are always passed along to consumers in the form of higher prices. The proposed surcharge is projected to increase the price of a typical bottle of spirits by over 10.5%. Beer and wine prices would also go up. Unfortunately, higher prices lead to reduced sales.
- Hawaiian restaurants and package stores are projected to see a decline in sales of nearly \$100 million, resulting in over 1,200 lost jobs.
- Now is not the time to impose higher taxes or fees on the struggling hospitality industry, where employment is still down by over 21,000 jobs since Covid-19 related quarantining began.

Thank you for the opportunity to testify in opposition to HB 771. Hawaii businesses and state based alcohol producers need economic recovery and an additional tax on their business will cost jobs and lost revenue. Thank you.

Adam Smith
Vice President
Distilled Spirits Council
(916) 833-5112
Adam.smith@distilledspirits.org



Geoffrey Seideman
Owner/ Honolulu Beerworks

HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

Aloha my name is Geoffrey Seideman and I am the Owner and Brewer of Honolulu Beerworks. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Surcharge Tax on Liquor

This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufactures and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Right now we, along with all the other breweries and small businesses, are struggling to hold on and stay open and brewing with little to no help from the state. By increasing already higher prices for our beer you will deter more people from buying our locally made products. During this difficult time it doesn't make sense to hinder us even more than we are already. We are already forced to close for almost 6 months, we are restricted with occupancy, restricted with times we are allowed to operate and now more taxes to an already devastated industry.

Raising tax rates will encourage consumers to choose lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point that will

give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector. It is already difficult for small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

We support programs that treat excessive drinking and education to reduce heavy drinking and don't believe this legislation to place a surcharge on liquor will have the intended result. Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business and recover from COVID related revenue losses.

Mahalo to the House Committee on Consumer Protection and Commerce for considering our testimony in opposition to the proposed surcharge on the liquor tax.



Mothers Against Drunk Driving HAWAII
745 Fort Street, Suite 303
Honolulu, HI 96813
Phone (808) 532-6232
Fax (808) 532-6004
hi.state@madd.org

February 10, 2021

To: Representative Aaron Ling, Chair, House Committee on Consumer Protection & Commerce; Representative Lisa Kitagawa, Vice Chair; and members of the Committee

From: Carol McNamee / Arkie Koehl, Public Policy Committee - MADD Hawaii

Re: House Bill 771 – Relating to Liquor

I am Carol McNamee, offering testimony on behalf of the Hawaii Chapter of Mothers Against Drunk Driving in support of House Bill 771 – Relating to Liquor.

Alcohol-impaired driving is the leading killer on U.S. roadways. According to the National Highway Traffic Safety Administration (NHTSA), 12,389 people were killed in alcohol-impaired crashes in the United States in 2019. That same year there were 108 fatalities on Hawaii's roads and 36 percent were alcohol-related (NHTSA). These crashes cost Hawaii taxpayers over \$575 million annually and many – if not all - could have been prevented!

No matter their age, drivers are now very aware that consuming alcohol can affect driving skills and can cause tragic crashes or collisions resulting in serious injury or death. Education of the public, together with stronger laws and prevention efforts, have clearly reduced the number of highway deaths both nationally and locally. However, the country and most states have come to an almost standstill in their ability to reduce serious crashes resulting in death and/or injury. Hawaii is one of the states which has made little progress over the past 10 years.

Many studies have shown that the cost of alcoholic beverages has an impact on how much alcohol a person will consume. MADD believes that increasing the cost of alcoholic beverages through increasing the tax by 10 cents per drink will result in fewer people being killed or seriously injured on Hawaii's roads.

Part of MADD's mission is: *to prevent underage drinking.* Hawaii's youth start experimenting with alcohol – especially beer – at a young age. Our fatality figures show that late teens and young adults are over-represented in highway crashes. We believe that young drinkers are especially sensitive to the cost of alcoholic beverages. An increase in the cost of their favorite drinks may decrease their involvement in crashes and decrease their highway death and injury rates.

MADD Hawaii asks the legislature to seriously consider the concept of an increase in alcohol beverage tax rates which would bring additional funds (over \$62 million) into the state's budget and an increase in safety on the state's roads. Please pass HB771. Thank you for this opportunity to submit testimony.



Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is [Your name], from [Your town]. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. Excessive alcohol consumption costs money and lives to our community

- a. Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink¹
- b. Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day. These deaths shorten the lives of those who die by an average of almost 29 years, for a total of 2.8 million years of potential life lost²
- c. Binge drinking is most common among men, whites, 18-34-year old's, and people with household incomes greater than \$50,000.³

2. As the price of alcohol increases, excessive adult consumption and underage drinking decreases

- a. Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁹ Alcohol-related harms decline as well. CDC's *Guide to Community Preventive Services* identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms¹⁰
- b. Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers.¹¹⁻¹³

3. How does Alcohol Affect Youth?

- a. Youth who start drinking alcohol before the age of 15, are four times more likely to have issues with alcohol dependence or misuse as adults.¹⁹
- b. Underage drinking increases the risk of physical and sexual assault.²⁰
- c. Alcohol is a key contributing factor for teenage suicide.²¹
- d. 1 in 5 teen drivers involved in a fatal car crash has alcohol in their system.²²
- e. In 2017, 24% of Hawai'i's middle school youth and 49% of high school youth reported they have had their first drink --other than a few sips.²³
- f. In 2015, about 16% of the national adult population reported binge drinking, and 7% reported heavy drinking. In Hawai'i, those results are 19.8% and 7.5%, respectively.²⁴

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

Sincerely,
Michael Sparks
President - SparksInitiatives
Maui, HI

References:

- [1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>
- [2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>
- [3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.
- [5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2021

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

Rep. Henry J.C. Aquino	Rep. Dee Morikawa
Rep. Sharon E. Har	Rep. Richard H.K. Onishi
Rep. Mark J. Hashem	Rep. David A. Tarnas
Rep. Sam Satoru Kong	Rep. Lauren Matsumoto
Rep. John M. Mizuno	

NOTICE OF HEARING

DATE: Wednesday, February 10, 2021
TIME: 2:00 p.m.
PLACE: VIA VIDEOCONFERENCE
Conference Room 329
State Capitol
415 South Beretania Street

Good afternoon our Honorable Chair, Aaron Ling Johanson, Vice Chair, Lisa Kitagawa, and members of the Consumer Protection and Commerce Committee. My name is Darlyn Chen Scovell. **Being the voice of children who have none**, families and individuals who have Fetal Alcohol Spectrum Disorder (FASD) whom for many years have been marginalized, unrecognized and without appropriate attention and services. I am writing in STRONG SUPPORT of HB 771. **This Bill is not Anti-Business, it is about people.** This Bill is About Saving Children with FASD, and families of Hawaii impacted by alcohol consumption. Alcohol is the third leading preventable cause of death in the United States behind tobacco, poor diet and physical inactivity. 95,000 people die every year from alcohol attributable causes and an average 29 people die in motor vehicle crashes that involve an alcohol impaired driver. Excessive alcohol use costs the United States a total of 249 Billion in 2010, which is equivalent to \$2.05 for each alcoholic beverage, or \$807.00 per person. The alcohol tax has not been increased since 1998 – 23 years since the last increase. This alcohol tax will apply to all containers, bars, restaurants, bottles, etc. **We ARE NOT taxing food, milk, fuel, and vital everyday necessities our families and communities need.**

FASD is associated with SECRECY and SHAME, quite possibly due to its preventable nature and the stigma attached to it CAUSED by ALCOHOL CONSUMPTION during pregnancy. It is very hard for a mother to even admit to self that her drinking is the cause of the permanent neurological brain damage her child have, what more to come forward to testify and most chose to remain silent while children with FASD have to live with their invisible disability for the rest of their lives not even knowing they have it. Often, adoptive parents and grandparents are ones who are vocal about this critical need for services and attention, no biological mothers or fathers because of the stigma and fear. Alcohol is legally accessible, available in the community stores often left in unlocked cabinets in many homes, therefore, it is not surprising that the research stated that **1 in 20 first graders do have FASD.** According to a research study questions, "Is this shame the reason for the marginalization of children and families with FASD in general? (Barker, Kulyk, Knorr, & Brenna, 2011).

FASD diagnosis is a processing disorder, learning disability, and attention-deficit/ hyperactivity disorders almost the same with Autism Spectrum Disorders (Astley, 2010; Kodituwakku & Kodituwakku, 2014). Somewhere between 1% and 4% of all children worldwide are reported to have an FASD. The PERMANENT NEURODEVELOPMENTAL BRAIN INJURY IMPAIRMENTS associated with FASD came WITH SIGNIFICANT SOCIAL COST ACROSS THE LIFESPAN in the form of increased medical, educational, and vocational support and lost productivity (Lupton, Burd, & Harwood, 2004; Popova, Lange, Burd, & Rehm, 2015). I have worked with children with Autism as a Registered Behavioral Therapist under ABA Guidelines, and in my observations, FASD is a Developmental Disability is equally as severe as Autism.

If the national data states that 1 in 20 first graders have FASD, we can make it 1 in 1,000 - 1 in 10,000, 100,000 even in 1 in a million because FASD is COMPLETELY PREVENTABLE BY CEASING ALCOHOL USE during pregnancy. HB 771 is one of many solutions to this predicament to **hopefully decrease infants born with FASD in Hawaii.** Please let us work together to save Our Tomorrow, Today. Let us help these innocent children born in an impossible world impacted by alcohol. We have the obligations to make their life and world possible for them as we made alcohol legal for public consumption. Hindsight, we will be able to save our children, women, and families of Hawaii, and our tax dollars when you support this HB 771. Often, these children with FASD are seen as children only with behavioral issues in our school system, get kicked out and eventually these children without no support will join into crime committing and delinquent groups who end up in our prison systems as juveniles and eventually as adult offenders. This costs our State \$55,000.00 a year per inmate, not to mention that our prison system is overpopulated, and we ship our State Inmates to other States which cost us \$35,000.00 a year per inmate. This cost doesn't include property damages, medical and another cost to our tax dollars.

