LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2153
RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 18, 2010
TIME: 5PM
ROOM: 308

This measure establishes a new chapter in Title 14, Hawaii Revised Statutes, to provide for the assessment and collection of a surcharge tax on soda.

The Department of Taxation (Department) **opposes the tax increase** contained in this measure and recommends that this measure be held.

A TAX INCREASE—The Department opposes this tax increase. The Department does not support tax increases, especially increases that will simply increase the costs to consumers at a time when taxpayers cannot afford such increases.

A HIGHLY REGRESSIVE TAX INCREASE ON THE POOR—This measure is highly regressive in that it impacts poor more than the rich as a percentage of income. Anecdotal evidence suggests that the poor are more likely to consume the sugary drinks sought to be regulated in this measure. Thus, it impacts the poor the most.

UNNECESSARY STRUCTURE—The Department suggests that new tax chapter contained in this measure is overly complicated to achieve its purpose. If the intent is to keep this surcharge as a tax under the tax code, it should be simply added as a surcharge to the general excise tax, similar to the county surcharge tax. This will allow for all of the procedural provisions and the certainty of the well-developed general excise tax law to control administration.

ADDS COMPLEXITY ON BUSINESSES—Also, this measure will make it more difficult for mom-and-pop and other small businesses to comply with Hawaii's already burdensome business environment. Under this measure, a business must apply to sell soda when soda is not an otherwise regulated product. The tax would also apply to nonprofit organizations that sell beverages at events and add another level of burden on business.

RESOURCE INTENSIVE—The Department also opposes this measure because it does not have the resources to administer this. The Department would need additional resources that have not been factored into the budget. The Department will need to invest in computer enhancements and personnel to administer this tax that could reach several million dollars.

This legislation results in an indeterminate revenue impact due to unspecified data in the bill.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

HGEA
AFSCME
LOCAL 152, AFL-CIO

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Executive Director
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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 18, 2010

H.B. 2153 – RELATING TO TAXATION

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2153, which imposes a tax on sugary drinks that are linked with obesity and other health problems such as diabetes, heart disease and tooth decay. Such a tax would deter people from buying non-nutritious sweet drinks, thereby helping them to lose weight and reduce their health risks.

The United States spends some $147 billion -- 9 percent of all health care expenditures -- on medical costs associated with obesity and those who are overweight, of which half is paid with Medicare and Medicaid dollars. Last year, the prestigious Institute of Medicine included soda taxes as one of several policies that should be adopted to help reduce obesity. Taxing soft drinks could be an effective approach for cash-strapped state governments looking for ways to fund health care and disease-prevention programs.

Although taxing soft drinks will not balance state budgets or eliminate diet-related diseases and health care costs, the revenue potential from a modest new or extra tax of five cents per 12-ounce serving is considerable. According to the Center for Science in the Public Interest, this would generate approximately an additional $31 million in new revenue for Hawaii. Currently, 25 states and the City of Chicago levy special taxes on soft drinks, typically through a sales tax. A soda excise tax in Arkansas yields more than $40 million per year.

Thank you for the opportunity to testify in support of H.B. 2153.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

888 MILILANI STREET, SUITE 601 HONOLULU, HAWAII 96813-2991

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Soft drink surcharge tax

BILL NUMBER: HB 2153

INTRODUCED BY: M. Lee, Morita, B. Oshiro, M. Oshiro, Rhoads, Shimabukuro, Takai and 2 Democrats

BRIEF SUMMARY: Adds a new chapter to HRS to establish a soft drink surcharge tax of $___ per can or container of soft drink sold in the state. Defines "soft drink" as any soda, juice or non-alcoholic beverage that is sold in containers and contains more than _____ per cent sugar; provided that a soft drink is not coffee, tea, cocoa, a diet soda, a water product or a fruit drink that contains 70% or more natural juice. The surcharge tax shall be levied on the seller of the soft drink.