Mental Health Problems - 60% of children with FASD have ADDH and most individuals have clinical depression as adults; 23% of the adults had attempted suicide, and 43% had threatened to commit suicide. • Disrupted School Experience - 43% experienced suspension or expulsion or drop out; • Trouble with the Law - 42% had involvement with police, charged or convicted of a crime; • Confinement – 60% of these children age 12 and over experienced inpatient treatment for mental health, alcohol/drug problems, or incarceration for a crime. • Inappropriate Sexual Behavior – Reported in 45% of those aged 12 and over, and 65% of adult males with FAE. • Alcohol/Drug Problems – Of the adults with FAS, 53% of males and 70% of females experienced substance abuse problems. These children who have the potential to become adult offenders can cost Hawaii \$55,000.00 a year in incarceration cost, and more economic challenges in societal, property damages and tax dollars. I do beg of you to support and consider PASSING HB 771 for the children and the families of Hawaii.

Thank you for your kind consideration and support in passing this Bill and opportunity to testify for this Critical HB 771. This Bill is not anti-business it is about people, our economy and at our current stance we need to think about profit or people.

Always with Gratitude.

Respectfully yours,

Darlyn Chen Scovell

Reference

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HB771 Relating to Intoxicating Liquor: Liquor tax surcharge
House Committee on Commerce and Consumer Protection
Wednesday February 10, 2021 at 2pm

Position: **STRONGLY Oppose**

Chair Johanson, Vice Chair Kitagawa and members of the
Committee on Commerce and Consumer Protection,

I am Steve Haumschild, CEO and founder of Lanikai Brewing Company located in Kailua Hawaii, with a second location being built in Haleiwa Hawaii. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities. I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

Our industry has been struggling for years due to high tax rates, increased costs for shipping and other various factors that impact manufacturing in Hawaii and creating truly authentic Hawaii products, provide living wage jobs and keep the spirit of manufacturing in Hawaii moving forward. Many of us took the call to action stepping up to assist our communities creating hand sanitizer when the state was in need and facilitating production and work to improve supply chain for the front line workers and schools. This very bill directly and negatively impacts us after we accepted that call to action as well as were forced to shut down our restaurants for months for the greater good. This is a critical time for survival for our industry.

The premise that a tax increase will slow irresponsible drinking habits has not proven, as other states that have the highest liquor taxes should have the least related alcohol issues- there is absolutely no correlation. In fact, as locally produced alcohol becomes more expensive, consumers will flock to cheaper, higher volume products that would be imported from the mainland therefore further damaging our industry and not solving the problem aimed to be solved. Taxing alcohol to attempt to stop problems related to alcohol is fundamentally no different then taxing fast food to fight obesity and health related problems. Alcohol beverage tax is regressive, impacting lower income individuals significantly more.

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 M-F 4p-10p, S-S 11a-10p
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

Unfortunately, this tax will not stop or slow irresponsible consumption, it will simply drive those to purchase large brands not produced in Hawaii. For example, since this tax is at the transactional level, that would make Hawaii the HIGHEST tax in the nation at \$4.49/case after the additional multipliers from Distribution and retail are correlated in compared to \$2.09/case where it is currently. That \$0.10 increase gets multiplied down the chain and results in over 100% increase on those taxes.

Thank you for considering our testimony on HB771 in OPPOSITION, as you can see this will disproportionately damage the local industry, local jobs and not aim to solve the problem it is intended.

Steve Haumschild

Steven R Haumschild



Katie Jacoy
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THE HOUSE OF REPRESENTATIVE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2021

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
February 10, 2021

Testimony in Opposition to HB 771

Chair Johanson, Vice-Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 771 RELATING TO LIQUOR. Wine Institute, a public policy association representing 1,000 California wineries of all sizes and associate members, submits the following comments in opposition to HB 771.

Hawaii has been especially hard hit by the Global pandemic. The \$1.8 billion budget shortfall is a daunting amount; however, placing additional taxes on certain industries or products would have detrimental and unintended consequences that could only further exacerbate Hawaii's fiscal challenges. HB 771 proposes a surcharge of an undetermined amount per drink of alcohol beverages for three years beginning July 1, 2021. This approach to filling the budget deficit unfairly burdens responsible Hawaii wine consumers and the hospitality industry, already in distress.

We empathize with the pain and challenges facing our Hawaii partners in the restaurant and bar industry as COVID-19 restrictions and shutdowns continue. Wineries have been hard hit by the loss of sales both in their own tasting rooms and to their on-premises licensees. Though direct-to-consumer shipment has increased during the pandemic, it has not come close to compensating for the loss of wine sales by restaurants and bars. In addition, wineries have been battered by a perfect storm - COVID-19 related tasting room restrictions and closures, unprecedented wildfires and tariffs. The losses to the US wine industry due to COVID in 2020 are estimated to be \$1.4 billion with an additional \$3.7 billion, including lost future sales, due to the devastating wildfires.

In the ongoing pandemic, none of the tiers - winery, distributor, or retailer/restaurant - are in the position to absorb any additional cost, so any increased tax will be passed onto the Hawaii consumers already suffering in so many ways.

Any increase in the liquor tax on wine unfairly harms the wine consumer in Hawaii:

- Hawaii wine consumers already pay a disproportionate share of taxes through the existing liquor tax imposed on wine. Hawaii's liquor tax on wine of \$1.38 per gallon is already high and almost double the US median of \$0.73. Hawaii wine consumers also pay one of the highest prices in the United States for their wine, given Hawaii's general excise tax of 4% or 4.5% and the higher transportation costs to ship wine to Hawaii.

- Alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes. Hawaii residents already struggle with unemployment, high housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming wine.
- Excise taxes are far reaching because they are levied at each transactional level. Since the taxes are marked up twice more by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.

We urge you to hold this liquor tax surcharge. Thank you for the opportunity to testify.



Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

The Alcohol Policy Alliance, which is fiscally managed by Hawai'i Public Health Institute, would like to provide testimony in **SUPPORT of HB771**, which would establish a three-year surcharge on alcohol. We propose a bill amendment to set the surcharge at 10 cents per drink, which would provide approximately \$62,700,000 to the general fund for the State.

1. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

2. Excessive alcohol consumption costs money and lives to our community

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.³

3. As the price increases, excessive adult consumption and underage drinking decrease

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health

Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

We have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

We are in strong support of this measure and respectfully ask you to **pass HB771** out of committee with the proposed amendment.

Mahalo,



Rick Collins, CPS
Project Director
Rick@hiphi.org

References:

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[3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

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Nicolas Wong

President
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HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

My name is Nicolas Wong and I am the owner of Beer Lab HI. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Surcharge Tax on Liquor

We in the restaurant and service industry have been decimated by this pandemic. We have been forced to close multiple times and are currently barely hanging on. We understand that taxes need to be raised to refill what has been lost by the government but taxing the industry that has been hit the hardest by well be the straw that breaks the camel's back.

This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufactures and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Raising tax rates will encourage consumers to choose lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large,



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mass-produced brands. The increased tax rate will result in a higher price point that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector. It is already difficult for small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

We support programs that treat excessive drinking and education to reduce heavy drinking and don't believe this legislation to place a surcharge on liquor will have the intended result. Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business and recover from COVID related revenue losses.

Mahalo to the House Committee on Consumer Protection and Commerce for considering our testimony in opposition to the proposed surcharge on the liquor tax.

HB-771

Submitted on: 2/9/2021 12:42:55 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristine Altwies	A Family Tree	Support	No

Comments:

Date: February 8, 2021

To: The Honorable Representative Johanson

The Honorable Representative Kitamura, Vice Chair

Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support HB771, Relating to Liquor

Hrg: Wednesday, February, 10, 2021 at 2pm

Position: **Support**

Good afternoon, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Kristine Altwies from Honolulu. I am the Executive Director/CEO of A Family Tree, family services center and adoption agency. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. **I support increasing the surcharge on alcohol to 10 cents per drink because of the following:**

1. ***Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic***

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

1. ***Excessive alcohol consumption costs money and lives to our community***

Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

1. ***Fetal Alcohol Spectrum Disorders (FASDs) are the biggest undiagnosed problem in adoption and foster care youth***

As someone who has worked with Hawaii's adopted and fostered youth for 30 years, I have seen first hand the devastation caused by FASDs. As support grows, and as we address how to support families and children living with this disability, we need funding to conduct outreach, advocacy, education, and support services. This surcharge can help combat the problems caused when pregnant women consume alcohol.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.



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Thomas Kerns
President / Brewmaster
Big Island Brewhaus

HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

I am Thomas Kerns, owner and brewmaster at Big Island Brewhaus. We are an independent craft brewery producing 100% of our beer in Hawaii. Big Island Brewhaus is united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufacturers and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Raising tax rates will encourage consumers to choose lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of

alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector. It is already difficult for small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

We support programs that treat excessive drinking and we support education to reduce heavy drinking, but do not believe this legislation to place a surcharge on liquor will have the intended result.

Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business and recover from COVID related revenue losses.

Mahalo to the House Committee on Consumer Protection and Commerce for considering our testimony in opposition to the proposed surcharge on the liquor tax.