Requires sellers of soft drinks to register with the director of taxation and pay a one-time fee of $20 as a precedent to selling soft drinks in the state. Delineates provisions for the filing of returns, penalty provisions, recordkeeping, appeals, administration and enforcement of the surcharge tax. Requires the director of health to publish a listing of all soft drinks that are subject to the surcharge tax on the department of health's website.

EFFECTIVE DATE: January 1, 2011; applicable to tax years beginning after December 31, 2010

STAFF COMMENTS: This measure proposes to establish a soft drink surcharge tax of $____ on soft drinks containing ____ per cent sugar to encourage taxpayers to adopt a healthier lifestyle. It should be noted that the use of the tax system as a social tool in its attempt to deter the sale of soft drinks is an inefficient use of the tax system. While diet soft drinks are not subject to the proposed soft drink surcharge, other studies have indicated that diet soft drinks may also contribute to weight gain, diabetes, and other health problems. It should be noted that while this measure is aimed at sugar based soft drinks, what about "super-sized" meals, high calorie snack foods and desserts? Will another tax be imposed on these items in the future since the enactment of this measure may open the door for other similar measures targeted at "unhealthy foods?"

The tax proposed in this measure should be viewed as a discriminatory tax increase on sugary soft drinks. As we have learned from the beverage container deposit fee, unless people's habits are changed, no financial disincentive, save one that is confiscatory, will discourage or encourage certain types of human behavior. Further, economics more than not dictates what families consume. For example, fresh vegetables and fresh fruit that contribute to a healthier diet are sometimes beyond the means of the poor so they tend to consume large quantities of carbohydrates because they are cheap and filling but not particularly healthy. If the intent is to promote healthier eating patterns, then that goal can be achieved only with education and understanding on the part of families to replace unhealthy choices with healthy choices. This proposal lacks understanding of what it takes to solve the problem of childhood obesity, high blood pressure and diabetes and focuses only on soft drinks as the cause of the problem, at the very least it is myopic.

Digested 1/28/10

The Twenty-Fifth Legislature
Regular Session of 2010

HOUSE OF REPRESENTATIVES
Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

State Capitol, Conference Room 308
Thursday, February 18, 2010; 5:00 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2153
RELATING TO TAXATION

The ILWU Local 142 opposes H.B. 2153, which assesses a surcharge tax on all soft drinks sold in the State.

We recognize the State's budget deficit and the Legislature's desire to find new sources of revenue to meet the shortfall. We also recognize the Legislature's desire to keep Hawaii's people healthy and its concern that soft drinks may contribute to obesity and other health conditions.

The ILWU's opposition to this bill, however, is primarily because of its impact on workers and their jobs. The 173 unionized workers of Pepsi Bottling Group, which manufactures and sells Pepsi products throughout Hawaii, are members of the ILWU Local 142. Their livelihood depends on manufacturing and marketing soft drinks. H.B. 2153 could negatively impact business for their company and, as a result, their jobs.

While this may be a single-minded point of view, we invite the Legislature to consider other ways to increase revenues like increasing the GET so everyone, including visitors to Hawaii, can contribute. We also invite the Legislature to consider that other factors contribute to the lack of health among some of Hawaii's people--like not enough exercise, too much fast food, etc.

The ILWU urges that H.B. 2153 be held. Instead, we are open to dialogue about other ways to keep the State solvent and once again known as the Health State.

Thank you for the opportunity to testify.

People Serving People

HRA

est. 1947

Hawaii Restaurant Association

1451 South King St, Suite 503
Honolulu, HI 96814
www.hawaiirestaurants.org

Phone: 808.944.9105
Fax: 808.944.9109
hra@hawaiirestaurants.org

February 17, 2010

Rep. Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Honolulu, Hawaii 96813

Dear Chair Oshiro,

The Hawaii Restaurant Association stands in opposition to HB 2153 assessing a surcharge on all soft drinks sold in Hawaii.