Excessive consumption of liquor is not reduced by increased tax rates

1. We fully support responsible consumption of alcohol, but raising taxes on alcoholic beverages does not achieve these ends. If it did, one would expect that states with the highest tax rates on alcohol would also have the lowest number of alcohol related deaths. This is not the case and no correlation is found. Comparing death rates by state as reported by the CDC with Tax Foundation data on state excise taxes on beer shows no correlation. Some states with the highest tax rates still have the highest numbers of alcohol related deaths (such as Alaska, which has the second highest rank in both categories) while some states with the lowest tax rates have the lowest numbers of deaths (New York has the 39th lowest tax rate and the absolute lowest alcohol related death rate).
2. **Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.** Manning et al. (1995) find that both light and heavy drinkers are much less price elastic than moderate drinkers. In fact, their studies show the heaviest drinkers are going to drink regardless of price.
3. Members of the Hawaiian Craft Brewers Guild understand there is a substantial need to generate tax revenue for the State of Hawaii to make up revenue shortfalls brought on by COVID-19. HB771 / SB1232 is meant to address excessive and irresponsible

consumption of alcohol. Research disputes that higher prices for alcohol will reduce consumption by heavy drinkers.

4. There is a low correlation between beer price and consumption.
Wagenaar et al. (2009) reviewed 112 studies totaling 1003 estimates of alcohol price and tax levels and drinking. They find a low correlation between the price levels for beer and consumer consumption. As the price of beer increases these studies show the sensitivity to change in price relative to changes in consumer demand is low with a mean elasticity of -0.46 for beer..

Now is not the time to impose taxes on businesses struggling to survive

1. According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector.
2. Small craft beer manufacturers have taken a much harder hit than other businesses during the pandemic. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers that have more options for greater revenue.
3. COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have crippling impacts at a time when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses.
4. It is already difficult for Hawaii's small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers bringing beer into Hawaii. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

Sincerely, Thomas Kerns

Thomas Kerns

President / Brewmaster
Big Island Brewhaus

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Support of HB 771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Cynthia Okazaki and I live in Kaneohe. I'm a member of the Hawaii Alcohol Policy Alliance. Thank you for the opportunity to testify in SUPPORT of HB 771, Relating to Liquor.

As the Legislature looks for ways to fund the State Budget, an increase in the tax on alcohol at 10 cents per drink will provide additional revenue of approximately 62 million plus dollars for the state. It has been 23 years since our state last raised the tax on alcohol. **This tax will be paid only by those who consume alcohol and not by the general public.**

Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic. Excessive alcohol consumption costs money and lives to our community. Alcohol use does not pay for itself. According to the CDC, the consequences of excessive alcohol cost the State nearly one billion dollars per year. This equates to \$1.58 per drink. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, suicides, sexual assault, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders. **An increase of a dime a drink, ten cents, is a small down payment toward getting alcohol to pay for itself.**

Concern about how this increase will affect small business in Hawaii. Ryan Kadota, owner of Kadota Liquor in Hilo, when interviewed by the Hawaii Tribune Herald, about how this ten cent per drink tax surcharge would affect his business is quoted as saying, "A ten cent increase on alcohol would probably not hurt his business too much. Ten cents – it depends on the product, ... if you're buying alcohol I don't think people are going to be too upset."

As the price increases, excessive adult consumption and underage drinking decrease. Research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers. The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities. The CDC recommends **alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive use in communities.**

Alcohol use costs the State at least \$937 million per year, **an increase of ten cents per drink would generate \$62 million plus dollars for the State revenues, help to reduce the excessive use of alcohol and its related consequences, and help prevent underage drinking. I urge you to support and amend this bill to include a ten cent per drink tax increase.**

Mahalo for the opportunity to provide testimony on this bill.

Cynthia Okazaki



Cindy Goldstein, PhD
Hawaiian Craft Brewers Guild
98-814 C Kaonohi Street
Aiea, HI 96701

HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

The Hawaiian Craft Brewers Guild is a nonprofit trade organization representing the interests of small craft breweries across the State of Hawaii. Our members are independent craft breweries producing 100% of their beer in Hawaii. The Hawaiian Craft Brewers Guild represents 18 small craft brewery businesses from across the state, almost all of the craft beer producers in Hawaii. Our members are united in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

The Hawaiian Craft Brewers Guild and our member breweries embrace the responsible consumption of alcohol.

Surcharge Tax on Liquor

This proposed tax surcharge hurts small independent manufacturers of liquor most. The Hawaiian Craft Brewers Guild shares concerns around the impacts of heavy drinking and the problems caused by chronic alcoholism, however, this will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands and less expensive alcohol rather than stopping excessive consumption, hurting small independent craft beer manufactures and small liquor brands the most.

We support programs that treat excessive drinking and educational programs to reduce heavy drinking, but do not believe this legislation to place a surcharge on liquor will have the intended result. Consumers will shift to lower priced options instead. Beer excise tax increases do little to affect drinking by the heaviest drinkers, and instead hurts craft beer producers the most. Mintel (November, 2012) found that those drinking less expensive brands are much more likely to be heavy drinkers (31%) versus "microbrew" drinkers (17%). In addition, there is evidence that price is a significant impediment to more consumers drinking craft beer. 43% of respondents (who drink microbrew beer) state that "microbrew beer is too expensive to buy regularly" and 39% say "it is expensive; therefore I only drink it as a treat".

Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed.

Manning et al. (1995) found that both light and heavy drinkers are much less price elastic, indicating that variation in price has only small impact on demand, compared with more moderate drinkers where price may have more of an effect on overall consumption of alcohol. In fact, their studies show the heaviest drinkers are going to drink regardless of price.

Wagenaar et al. (2009) reviewed 112 studies containing 1003 estimates of the relationship of tax effects or price of alcohol to consumption. They found relatively low elasticity for the relationship between beer taxes and pricing on product demand. The percent change in the amount of beer consumed is smaller than the percent change in price. Price was shown to have low impact on overall beer consumption. Demand only varied slightly as price changed, with a low negative correlation between alcohol tax or price measures and indices of sales or consumption of alcohol. As the price of beer increases these studies show the sensitivity to change in price relative to changes in total overall consumer demand is low. Consumer preferences may shift to lower priced products.

Looking at CDC data for alcohol related death rates and state excise tax rates reported by the Tax Foundation sheds additional light. Some states with the highest tax rates still have the highest numbers of alcohol related deaths. Alaska has the second highest rank of state excise tax according to the Tax Foundation and second highest rate of alcohol related deaths. New York has the lowest alcohol related death rate and yet, is ranked as 39th for their excise tax rate.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for small businesses. The cost of ingredients, equipment and other essentials for manufacturing craft beer and other alcohol make it difficult to be competitive even before considering this additional tax.

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have crippling impacts at a time when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses.

The Hawaiian Craft Brewers Guild is concerned that the tax surcharge may not sunset if this legislation is enacted. We would not want the tax surcharge to be extended beyond the 3 years proposed.

Mahalo to the House Committee on Consumer Protection and Commerce for considering our testimony in opposition to the proposed surcharge on the liquor tax.



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304

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House of Representatives 2021 Regular Session

Committee Commerce and Consumer Protection

Date of Hearing: February 10, 2021

Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

RE: Testimony in Opposition to HB 771

Thank you for the opportunity to submit Testimony on HB 771. As the owner and president of Maui Wine, Ltd., which has been in operation since 1974, I am strongly opposed to any new taxation that will inhibit our ability to get back on course as a viable business, grower, and producer in Maui County. Maui Wine has been hit especially hard by the pandemic, as have all our Maui partners in the hospitality industry.

No matter how little the amount may seem, every bit of new taxation is multiplied throughout our business and to our wholesale and retail customers. Now, more than ever, every dime does matter to keep employees on payroll, pay overhead responsibilities and begin the process of manufacturing again. The cashflow needed to restart manufacturing is going to be a hurdle for Maui Wine, as the margins of profitability have been severely decreased due to increased material costs, higher overhead, and reduced production capacity and demand.

The taxation on wine in Hawaii has been one of the highest in the country for decades. The Hawaii consumer already pays a disproportionate share of taxes through the existing state liquor taxes. An increase of any excise tax which will inhibit business growth and sales within the state should be avoided at this time. Please support and recognize that the local alcohol manufacturing industry will be hurt the worst by any increase to the cost of their specialty products.

Please consider holding this liquor tax surcharge so that we can increase Hawaii tax revenues by increasing sales and growth in 2021. As a small craft producer in Hawaii, thank you for the opportunity to provide testimony.

Paula J. Hegele

Joshua Kopp
Hana Koa Brewing Co.
962 Kawaiahao Street
Honolulu, HI 96814

HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

My name is Joshua Kopp and I am the Head Brewer and Owner at Hana Koa Brewing Co. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Surcharge Tax on Liquor

Considering the effects of Covid-19, this bill would further hurt our ability to recover. By imposing another tax it would effect our ability to break even or be forced to put that tax on our customers who could turn to cheaper products as a result. This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufactures and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Raising tax rates will encourage consumers to choose lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

We have been struggling financially and mentally to the point where we need a break. According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector. It is already difficult for small

independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

If the intention of this bill is to curb alcohol abuse or lower the consumption of alcohol, then the writing in the legislation should reflect that. With the writing stating that these funds would go towards a general fund account, I don't see where these tax dollars would be spent which worries me. We support programs that treat excessive drinking and education to reduce heavy drinking and don't believe this legislation to place a surcharge on liquor will have the intended result. Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business and recover from COVID related revenue losses.

We should be focusing on ways to diversify revenue streams, provide jobs, and create a more sustainable economy which would lead to an increase in the overall happiness of our state. People aren't doing well and most of these issues stem from economic insecurity. It's up to businesses to be creative and invent new ways to create jobs. We should work together as businesses and state to make these ideas of diversification a reality. I appreciate all of the work you folks have done as legislators and look forward to continue to work with such an exceptional group of individuals to grow our state's economy.

Mahalo to the House Committee on Consumer Protection and Commerce for considering our testimony in opposition to the proposed surcharge on the liquor tax.



TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 10, 2021

Re: HB 771 Relating to Liquor

Good morning Chair Johanson and members of the House Committee on Consumer Protection and Commerce. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains and everyone in between.

We **OPPOSE HB 771** Relating to Liquor. This measure establishes a three-year surcharge on the liquor tax. Repeals 06/30/2024.

We recognize that the state is seeking money to offset the deficit, raising the tax on liquor should not be the option. Hawaii is already the 2nd highest taxed state just under California. Businesses and industries alone are not able to pay off the states deficit and survive.

A standard bottle (a fifth) holds 25.4 oz. A litter holds 33.8 oz. A bottle of sparkling or still wine holds 25 oz. If we multiply this by the surcharge on a 1.5 oz of distilled spirits, 5 oz of sparkling wine, 12 oz of cooler beverage the cost would be high and people may not purchase a drink as frequently. Or as we have seen in the past, people having their friends and family purchase these items at a military facility where there is no tax; and we will see more organized crime stealing alcohol products from our stores as it will be more lucrative on Hawaii's Black Market. Either way, local businesses would be hurt from the lack of sale and the state would not be able to collect the taxes.

Retailers like many businesses are struggling to survive and to keep their employees employed. We can't afford any additional taxes.

Mahalo again for this opportunity to testify.

Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Kawena Bagano, from Hanama'ulu. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁹ Alcohol-related harms decline as well. CDC's *Guide to Community Preventive Services* identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms²
2. Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers.³⁻⁵
3. As a prevention specialist, servicing youth in Hawai'i, I see the detrimental effects that alcohol has had on our youth including loved ones in my own family. The increase of alcohol has not been done over 22 years yet the casualties of youths that involve alcohol consumption has increased and has left many families devastated. The need to act is now in order to protect our youth of Hawai'i nei who is the future of our tomorrow. Not only do I support the increase of alcohol surcharge fee, but more so I strongly support in helping to create a safe, and healthy and thriving community for 'ohana to raise their keiki with peace of mind, including two of my own.
4. Youth who start drinking alcohol before the age of 15, are four times more likely to have issues with alcohol dependence or misuse as adults.⁶

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo nui for the opportunity to submit testimony and provide comments.

Na'u no me ka ha'aha'a,

Kawena Ka'iulani Bagano

References:

- (1) The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>
- (2) Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., Toomey, T. L., Fielding, J. E., & Task Force on Community Preventive Services (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *American journal of preventive medicine*, 38(2), 217–229. <https://doi.org/10.1016/j.amepre.2009.11.005>
- (3) Chaloupka FJ, Grossman M, Saffer H. Effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research and Health*. 2002;26(1):22-34.
- (4) Grossman M, Chaloupka FJ, Saffer H, Laixuthai A. Effects of alcohol price policy on youth: a summary of economic research. *J Rese Adolesc*. 1994;4:347-364.
- (5) Cook PJ. *Paying the Tab: The Costs and Benefits of Alcohol Control*. Princeton: Princeton University Press; 2007.
- (6) USA.gov. "Fact Sheets - Underage Drinking." Centers for Disease Control and Prevention. Accessed February 24, 2014, <http://www.cdc.gov/alcohol/fact-sheets/underage-drinking.htm>.



February 9, 2021

HB771 – Establishes a three-year surcharge on the liquor tax
House Committee on Consumer Protection and Commerce
Wednesday, February 10, 2021 at 2:00 p.m. Conference Rm 329

Chair Representative Aaron Ling Johanson, Vice Chair Representative Lisa Kitagawa, and members of the House Committee on Consumer Protection and Commerce,

Position: **Oppose**

My name is Bret Larson, I am the owner, Kauai Island Brewing Company. We are located on the west side of Kauai in Eleele/Port Allen. We currently provide 11 (31 pre-Covid19) full and part time jobs in Hawaii.

We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Our sales on Kauai have been reduced by 90% of what they were precovid-19! And the legislature is talking about raising taxes! Raising tax rates at this crucial time would have a crippling impact on our brewery, at the same time Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses. We have been doing everything we can to stay in business. Frankly, I am shocked that this bill is even being considered. When the companies are down because of the economic hardship do to the global pandemic you don't kick them harder by adding a tax increase on our products. This is ludicrous. You should be looking at tax relief opportunities.

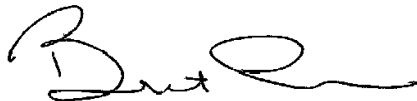
The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

Brewery Location: 4350 Waialo Rd, Port Allen, HI 96705
Mailing Address: PO Box 215, Eleele, HI 96705
www.kauaiislandbrewing.com

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive.

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive.

Mahalo for considering our testimony opposed to HB771.

A handwritten signature in black ink, appearing to read "Bret Larson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Bret Larson
Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com

LATE

HB-771

Submitted on: 2/9/2021 2:01:11 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brooke Sherick-Odom	The Odom Corporation	Oppose	No

Comments:

Hello,

I'm part of a local, family owned beverage distributor that employs **11** Team Members on Mapunapuna St.

As a local business, we take pride in how we partner. We're members of Hawaii Food Industry Association.

We oppose HB 771

An increase would directly hinder our existing business, which has been dramatically adversely affected by an ongoing pandemic as restaurants & bars (ultimately our customers) have been completely shut down.

As a local business, we're dedicated to Honolulu. The Honolulu infostructure has been burdened by the recently announced health ordinances. The Beverage Industry plays a crucial component to Honolulu's livelihood as it supports both local & critical entities in downtown. We oppose this tax increase as it directly affects our business entirely.

As a member of the Honolulu community, I thank you for your time.

LATE



February 10, 2021

House Committee on Consumer Protection and Commerce
HB771 Relating to Intoxicating Liquor; Liquor Tax Surcharge
Weds, February 10th, 2021 at 2pm

Re: **STRONG OPPOSITION OF HB771**

Aloha Chair Representative Johanson, Vice Chair Representative Kitagawa, and members of the Committee,

My name is Garrett W. Marrero, I live in Kihei, HI. Maui Brewing Co. has locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across Hawaii, 19 other States, and 10 countries. We began in 2005 with 26 team members and have added more than 700 to our team pre-COVID of course. I was selected as the National Small Business-Person of the year in 2017 for my work at Maui Brewing Co.

I am writing on behalf of myself and our local family-operated business in opposition of **HB771** which will increase the taxes on beverage alcohol purchases. Hawai'i actually has the second highest tax rate in the country and is nearly FIVE times the median for the USA, .93/gallon versus .20/gallon.

There is no clear and decisive data that proves unequivocally that higher costs on beer drive down drinking in heavy drinkers or alcohol abusers, and certainly not a decrease in drunk driving. The data at best is inconclusive and the studies I cite at the end dispute the information you've been given in other testimony. This should not be an us vs them argument and we should instead work together to find solutions that offer real change without costing jobs and hurting our small producers.

I am the President of the Hawaiian Craft Brewers Guild. Our brewery along with the other HCBG member breweries embrace the responsible consumption of alcohol but are adamantly against increasing the taxes at a time when we're all just fighting to survive with no clear connection that raising taxes will decrease consumption. In fact increasing taxes will serve to shift consumption to cheaper products and away from those produced by local brewers costing jobs and overall tax revenues of all kinds (UI, Payroll, Insurance etc etc).

Alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes. Hawaii residents already struggle with unemployment, high housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming beer and other locally produced beverages.

Excise taxes are far reaching because they are levied at each transactional level. Since the taxes are marked up twice more by the distributors and retailers as they move through the three-tier system, they usually double by the time they reach the consumer.

Studies tend to show that beer excise tax increases:

1. Have the least effect on beer consumption versus other commodities;
2. Do little to affect drinking by the heaviest drinkers;

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

3. Have a smaller effect on large supplier products, which are more frequently consumed by the heaviest drinkers; and
4. Would have the greatest impact on (higher-priced) craft brewer products.

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have a crippling impact on our brewery, at the same time Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses. Raising costs and decreasing sales would force us to seek production and sales outside of the State, laying off more teammates in pursuit of automation.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

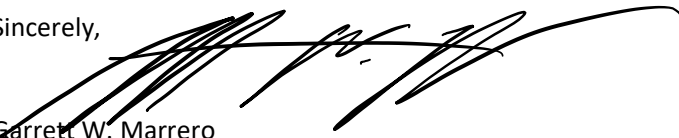
According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. Currently the Highest taxes on beer are Tennessee at 1.29/gallon, Alaska at 1.07/gallon and Hawai'i at .93/gallon. For this comparison the Hawai'i package rate is used to keep consistent. Hawai'i actually takes the #2 spot in that Alaska actually has a reduced rate for small producers of .35/gallon. Both Alaska and Tennessee have far lower median home prices (265k and 164k vs 830k), far lower labor and insurance costs, very low ingredient and other shipping costs, as well as low utility costs. All the while Hawaii has the HIGHEST of all these same categories. This all leads to far lower overall costs to produce in Hawai'i. In summary, the highest taxed states generally have the lowest costs of production and costs of living. We in Hawai'i are the highest all around. If this tax is levied it would make us the highest Liquor tax in the country at 4.49/case of beer (assuming .10 cents) versus 2.09 a case now. This is more than a 115% increase.

This legislation calling for further tax increases, even a surcharge for 3 years on each 12-ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive. The idea that this is a temporary surcharge leaves us feeling more than uneasy about its actual eventual repeal.

Thank you for the opportunity to offer these comments in opposition to **HB771**, this bill has too many negatives for small local businesses and the unintended consequences will be extremely detrimental to the craft beverage industry in Hawai'i.

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive. Mahalo for considering our testimony opposed to **HB771**.

Sincerely,



Garrett W. Marrero
CEO/Founder

Information for your reading:

On excise taxes, Wagenaar et al. (2009) review 112 studies totaling 1003 estimates of alcohol price and tax levels and drinking. They find that beer has a lower correlation between price and consumption than either wine or spirits and that a mean of these studies produces an elasticity of -0.46 (versus -0.80 for spirits, which is much closer to the

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0.88 estimate used). These findings largely relate to aggregate-level studies, with even weaker findings at an individual level.