New York Gov. Paterson proposed this very unpopular bill last year as a means to raise additional revenue and did not pass their legislature. Over 70 per cent of all Americans opposed this tax in the Rasmussen Poll last year. Even Senator Schumer came out against this. The NY governor is proposing again this year for the same reason.

Raising taxes on beverages that Hawaii residents enjoy every day, hardworking people here will get hit the hardest. This regressive tax will hit our population that can least afford to pay for the higher costs especially the middle and lower income residents.

Another proven fact is that not everyone that drinks soda is obese or is diabetic and you are trying to also tax them.

The Administrative process as proposed will also impose tremendous hardship on the small and medium retailers.

Thank you for giving us the opportunity to share our views.

Sincerely,

Victor Lim
Past Chair

AMERICAN BEVERAGE ASSOCIATION

Representative Marcus Oshiro, Chair
House Committee on Finance

February 18, 2010; 5:00 PM (Agenda #5)
Hawaii State Capitol, Conference Room 308

RE: HB 2153 – Relating to Taxation

Chair Oshiro, Vice Chair Lee, and members of the Committee:

Thank you for the opportunity to testify on HB 2153, which assess a surcharge on all soft drinks sold in the State. **The American Beverage Association strongly opposes this measure.**

The American Beverage Association (ABA) is the trade association representing the non-alcoholic beverage industry. Founded in 1919, ABA represents hundreds of beverage producers, distributors, franchise companies and supporting businesses that employ more than 217,000 people across the country. The beverage companies throughout Hawaii directly employ over 500 workers and indirectly impact the jobs of thousands of others across the state.

HB 2153 is a Discriminatory Tax
HB 2153 seeks to impose another state tax on soft drinks, juices and certain other beverages. This tax is aimed directly at consumers and jobs. HB 2153 unfairly lays the blame for obesity on the consumption of one particular product and singles out and financially penalizes consumers of refreshment beverages.

The proposed tax perpetuates the myth that taxing one product will make a difference in obesity, or even contribute to fighting the problem. It won't – this is about money, not fighting obesity. Taxing soft drinks or any other single food or food ingredient is simplistic and unjustified.

Obesity is a Complex Problem with No Simple Solution
Many factors contribute to obesity and related health problems. Singling out one particular product for taxation does not address a problem as complex as obesity. Taxing soft drinks or any other single food or food ingredient to pay for health programs is simplistic and unjustified.

Local Consumers Can't Afford Another Beverage Tax
Hawaii consumers are already overburdened with taxes and they already pay several taxes on beverages, including:

- five-cent deposit
- one-cent handling fee
- one-half percent gross receipts tax from the wholesaler
- four percent gross receipts tax from the retailer

Another Beverage Tax Hurts Local Workers
Lost sales damage our businesses which directly support over 500 workers across the state, pay tens of millions of dollars in wages and benefits, and generates over $100 million annually in state and federal taxes.

States and Voters are Rejecting Beverage Taxes
Since 1992, no state has implemented a new beverage excise tax. Recognizing that these unfair taxes cause economic damage, eight states have repealed their beverage taxes. In fact, voters of Maine in November 2008 overwhelming rejected (64%) a beverage tax to fund healthcare programs.

We encourage this Committee to reject an inequitable and regressive tax on our products and consumers and instead look to broad-based, comprehensive mechanisms to address the complex problem of obesity. Thank you for the opportunity to testify.

American Beverage Association – 1101 16th Street, NW – Washington, DC 20036 – 202-463-6732

A

THE PEPSI BOTTLING GROUP

Representative Marcus Oshiro, Chair
House Committee on Finance

Thursday, February 18, 2010
Conference Room 308; 5:00 p.m. (Agenda #5)

Re: HB 2153 – Relating to Taxation

Chair Oshiro, Vice Chair Lee, and members of the Committee:

My name is Gary Yoshioka, Vice President/General Manager of The Pepsi Bottling Group of Hawaii ("Pepsi"), testifying in strong opposition to HB 2153, which assesses an unspecified surcharge tax on all soft drinks sold in the state.

While Pepsi does not oppose the notion of general taxation, what we do oppose are discriminatory taxes that single out and penalize a specific product, industry, and its customers. This bill seeks to tax juice drinks, soda and other refreshment beverages. Taxing these consumer products will do little to address the state's budget deficit, let alone serve a greater good when it comes to public health – we are not going to solve the very serious and complex issue of obesity with a discriminatory tax on one consumer good.

The majority of people oppose a tax on their juice drinks, soda and other non-alcoholic beverages. Many of them do not think a tax will solve obesity or address diabetes. And, even more people are averse to paying a penny more for anything during these very difficult economic times.

Furthermore, science shows that a multitude of factors contribute to diseases related to obesity, from genetics to the over consumption of any and all caloric foods, to the lack of exercise in today's modern, sedentary lifestyle.

As our industry continues to produce more zero-calorie, low-calorie and reduced-portion products, consumers are taking advantage of and enjoying these new better-for-you options.

In closing, any proposal to impose a tax on beverages in Hawaii would be an unfair initiative aimed directly at beverage consumers and local jobs. We know that levying a new tax will adversely affect jobs and our industry in Hawaii – we experienced this impact when the Deposit Beverage Container Program was implemented. Beverage companies across the state directly employ, and indirectly impact, thousands of jobs. It is important to note that the soft drink industry continues to be one of the few remaining manufacturers of consumer products in the State. We employ local people.

On behalf of The Pepsi Bottling Group of Hawaii, thank you for the opportunity to testify.

Coca-Cola Bottling Company of Hawaii

A COCA-COLA ENTERPRISES company

949 Mapunapuna Street
Honolulu, HI 96819
808-839-6711
808-834-7718 Fax

Representative Marcus Oshiro, Chair
House Committee on Finance

Thursday, February 18, 2010
5:00 P.M. (Agenda #5), Conference Room 308

RE: HB 2153 - RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Dan Whitford, Area Vice President for Coca-Cola Bottling Company of Hawaii (Coca-Cola), **testifying in opposition to HB 2153** which assesses a surcharge on all soft drinks sold in the state.

Numerous scientific studies indicate that obesity is a complex issue - we cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone.

In August, 2009, the **American Heart Association Scientific Statement on "Dietary Sugars Intake and Cardiovascular Health"** amassed all the scientific evidence regarding sugar-sweetened beverages and obesity and stated, "Because overweight and obesity are complex metabolic conditions, it is unlikely that a single food or food group is primarily causal." In other words, although regular soft drinks have calories, we cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone.

The Institute of Medicine, in its report on childhood obesity, outlined the concept of energy balance. The report said, "Although energy intake equals energy expenditure looks like a fairly basic equation, in reality it is extraordinarily complex when considering the multitude of genetic, biological, psychological, socio-cultural and environmental factors."

A study published in **"Obesity Reviews"** examined associations between obesity and certain dietary and physical activity patterns in over 130,000 children in 34 countries and did not find an association between soft drink intake and overweight. This study did find low levels of physical activity were associated with increased BMI.

The **American Diabetes Association** has identified the risk factors for diabetes, including a lack of physical exercise. The ADA does not identify sugar used in soda or any other single food or ingredient as a specific risk factor for the disease.

An analysis by the **National Cancer Institute** in April of 2009 showed soda, sports drinks, sweetened waters and energy drinks contribute 5.5 percent of total calories, which is to say all other foods and beverages contributed 94.5%.

If the goal is to address obesity rates in Hawaii, then it must be solved with a multi-faceted approach and through partnership among consumers, government, business and medicine. That means, together, we must provide consumers with choices, give them meaningful opportunities to stay active and help them understand how to live a healthier lifestyle. We need a balanced, common sense approach through education and physical activity. Our products already are subject to the sales tax, deposit and beverage container deposit fee. We cannot blame overweight or obesity on soft drinks or any other single food or beverage, alone.