Looking at cases, we see evidence for this from Finland, which in March of 2004 reduced its excise duty on alcohol by 32%. This caused a decrease in off-premise prices of beer of 13%. Despite this large drop in price, beer sales only increased 5%. This decrease did come in conjunction with other cuts, including a slightly larger cut on vodka and other distilled spirits, so shifting consumer purchases may explain some of this disconnect. Nevertheless, prices decreased less than the model predicts and the tax elasticity was much lower. So raising taxes wouldn't shift consumption that much, and in turn might hurt economic growth, which could cause additional problems.

*These types of arguments may be magnified when looking at craft vs. mass-produced beer, and there's plenty of reason to believe that craft demand probably has a different tax elasticity than overall beer. Manning et al. (1995) find that both light and heavy drinkers are much less price elastic than moderate drinkers. In fact, they cannot reject the hypothesis that the very heaviest drinkers have perfectly price inelastic demands – i.e. the heaviest drinkers are going to drink regardless of price. **This is a key point – the basic argument here is that raising taxes doesn't really deter heavy drinkers – it just punishes responsible ones with higher prices.***

And, heavy drinkers are much more likely to drink beer from the big guys. Mintel (November, 2012) finds that domestic beer drinkers (eg, Bud, Miller, etc.) are much more likely to be heavy drinkers (10+ drinks per month) versus "microbrew" drinkers (31% vs. 17%). In addition, they have plenty of evidence that price is a significant impediment to more consumers drinking craft. 43% of respondents (who drink microbrew beer) state that "microbrew beer is too expensive to buy regularly" and 39% say "it is expensive; therefore I only drink it as a treat". This means that you'd probably be hurting craft as much/more than the big guys with an excise tax increase – which makes zero sense from a public health perspective, since that's the category least likely to be abused (at least from a price perspective).



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Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Consumer Protection & Commerce
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 10, 2021
TIME: 2pm
PLACE: Via Videoconference

RE: HB771 Relating to Liquor

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

Every facet of Hawaii's economy has been impacted by the economic crisis caused by the ongoing COVID-19 pandemic, our restaurants and bars and the businesses that supply them have been some of the hardest hit. This surcharge amounts to an extra tax on businesses that sell liquor, many of which are already struggling. A good portion of the text of this measure is devoted to discussing the problems of excessive alcohol consumption, but a connection between an added tax and excessive consumption is only tenuously made by citing a ten-year-old study. There is not an established nexus between increased taxes or surcharge on businesses and efforts to decrease instances of excessive alcohol consumption.

This measure is not the right choice for our State, we ask that it be held, and we thank you for the opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 329
WEDNESDAY, FEBRUARY 10, 2021 AT 2:00 P.M.**

To The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair; and
Members of the Committee on Consumer Protection and Commerce,

OPPOSE HB771 RELATING TO LIQUOR

Aloha, my name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing to share our opposition to HB771.

We oppose this bill as it would disproportionately disadvantage local alcohol manufacturers. Local alcohol manufacturers already face hurdles in Hawaii such as the high price of goods, services and land, and the inability to direct ship their products (which can be fixed by SB65). Therefore, local products are often priced higher than the big mainland producers. Given this, even a small tax increasing prices can put local manufacturers at a disadvantage and push consumers to buy mainland products.

Mahalo for the opportunity to provide testimony and we ask that this bill be deferred.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



February 10, 2021

2:00 p.m.

VIA VIDEOCONFERENCE

Conference Room 329

To: House Committee on Consumer Protection & Commerce

Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

RE: HB771 — RELATING TO LIQUOR

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [HB771](#), which would establish a three-year surcharge on the state's existing liquor tax.

We are gravely concerned about the impact of this tax and the many tax increases and surcharges that have been proposed this legislative session. Hawaii residents are already among the most taxed in the country; the state has the [second highest overall tax burden](#) in the U.S.

That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal comes at an especially bad time. The state is still in a state of emergency, tourism has slowed to a trickle, businesses are closing and unemployment is high. The economy will take years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons policy makers should be wary of implementing tax hikes at this time. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.¹

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,² despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 21,879 people since fiscal 2016³ has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii businesses are already bracing for an automatic tripling, on average, of the state unemployment tax.⁴ The UI tax rate depends not only on individual employer's claims experiences but also on the overall health of the state's unemployment insurance fund, which is hundreds of millions of dollars in the red.⁵

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.⁶

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.⁷ Hawaii's top 1% already pays 23% of all income taxes in the state.⁸

>> Closing tax exemptions would amount to a tax hike for Hawaii businesses already facing a steep spike in their unemployment insurance taxes.

¹ Dave Segal, "[Hawaii's unemployment rate hit nation-high 15% in September](#)," Honolulu Star-Advertiser, Oct. 20, 2020.

² "[Tax Acts \(by Year\)](#)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.

³ "[Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2010 to July 1, 2020 \(NST-EST2020\)](#)" U.S. Census Bureau, Population Division, December 2020.

⁴ "[State unemployment tax slated to automatically triple in 2021](#)," Grassroot Institute of Hawaii, Nov. 16, 2020.

⁵ "[UI Budget](#)," United States Department of Labor, Employment & Training Administration, Feb. 8, 2021.

⁶ "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "[Sales Tax Burden](#)," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.

⁷ Katherine Loughhead, "[State Individual Income Tax Rates and Brackets for 2020](#)," Tax Foundation, Feb. 4, 2020.

⁸ "[Hawaii Individual Income Tax Statistics](#)," Hawaii Department of Taxation, December 2020, Table 13A.

>> Increasing Hawaii's lowest-in-the-nation property-tax rates⁹ would result in a much higher overall tax bill compared to other states because Hawaii residents uniquely pay for public education through the general fund as opposed to property taxes.¹⁰ Additionally, Hawaii's low property taxes are balanced out by the highest housing costs in the nation,¹¹ which results in a \$1,236 average annual property tax per capita, which is only slightly below the national average of \$1,617.¹²

Hawaii needs leadership that will stabilize the current financial crisis, reduce unsustainable long-term costs and lower the cost of living. Balancing the books without tax increases or future debt could send a message that Hawaii is a good place for businesses and future generations, and this could help the economy thrive while motivating people to return to the islands.

If the state needs more revenues, policymakers should focus on growing the economy. In our current condition, even small economic gains would have big effects.

If the purpose of the tax is to alter behavior, consider that the negative impact of a tax hike can far outweigh whatever policy goal is being pursued.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

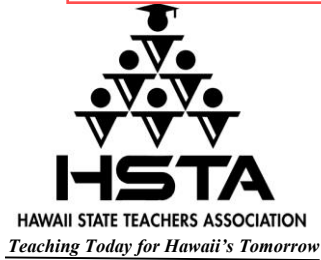
Joe Kent
Executive Vice President,
Grassroot Institute of Hawaii

⁹ John Keirnan, "[Property Taxes by State](#)," WalletHub, Feb. 25, 2020.

¹⁰ Janis Magin, "[Hawaii lawmakers seek to add new property tax to fund teacher pay](#)," Pacific Business News, Jan. 27, 2020.

¹¹ "[Average House Price by State in 2020](#)," The Ascent, Aug. 4, 2020.

¹² Janelle Cammenga, "[How Much Does Your State Collect in Property Taxes per Capita?](#)," Tax Foundation, March 11, 2020.



Corey Rosenlee
President
Osa Tui, Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

RE: HB 771 - RELATING TO LIQUOR

THURSDAY, FEBRUARY 11, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Johanson and Members of the Committee:

The Hawaii State Teachers Association **supports** **HB 771**, relating to liquor. This bill establishes a three-year surcharge on the liquor tax. Repeals 06/30/2024.

The Community Preventive Services Task Force recommends several effective strategies for preventing excessive drinking and one of these is increasing alcohol taxes. Price point matters.

Alcohol is the most commonly used substance among young people in the U.S. Data from several national surveys document the use of alcohol among young people. The 2019 [Youth Risk Behavior Survey](#) found that among high school students, during the past 30 days

- 29% drank alcohol.
- 14% binge drank.
- 5% of drivers drove after drinking alcohol.
- 17% rode with a driver who had been drinking alcohol.

Other national surveys find that

- 19% of young people aged 12 to 20 years reported drinking alcohol and 11% reported binge drinking in the past 30 days.⁴
- 8% of 8th grade students and 29% of 12th grade students drinking alcohol during the past 30 days, and 4% of 8th grade students and 14% of 12th grade students reported binge drinking during the past two weeks.⁷

Youth who drink alcohol are more likely to experience

- School problems, such as higher rates of absences or lower grades.
- Social problems, such as fighting or lack of participation in youth activities.
- Legal problems, such as arrest for driving or physically hurting someone while drunk.
- Physical problems, such as hangovers or illnesses.
- Unwanted, unplanned, and unprotected sexual activity.
- Disruption of normal growth or sexual development.
- Physical and sexual violence.
- Increased risk of suicide and homicide.
- Alcohol-related motor vehicle crashes and other unintentional injuries, such as burns, falls, or drowning.
- Memory problems.
- Misuse of other substances.
- Changes in brain development that may have life-long effects.
- Alcohol poisoning.

Early initiation of drinking is associated with development of an alcohol use disorder alcohol later in life. Collecting more liquor taxes will also by contributing to the state general funds, will also help with ensuring the state is able to continue to provide social services and support for the people of Hawaii to prevent problems associated with excessive consumption of alcohol.

The price point does matter. We respectfully ask you to **support** this bill.