Coca-Cola respectfully requests that the Committee hold HB 2153. Thank you for the opportunity to testify.

PHOCUSED

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

DATE: February 18, 2010

TO: Representative Marcus Oshiro

FROM: Alex Santiago, Executive Director
PHOCUSED (Protecting Hawai'i's Ohana, Children, UnderServed, Elderly and Disabled)

RE: HB 2153 Relating to Taxation

Representative Marcus Oshiro, Chair of the Finance Committee, I am Alex Santiago, Executive Director of PHOCUSED, a coalition of health, housing, human service agencies and individual advocates voicing the needs of the marginalized and underserved in Hawai'i. **PHOCUSED supports HB 2153 and appreciates the efforts by this legislature to produce the needed revenues to ensure core support for the poor and needy while discouraging unhealthy behavior.** In addition, PHOCUSED believes that a discussion is needed on how best to allocate these funds, and respectfully offers to be part of that discussion.

As advocates for the Health, Housing, and Human Services sector we would like to express our support for this measure and other revenue-enhancing options, that will help fund the preservation of our social service safety net.

We appreciate the opportunity to share our concerns with you, and offer to be a resource to you in future deliberations.

Mahalo for the opportunity to testify.

1188 Bishop Street, Suite 1204 Honolulu, HI 96813 P: 808.521.7462
www.phocused-hawaii.org

Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance

HEARING Thursday, February 18, 2010
5:00 pm
Conference Room 308
State Capitol, Honolulu, Hawaii 96813

RE: HB2153, Relating to Taxation

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to the support of the retail industry and business in general in Hawaii.

RMH strongly opposes HB2153, which assesses a surcharge on all soft drinks sold in the State.

As responsible citizens, we share your concern with the growing health problems caused by individuals' indiscriminate and/or uninformed choices in beverage consumption and their reluctance to participate in physical activity required to maintain good health. However, these are social concerns that already are and should be addressed by government as a function of general public welfare revenues.

The reality is that this measure imposes an extremely onerous cost on business, on government, and ultimately, on consumers.

Business (Sellers): Increased administrative costs: identifying applicable beverages, updating systems, maintaining accurate records, and preparing and submitting returns and payments to the Department of Taxation.

Government: Department of Health and Department of Taxation: Increased administrative and enforcement burdens.

Consumers: Increased grocery costs: the surcharge must and will be passed on to customers. Food taxes are discriminatory and regressive, placing greatest burden on those members of our society who have fewest resources.

At a time when businesses are struggling to keep doors open and retain staffing levels, AND consumers are struggling to keep their heads above water, we respectfully ask your consideration to NOT add greater burden to our cost of doing business or our cost of living. Please hold HB2153.

Thank you for your consideration and for the opportunity to testify.

Carol Pregill

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

George Massengale
4340 Pahoa Avenue
Honolulu, HI 96816

Hearing: Committee on Finance
Date: Thursday, February 18, 2010
Place: Conference Room 308

HB2153 – Relating to Taxation

Testimony in Support

Chair Oshiro, Vice Chair Lee and members of the Committee on Finance. I am offering this testimony as an individual in support of HB2153 which would apply a surcharge tax on all soft drinks sold in the State.

I certainly in agreement with the preamble that contained in this measure that "Sugary drinks have become a major source of obesity and linked to diabetes, heart disease, and dental problems."

Hawaii's obesity statistics are alarming:
- In Hawaii, over 50 percent of adults are overweight or obese
- Hawaii's youth obesity rate is 22 percent – twice the national average.
- Overweight adolescents have a 70-percent chance of becoming overweight or obese adults.
- In Hawaii, 23 percent of adults report getting no physical activity.
- Overweight and obesity are major contributors to preventable causes of death.
- Inactive people are nearly twice as likely to develop heart disease, than more active people.
- In the United States, physical inactivity and poor diet contribute to 400,000 preventable deaths each year.
- Combined, poor diet and physical inactivity are rapidly approaching tobacco (435,000 deaths per year) as the leading cause of preventable death

I believe that imposing a surcharge tax will reduce consumption of sugary soft drinks and is good first step in tackling the problem of obesity in our state.

I would offer these two recommendations that would, I believe, make this measure more effective.

First – the tax should be substantial 5 to 10 cents per container.

Second – a portion of the tax be used by the department of health for obesity and nutrition education and activities of the state Nutrition & Physical Activities Coalition.

Thank for the opportunity to offer this testimony here today.

George Massengale

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 18, 2010 6:44 AM
To: FINTestimony
Cc: pkosasa@abcstores.com
Subject: Testimony for HB2153 on 2/18/2010 5:00:00 PM

Testimony for FIN 2/18/2010 5:00:00 PM HB2153

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Paul Kosasa
Organization: ABC Stores
Address: 766 Pohukaina Street Honolulu HI
Phone: (808) 591-2550
E-mail: pkosasa@abcstores.com
Submitted on: 2/18/2010

Comments:

HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)
1188 Bishop St., Suite 608, Honolulu, Hawaii 96813
Phone (808)533-1292 - Fax (808)599-2606 - Email: hawaiifoodind@aol.com

February 18, 2010 @ 5:00 p.m. in CR 308

To: House Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

By: Richard C. Botti, President
Lauren Zirbel, Government Relations

Re: HB 2153 Relating to a tax on all soft drinks sold in Hawaii

Chairs & Committee Members:

We strongly oppose this measure as being another scheme to generate more money from consumers under the guise of health. On page one, the bill states that **"The tax is expected to raise $400 million per year in New York to discourage the consumption of sugary drinks........"**

Diabetics well understand that exercise is a vital link in controlling blood sugar levels. Trying to fool consumers into thinking that everything will be fine if they stop drinking soft drinks is not going to make everyone healthy. It will however be a nice shot-in-the-arm for government who will make millions over another tax.

With respect to the food industry, we sell what the consumer wants. We shop for what the consumer wants. And, we promote and market healthy food and exercise. With that said, if we did not sell what the consumer wants, we wouldn't exist very long.

To tie a tax to sugar content will merely redirect consumers to drinks with artificial sweeteners. Then there will be measures proposing they also be banned. There are already proposals to tax water.

In essence, the Legislature is addressing a fix at the symptom rather than the cause of the problem, which is lifestyle.

Better Brands
A division of Young's Market Co., L.L.C.

February 17, 2010

VIA Facsimile: 586-6001

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

RE: HB2153 Relating to Tax on all Soft Drinks Sold in Hawaii

We are strongly opposed to House Bill 2153. It is very unlikely that targeting only one type of product will effectively address the health problems outlined in the bill. Although a tax resulting in increased price may decrease the consumption of one type of beverage, there is no guarantee that the consumer will choose a healthier or lower caloric beverage. Nor is there any likelihood or guarantee that the consumer will adopt a more healthful lifestyle.

The bill attempts to address health problems by focusing only on the caloric intake of one category of beverages instead of dealing with a more realistic and comprehensive approach of reducing total caloric intake and increasing exercise. By attempting to regulate the consumption of certain products, we effectively categorize foods as "good" and "bad" based on simplistic guidelines. This characterization of food minimizes the complexity of the heath problems and hinders the overall understanding of total caloric balance. Any medical professional will agree that ultimately, the key to maintaining a healthy lifestyle is the counting of total calories in and calories out, and not the focusing on specific foods or the abstinence of any one food or beverage in particular.

Finally, unlike cigarettes that affect the health of all smokers, customers who consume these targeted beverages in moderation and have no health problems would incur an unfair financial penalty.