Date: February 8, 2021

To: The Honorable Representative Johanson
The Honorable Representative Kitamura, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support HB771, Relating to Liquor

Hrg: Wednesday, February, 10, 2021 at 2pm

Position: Support

Good afternoon, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Ann Yabusaki from Kaneohe. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

2. Excessive alcohol consumption costs money and lives to our community

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

3. Personal impact

I am a psychologist and family therapist. I have helped a number of individuals, families and caregivers impacted by fetal alcohol spectrum disorders (FASD). People do not intentionally harm their babies, but when women are unaware that they are pregnant or aware and drink, the alcohol can damage the central nervous system of the child leading to permanent brain damage. The major symptoms are behavioral disorders that the individual cannot or has little control. Hence, FASD is considered an invisible disorder with only ~10% of individuals physically affected by it. It has been difficult to obtain diagnoses, assessments, help from schools and health department, because of the nature of FASD. I support this bill as a measure of

prevention...prevent more children from these disabilities. Current estimate is one in 20 first grade children is affected.⁴ Let's decrease or eliminate this number.

4. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁵ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁶ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁷

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that. I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee. Mahalo for this opportunity to submit testimony.

References:

[1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>

[2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>

[3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[4] May, P.A., Chambers, C.D., Kalberg, W.O, Zellner, J., Feldman, H., et al. (2018). Prevalence of Fetal Alcohol Spectrum Disorders in 4 US Communities, 319(5):474-482. doi:10.1001/jama.2017.21896

[5] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[6] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[7] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

Testimony in Support of HB 771 – Relating to Liquor

Hearing on February 10, 2021, 2:00 pm

Via Video Conference/ Conference Room 329 of the State Capitol

TO: House Committee on Consumer Protection & Commerce
Rep Aaron Ling Johanson, Chair
Rep Lisa Kitagawa, Vice Chair

FR: Alan Shinn
2869 Park Street
Honolulu, HI 96817
ashinn575@gmail.com

Please accept my testimony in support of HB 771 – Relating to Liquor, that will increase the surcharge on liquor products. This bill would increase the State's General Fund and would have an impact on reducing the harms of alcohol consumption. This would include health issues such as hypertension and liver disease, underage drinking, drunk driving, alcohol use dependence, and domestic violence among other social issues.

I am a volunteer member of the Hawaii FASD Action Group, a not-for-profit organization, made up of parents, professionals and other community members formed in 2016 with a mission to raise awareness through education, advocacy, and research on the impact of Fetal Alcohol Spectrum Disorder (FASD) on individuals, their families, and the communities of Hawai'i. Prenatal alcohol exposure can lead to impaired babies affected by FASD. The effects are incurable, life-long brain disorders leading to physical, mental, behavioral and/or learning disabilities. The goal is to make FASD a 100% preventable condition.

Increasing the liquor surcharge could be an important part of a multi-level, multi-faceted strategy to help reduce the harms of alcohol consumption. For example, numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers. 1 Evidence also suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-conscious consumers. 2

Recommend that HB 771, Sub Section (5) (c) be amended to read, "Beginning July 1, 2021 and ending June 30, 2024, every person subject to the liquor tax shall pay a 10 cents per drink surcharge on the liquor tax imposed under subsection".

Thank you for the opportunity to submit testimony on HB 771.

References:

1. The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>
2. Chaloupka FJ, Grossman M, Saffer H. Effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research and Health*. 2002;26(1):22-34

HB-771

Submitted on: 2/8/2021 5:46:25 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Roxanne	Individual	Support	No

Comments:

Support!

Date: February 8, 2021

To: The Honorable Representative Johanson
The Honorable Representative Kitamura, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support HB771, Relating to Liquor

Hrg: Wednesday, February, 10, 2021 at 2pm

Position: Support

Good afternoon, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Kenichi Yabusaki, from Kaneohe (Ahuimanu). Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. As a volunteer member of the Hawaii Fetal Alcohol Spectrum Disorders Action Group, I fully support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. *Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic*

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

2. *Excessive alcohol consumption costs money and lives to our community*

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

3. In a society where the consumption of alcohol is a living issue, it bears a responsibility to decrease the harmful effects from underaged drinking and/or drinking alcohol during pregnancy and excessive drinking (DUI fatalities, Domestic violence, etc.). To this end, a liquor tax (surcharge) for three years as proposed in HB771 and Companion Bill, SB1232 would generate monies to potentially fund agencies and programs whose missions are to decrease the harm to both the individual and society from the irresponsible consumption of alcohol.

4. As the price increases, excessive adult consumption and underage drinking decrease

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

Questions

References:

[1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>

[2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>

[3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Frm: Ashlee Klemperer Chapman, MSW
Member, Hawaii Alcohol Policy Alliance
124 Namaau Place
Kihei HI
96753

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good evening, Chair Johanson, Vice Chair Kitagawa, and members of the Senate Committee on Commerce and Consumer Protection.

I am Ashlee Klemperer Chapman, a social worker from Maui and a volunteer member of the Hawaii Alcohol Policy Alliance. As a prevention specialist, public health policy advocate, and community organizer I have seen the expansive damage of alcohol consumption and strongly support the passage of HB771, Relating to Liquor.

The social impacts of alcohol consumption are known widely. What is not as known are the economic impacts that are also vast and harmful. According to the CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.¹ In light of our uncertain times and extreme budget deficits I greatly urge you committee members to consider a great opportunity within this legislation. From a public health policy perspective we know from extensive research the benefits of increasing taxes of alcohol. Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.² Alcohol-related harms decline as well. CDC's *Guide to Community Preventive Services* identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms.³

With bountiful evidence supporting the need for reducing alcohol consumption there is no better opportunity than passing this legislation. I greatly urge you all to vote in favor of HB771 for the health, wellness and economic safety of our state. Thank you.

Sincerely,

Ashlee Klemperer Chapman, MSW

References

1. Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>
2. The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>
3. Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., Toomey, T. L., Fielding, J. E., & Task Force on Community Preventive Services (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *American journal of preventive medicine*, 38(2), 217–229. <https://doi.org/10.1016/j.amepre.2009.11.005>

HB-771

Submitted on: 2/9/2021 8:03:44 AM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Le Burkien	Individual	Support	No

Comments:

To: The Honorable Representative Johanson, Chair

The Honorable Representative Kitamura, Vice Chair

Members of the House of Committee on Consumer Protection and Commerce

Re: POSITION: **STRONG SUPPORT HB771**, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2pm

Position: **Support**

My name is Richard D. Le Burkien. Being a member of the public health community for Illinois, Colorado, U.S. Virgin Islands, and now serving Hawaii, facilitating the health and well-being of the publics I served, I am writing in STRONG SUPPORT of HB771. This Bill is not Anti-Business, and in fact, my recent informational interviews with business, association, commission, beverage distributors, and supplier leaders, indicates there is a pro-business case. i.e. Integral to their respective strategic plan's civic responsibility component goals and objectives; community image and relations, and strategic partnerships. This is about a balance between people and business.

From my perspective the solution comes from a whole community approach since the challenge is a whole community opportunity. From the business community, their responses were close to unanimous, "there would be a significant return on community and business investment" in supporting HB771.

As part of the national study of treatment and addiction, I discovered components of their research, and reference resources, indicated passing of Bills like HB771 can significantly reduce the financial burden on business and taxpayers in general. There is an evidence-based economic cost of billions of dollars. i.e. incarceration, court costs, human services, health care, criminal justice, homelessness.

Simply stated, **FASD comes WITH SIGNIFICANT SOCIAL COST ACROSS THE LIFESPAN in the form of increased medical, educational, and vocational support and lost productivity** (Lupton, Burd, & Harwood, 2004; Popova, Lange, Burd, & Rehm, 2015).

I do passionately, compassionately, and professionally ask for you to support and consider passing HB771 for the children and the families of Hawaii.

And finally, HB771 directly coincides with the State of Hawaii Health Department's strategic plan. **"to invest in healthy babies and families**, take health to where people live, work, learn and plan and create a culture of health."

Thank you for your kind consideration. Always with Gratitude.

Respectfully yours,

Richard D. Le Burkien, MPH

Reference

Astley, S. J. (2010). Profile of the first 1,400 patients receiving diagnostic evaluations for fetal alcohol spectrum disorder at the Washington State Fetal Alcohol Syndrome Diagnostic & Prevention Network. *Canadian Journal of Clinical Pharmacology*, 17(1), e132–e164.

Barker, C., Kulyk, J., Knorr, L., & Brenna, B. (2011). Open Inclusion or Shameful Secret: A Comparison of Characters with Fetal Alcohol Spectrum Disorders (FASD) and Characters with Autism Spectrum Disorders (ASD) in a North American Sample of Books for Children and Young Adults. *International Journal of Special Education*, 26(3), 171–180. Retrieved from <http://search.ebscohost.com.libproxy.edmc.edu/login.aspx?direct=true&db=Eric&AN=EJ959010&site=eds-live>

Kodituwakku, P., & Kodituwakku, E. (2014). Cognitive and behavioral profiles of children with fetal alcohol spectrum disorders. *Current Developmental Disorders Reports*, 1(3), 149–160. <https://doi.org/10.1007/s40474-014-0022-6>

Thorne, J. C. 1. jct6@uw. ed. (2017). Accentuate the Negative: Grammatical Errors During Narrative Production as a Clinical Marker of Central Nervous System Abnormality in School-Aged Children With Fetal Alcohol Spectrum Disorders. *Journal of Speech, Language & Hearing Research*, 60(12), 3523–3537. https://doi.org.libproxy.edmc.edu/10.1044/2017pass:J_JSLHR-L-17-0128

Position: **Support**

Good afternoon, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Sina P. Pili, from Laie, HI. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. *Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic*

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

2. *Excessive alcohol consumption costs money and lives to our community*

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

3. *I am a mother of a child diagnosed with Fetal Alcohol Spectrum Disorder*

We adopted a son. As he grew we identified developmental delays and behavioral challenges. He was diagnosed with Fetal Alcohol Spectrum Disorder because his birth mother had consumed alcohol during pregnancy. All of this could have been preventable had alcohol not been consumed during pregnancy. Til this day, my son struggles with negative health barriers as a result. He has received Dept. of Health services, and now special education services in the Dept. of Education to help him to live as normal as a life he can granted his situation. It has also become a life adjustment for my husband and I as his parents and care providers. I hope we can reduce and prevent FASD so children can live a normal and healthy life.

4. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 “best-

buys” for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB 771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: **Support**

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. Mahalo for the opportunity to submit testimony in SUPPORT of HB 771. I support increasing the surcharge on alcohol to 10 cents per drink and amending the bill for the following reasons:

1. Excessive alcohol consumption costs money and lives to our community

- a. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink
- b. Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day. These deaths shorten the lives of those who die by an average of almost 29 years, for a total of 2.8 million years of potential life lost
- c. Binge drinking is most common among white men, 18-34-year olds, and people with household incomes greater than \$50,000.

2. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

- a. New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic
- b. Excessive pandemic-drinking is concerning, as it may lead to other harmful behaviors
- c. As stay-at-home orders began in some US states as a mitigation strategy for COVID-19 transmission, Nielsen reported a 54% increase in national sales of alcohol for the week ending March 21, 2020, compared with the year before; online sales increased 262% from 2019.

- d. The COVID-19 pandemic has made alcohol consumption riskier with respect to domestic violence. There is a positively correlated relationship between visits to alcohol outlets and domestic violence.
- e. The Domestic Violence Action Center (DVAC) Helpline, which serves Hawai'i, reports a 46% increase in contacts during the COVID-19 crisis, from late March to October 2, 2020.

This bill if passed, will give the Legislature at least two ways to help and support the people of Hawai'i. A ten-cent increase could provide \$62 million or more to the State's general fund, and reduce harm from excessive alcohol use and help to prevent underage drinking. This increase applies only to those who purchase alcohol--not the general public.

I urge you to amend and pass HB 771 out of committee.

Thank you for the opportunity to submit testimony,
Melany Melakea
Kahalu'u

HB-771

Submitted on: 2/9/2021 10:44:19 AM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Terra Daniel	Individual	Support	No

Comments:

I support increasaing the surcharge on alcohol to 10 cents per drink. Hawaii has not raised the tax on alcohol for 22 years and we know that the increase would create approximately \$62,700,000 for the general fund. My hope is that part of that money would then go towards raising awareness on Fetal Alcohol Spectrum Disorder (FASD).

This matters to me because our daughter has permanent brain damage due to the alcohol consumed while in utero. FASD is both an extremely difficult disability to live with and it is incredibly difficult to raise someone who suffers from an FASD. There are not programs or organziations that are able to educate, prvide relief or respite for individuals with an FASD and/or their care givers.It is an invisible disability that needs immediate attention.

This is a disability that effects all areas of our state. It is estimated that 70% of those incarcerated have an FASD, a high number of children in foster care are most likely affected by an FASD and the vast majority of our homeless population suffers from living with an FASD. According to the CDC, consequences of alcohol use cost the state nearly 1 billion dollars a year. Alcohol cunsumption is up 14% during the pandemic as compared to 2019 and heavy drinking by wome is up 41%. There is no question that we will have an increase in children born with organic brain damage due to the increase of alocohol consumption during this difficult time.

Again, my family and I strongly supprt this bill in hopes that it is the first step towards curbing the amount of alcohol consumed in harmful ways which will raise awareness on FASD and eventually create support for those living with FASD every day.

Mahalo

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB 771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Christine Hanakawa from Moanalua/Salt Lake. Thank you so much for the opportunity to submit testimony in SUPPORT of HB 771. I support increasing the surcharge on alcohol to 10 cents per drink and amending the bill for the following reasons:

1. Excessive alcohol consumption costs money and lives to our community

- a. Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink
- b. Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day. These deaths shorten the lives of those who die by an average of almost 29 years, for a total of 2.8 million years of potential life lost
- c. Binge drinking is most common among men, whites, 18-34-year old's, and people with household incomes greater than \$50,000.

2. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

- a. New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic
- b. Excessive pandemic-drinking is concerning, as it may lead to other harmful behaviors
- c. As stay-at-home orders began in some US states as a mitigation strategy for COVID-19 transmission, Nielsen reported a 54%

increase in national sales of alcohol for the week ending March 21, 2020, compared with the year before; online sales increased 262% from 2019.

- d. The COVID-19 pandemic has made alcohol consumption riskier with respect to domestic violence. There is a positively correlated relationship between visits to alcohol outlets and domestic violence.
- e. The Domestic Violence Action Center (DVAC) Helpline, which serves Hawai'i, reports a 46% increase in contacts during the COVID-19 crisis, from late March to October 2, 2020.

This bill if passed will give the Legislature at least two ways to help and support the people of Hawaii. A ten cent increase will provide 62 million plus dollars to the general fund of the State and reduce the harm of excessive alcohol use and help to prevent underage drinking.

I urge you to amend and pass HB 771 out of committee.

Mahalo for the opportunity to submit testimony.

HB-771

Submitted on: 2/9/2021 11:06:52 AM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeremy Daniel	Individual	Support	No

Comments:

I am 100% for the taxation of alcohol. I believe that a ten cent surcharge is a minor adjustment that can make a big difference for state revenues. Further, I believe that revenue could be utilized to help with social issues that are magnified by the use of alcohol.

I humbly urge the legislature to vote to pass this bill immediately.

Mahalo for your consideration!

Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: **Support**

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Anthony J Troche, from Kaneohe. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. ***Insert point 1 from ALCOHOL TAX TALKING POINT document***
2. ***Insert point 2 from ALCOHOL TAX TALKING POINT document***

In my life my father had used alcohol a lot when I was young as a child and it produced a lot of physical abuse between him and my mother. Learning of such abuse as I grew older prompted me to not want to drink as I saw it as a problematic thing rather than a positive thing. While in the military I drank occasionally to have fun and socialize but never really indulged because of how my father drank. To me alcohol only causes problems and it is never a positive thing.

3. ***Insert point 4 from ALCOHOL TAX TALKING POINT document***
Example: As the price increases, excessive adult consumption and underage drinking decrease

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

References:

- [1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>
- [2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>
- [3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.
- [5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>



Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

My name is Chelsea Gonzales, from Honolulu. I am the Alliance Coordinator with the Hawai'i Alcohol Policy Alliance, which is fiscally managed by Hawai'i Public Health Institute. I would like to provide testimony in SUPPORT of HB771. I propose a bill amendment to include a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State.

1. The time is now to choose people over profit

Alcohol taxes save lives. It has been nearly 23 years since the State last raised the alcohol taxes. In the meantime, consequences due to excessive alcohol consumption cost our State nearly \$1 billion per year, according to the CDC.¹ Alcohol is no ordinary commodity and when used excessively, it causes serious harm to our communities. Alcohol does not pay for itself.

2. Excessive alcohol consumption costs money and lives to our community

Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.²

3. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

The COVID-19 pandemic has made alcohol consumption riskier in regards to domestic violence. There is a positively correlated relationship between visits to alcohol outlets and domestic violence.³

The Domestic Violence Action Center (DVAC) Helpline, which serves Hawai'i, reports a **46%** increase in contacts during the COVID-19 crisis, from the late March to October 2, 2020.⁴

4. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁵ Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers.⁶ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁷ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁸

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

Mahalo for the opportunity to submit testimony and provide comments.

Questions? You may contact me at chelsea@hiphi.org

References:

[1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>

[2] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[3] Chalfin, A., Danagouliau, S., & Deza, M. (2020, November 16). COVID-19 Has Strengthened the Relationship Between Alcohol Consumption and Domestic Violence. Retrieved February 02, 2021.

[4]The Office of Hawaiian Affairs, Lili'uokalani Trust, & Kamehameha Schools. (2020, October 12). COVID-19 and Native Hawaiians - Intimate Partner Violence. Retrieved February 02, 2021, from <https://sites.google.com/ksbe.edu/nh-covid19/intimate-partner-violence>

[5] Grossman M, Chaloupka FJ, Saffer H, Laixuthai A. Effects of alcohol price policy on youth: a summary of economic research. *J Rese Adolesc.* 1994;4:347-364.

[6] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[7] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[8] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

HB-771

Submitted on: 2/9/2021 1:02:10 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Angelique Johnson	Individual	Support	No

Comments:

Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair

The Honorable Representative Lisa Kitagawa, Vice Chair

Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: **Support**

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Angelique Johnson, from Kailua, Hawaii. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

- ***I provided drug and alcohol therapy for teens in my local high schools, and it was shocking and eye opening as to the ease of access for my students (clients). Increasing dollar amounts impacts their access by limiting how much they can afford to buy with their limited income.***

- ***As a Therapist and now Clinical Supervisor of an Inpatient and Outpatient Treatment Center, I have seen the direct effects of how detrimental alcohol and domestic violence can be on the couple and the family unit. I believe increasing the tax could help support our local DV shelters as well as hinder that “One more drink...”.***
- ***While working at my local high school we had a senseless tragedy happen in our community. A local family was throwing a party and let their underage teens drink and then drive, and two of the four boys ended up being killed in a car accident that night. I not only provided counseling in the high school but prevention to all incoming freshmen, and somehow feel like I failed. By increasing alcohol cost it would directly impact how much alcohol is bought and therefore consumed.***
- ***I strongly urge you to support this bill as it will do wonders for our community in several ways: This saves lives, families, and our community!***

I have and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

HB-771

Submitted on: 2/9/2021 1:20:50 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Gigi V Davidson	Individual	Support	No

Comments:

Position: **Support**

Good afternoon, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is [Your name], from [Your town]. Thank you so much for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. ***Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic***

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

1. ***Excessive alcohol consumption costs money and lives to our community***

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

1. ***[Personal Story or Connection to Alcohol use/misuse]***

I am a very strong advocate to help support people with fetal alcohol spectrum disorder (FASD) and their parents/caregivers. Through not fault of their own an individual with an FASD suffer throughout their entire lifespan due a mother ingesting alcohol while pregnant. These people and their families receive little to no help or understanding about FASD and fall through the cracks of our society. FASD is preventable however the effects cause tremendous stress on families and communities both financially and emotionally. An additional tax on alcohol could vastly improve the current outcomes whihc include incarceration, homelessness, substance abuse and chronic

unemployment. With appropriate supports those with an FASD can become members of our community. Furthermore they need and deserve our help in the same way that we would help anyone with a disability. Current research indicates that 1 in 20 children are afflicted with FASD so I am sure we all know someone with an FASD that has either been mis or undiagnosed appropriately.

Please support this bill it is very important. I am a mother of a 32 year old who has FASD and I know first hand the challenges of raising a child and how little awareness exists in our community of this disability

1. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

Gigi Davidson

Date: February 9, 2021

To: The Honorable Representative Aaron Johanson, Chair
The Honorable Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection and Commerce

Re: Strong Support of HB771, Relating to Liquor

Hrg: Wednesday, February 10, 2021 at 2:00pm at Conference Room 329

Position: Support

Good morning, Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection and Commerce. My name is Allen Bartolome, from Pahoia, Hawaii. Thank you for the opportunity to submit testimony in SUPPORT of HB771. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. **Excessive alcohol consumption costs money and lives to our community**
Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day. These deaths shorten the lives of those who die by an average of almost 29 years, for a total of 2.8 million years of potential life lost.
2. **Short- and long-term effects of excessive drinking**
Binge drinking can lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders
3. **My Personal Story**
I am not only an advocate for alcohol prevention but a survivor of being a victim of impaired driving in both December 1994 and recently in early January of 2021. Every day I think about ways that this could have been prevented and how we as society can make a difference. I believe taxation would be one of the tools stopping over consumption and make our community a safer place and benefit our economy.

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony and provide comments.

HB-771

Submitted on: 2/9/2021 1:47:55 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
J Naehalani Breeland	Individual	Oppose	No

Comments:

I stand by the testimony attached.

Thank you so much for your time.

Me ka ha'aha'a,

Naeha

HB-771

Submitted on: 2/9/2021 1:48:08 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ann Collins	Individual	Support	No

Comments:

This is a great bill for the public health and improving the wellness of our State. This will also support the budget short-fall we will be experiencing. Please pass this bill out of committee.

HB-771

Submitted on: 2/9/2021 1:50:47 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
LAURIE HY KAWAMURA	Individual	Support	No

Comments:

- I AM SUPPORTING HB771. 12 year old adopted son was recently diagnosed with Fetal Alcohol Spectrum Disorder (FASD). My son's life was impacted when his birthmother consumed alcohol during her pregnancy with him. Alcohol has affected my son's brain development. My son was evaluated by many healthcare professionals over the years. Previously he was diagnosed with ADHD and dyslexia. My son's FASD diagnosis was made with assistance from Dr. Ann Yabusaki with the FASD HI Action group. My son and family were in crisis before, during and after his FASD diagnosis. Dr. Yabusaki has provided immeasurable support to my family, my son's healthcare providers and school by educating us about FASD and how we can best support my son in the short and long term. The FASD HI Action group has invested in the community by educating health care and educational professionals to understand the disease state, how to diagnose and best support FASD individuals in their respective settings. FASD is severely under diagnosed with many symptoms that are often associated with other neurological disorders such as ADHD and autism. HB771 would effectively raise awareness and services of FASD, and address the long term effects of consuming alcohol during pregnancy. HB771 has the potential to positively impact children with FASD and curb future occurrences. New taxes are rarely welcomed with open arms. .10 a drink is a minuscule amount when considering the markup on alcohol and how it will provide education and guidance to families and professionals that support children and families afflicted with FASD. This is an investment with longterm benefits to the community and society. Thank you.*

HB-771

Submitted on: 2/9/2021 1:59:22 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alyssa Lapitan	Individual	Support	No

Comments:

2. Short- and long-term effects of excessive drinking

- a. Binge drinking can lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.
- b. Over time, excessive alcohol consumption increases the risk of alcohol dependence, cancer, and high blood pressure, among other chronic conditions.
- c. Underage youth who binge drink are at additional risk of poor school performance and interrupted brain development.
- d. Alcohol use at younger ages is also associated with increased risks of alcohol problems including alcohol dependence later in life.

As a worker that first-hand sees the effects of excessive drinking and FASD on our clients and their infants/children in Treatment, I'm in big support of this bill. I look forward to the impact that HB771 will have on our futures. On my clients' futures. And the futures of our children.

LATE

HB-771

Submitted on: 2/9/2021 2:00:01 PM
Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John	Erickson	Oppose	No

Comments:

We are in unprecedented times as a state and a community as we continue to work our way through the Covid-19 pandemic. The Food & Beverage industry, and all of the employees of distributors, suppliers, retailers, and restaurants operated through the pandemic continuing to provide essential services to the State of Hawaii and our communities on each island. Our business suffered with the shutdown of many of our customers, the loss of the economic impact of tourism and more directly, the jobs lost in the tourism industry. We had to pivot as a business and many of our employees took on varying roles within our organization to adjust to an ever-changing market dynamics. Through normal business attrition and lower volume we have fewer employees than we did at the beginning of Covid-19, but we are grateful to have made it this far without any substantial layoffs, particularly of our frontline employees. Through the pandemic in 2020, Paradise Beverages beer distribution activities would have generated an estimated \$14.7 million of liquor tax revenue for the State of Hawaii at the 4th highest state tax in the country rate on Beer of \$0.93 per gallon, well above the national median of \$0.20 per gallon.

This bill proposes a surcharge of \$0.10 per drink on Beer, roughly \$1.067 per gallon or a 115% increase in the tax on Beer. Paradise Beverages and our suppliers, believe in the responsible use of alcohol in moderation. While there are many effected by the irresponsible use and abuse of alcohol, this approach to taxation does not effectively address those issues. The funds generated more than doubling our tax liability are not earmarked for specific social or healthcare programs (such as tobacco taxes) but are simply going into the general funds of the state. It seems irresponsible to place such a tax burden on such a small part of the economy of Hawaii, one that has served our communities well through these difficult times. The tax burden will shift consumers into lower cost, higher leverage options, which will disproportionately effect our local breweries and their employees. As our tourism industry is rebuilding, the choices available to brand Hawaii truly local food and beverages will be challenged. With the estimated impact on volume of such a tax increase, I have no doubt that it will cost Hawaii good paying local jobs within Paradise Beverages, Restaurants, Retailers, and our Local Suppliers.

Thank you for your consideration in this matter.

LATE

HB-771

Submitted on: 2/9/2021 2:16:08 PM

Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joe P. Lorenzen	Individual	Oppose	No

Comments:

WAIKIKI BREWING COMPANY

Joe P. Lorenzen, Partner/Brewmaster

831 Queen St.

Honolulu, HI 96813

808-591-0387

brewmaster@waikikibrewing.com

HB771: RELATING TO LIQUOR - Surcharge tax on liquor

Position: Oppose

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki, Kaka'ako, and on Front Street in Lahaina, on Maui. Our brewery began with 15 employees in 2015, and now employs over 60 people.

We are strongly in opposition to HB771

We fully support responsible consumption of alcohol, but raising taxes on alcoholic beverages does not achieve these ends. If it did, one would expect that the states with the highest tax rates on alcohol would also have the lowest number of alcohol related deaths. Comparing death rates by state as reported by the CDC with Tax Foundation data on state excise taxes on beer we find that there seems to be no correlation. Some states with the highest tax rates still have the highest numbers of alcohol related deaths (such as Alaska, which has the second highest rank in both categories) while some states with the lowest tax rates have the lowest numbers of deaths (New York has the

39th lowest tax rate and the absolute lowest alcohol related death rate). Clearly, taxes are not what is saving lives. In fact, a tax such as this is likely to have the effect of driving consumers away from small volumes of local craft produced products and to purchase larger volumes of cheaper mass market beer.

This bill allocates taxes raised into the general fund. If the purpose is to support public health and reduce costs associated with treatment of alcohol related health issues, as is implied in the language of the bill, should not the funds raised be allocated to alcohol treatment and disease prevention? Per the language of the bill, it would seem prudent to try to reduce those costs by allocating funds to programs which might serve to provide help to those in need.

If it is deemed necessary to raise these funds, which by all conventional wisdom, should not be placed in the general fund, a tax on large producers or a tiered tax, vs a blanket, per beverage tax would do much more, and allow the state to help support small local businesses. A tax on beverages produced by breweries which brew in excess of 70,000 barrels per year would accomplish this. Large, macro breweries account for the majority of the beer consumed in the state and taxing them alone, or at a higher tier, will serve to raise these funds. All breweries in Hawaii are under this threshold and thus will be spared as we continue to try to rebuild our fragile manufacturing businesses amidst the ongoing pandemic. The brewing industry in Hawaii has been one of the only industries to grow manufacturing jobs in Hawaii in recent years and has been hit hard by Covid-19 related emergency shutdowns and our fragile economy. As we talk of attempting to decrease our reliance on tourism in our economy, we must not injure one of the few industries to diversify our economy as of late.

Thank you for the opportunity to provide testimony in opposition of HB771.

Sincerely,

Joe P. Lorenzen

LATE

HB-771

Submitted on: 2/9/2021 2:22:55 PM
Testimony for CPC on 2/10/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Katie Folio	Individual	Support	No

Comments:

Aloha House Committee on Consumer Protection and Commerce Chair and members,

Increased taxes on addictive substances are a proven method of helping reduce substance abuse and addiction. Please support an increase on taxation of alcoholic beverages this year; not only will it help protect our people from associated harms of excessive alcohol use, it will also provide much needed funds to our state budget, which has been hit hard by the pandemic. If the surcharge is priced at 10 cents per drink, this would provide approximately \$62,700,000 to the general fund for the state.

Mahalo nui loa,

Katie Folio

Kula, Maui, Hawai'i