Sincerely,

Laurie Kawasaki
Vice President, Finance

94-501 KAU STREET • WAIPAHU, HAWAII 96797
TELEPHONE: (808) 676-6111 • FACSIMILE: (808) 676-6199

February 16, 2010

ITO EN

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Testimony to the House Committee on Finance
Thursday, February 18, 2010
Conference Room 308

RE: Opposition to HB 2153 Relating to a tax on all soft drinks sold in Hawaii

Representative Marcus Oshiro, Chair, Representative Marilyn Lee, Vice Chair, and Members of the Committee:

My name is Wendy Chuck and I work for ITO EN (USA) Inc. which has been doing business in Hawaii since 1987. We are one of a handful of local beverage manufacturers and distributors in Hawaii. Our factory is located in Kalihi and our product lines include Aloha Maid juices, ITO EN iced teas and Royal Mills iced coffees. We also import and distribute many other beverages throughout the state and overseas. ITO EN (USA) Inc. currently employs 64 workers.

I strongly oppose HB 2153. The bill makes inaccurate claims against soft drinks as being the cause of obesity and diabetes. It is unfair because it burdens one specific industry and yet will not solve the problem of obesity, diabetes or controlling people's blood sugar. These are serious health problems that are best managed by individuals making personal commitments to take care of their health – such as eat a balanced diet and exercise. Your measure is nothing but an attempt to collect money at our expense, and makes no provision for returning this money to us should it fail to solve the health issues it claims to be addressing.

HB 2153 foolishly assumes the extra money made will ease the budget deficit our state has been facing. The soft drink surcharge you intend to levy on the seller will be passed on to the consumer. Our customers, many of whom are middle to low income workers, spend their hard earned money on soft drinks and HB 2153 would unfairly target this segment of our community who has been hit hardest by the economy. Consumers who are already dealing with higher prices and limited incomes may make the decision to forgo spending on soft drinks. With decreased consumer demand on our products, beverage manufacturers and distributors such as ourselves will be forced to lay off workers. Our local sugar supplier will be hit hard as well. This is counter productive to the sacrifices and the efforts we have been making to spur revenues and job growth.

Thank you for the opportunity to submit testimony.

Sincerely,

Wendy K. Chuck
Human Resources Manager

Ball Metal Beverage Packaging

91-320 Komohana Street ,Kapolei, HI 96707-1714

Representative Marcus Oshiro, Chair
House Committee on Finance

Thursday, February 18, 2010
5:00 P.M. (Agenda #5); Conference Room 308

RE: HB 2153 – Relating to Taxation

Chair Oshiro, Vice Chair Lee and members of the Committee:

My name is Paul Labbe and I have been the plant manager for the Ball aluminum can manufacturing plant in Kapolei for 18 years. Thank you for the opportunity to testify on HB 2153, which assesses a surcharge on all soft drinks sold in the State. **Ball Corporation strongly opposes this measure.**

Ball Corporation is a provider of metal and plastic packaging for beverages, foods and household products, and of aerospace and other technologies and services to commercial and governmental customers. Founded in 1880, the company employs more than 14,000 people in more than 90 locations worldwide. Since 1979, we have been manufacturing aluminum beverage cans in Kapolei. We employ 47 people on the island.

We believe HB 2153 is a discriminatory tax and will not achieve the goal of ending obesity since obesity is a complex health concern with no one easy solution. Unfairly taxing consumers and one food group is not the answer and is quite simply, unjustified. The Ball plant is one of the few manufacturing facilities still operating in Hawaii and we are very concerned of the effect that additional taxes will have on our employment base.

The deposit legislation passed in 2002 has already had a significant impact on our plant. We estimate a decrease in sales of 60 million units which led to a decrease in employment of 15 people. We have seen a further decline in sales as a result of the downturn in the economy. This unfair tax would be another blow to our business. We are coming close to the point where if we lose more sales, we may simply not be able to operate this plant and will have to import empty cans from the mainland to service our customer case. We have no opportunity for growth unless our existing customer base located here on the island is able to maintain or grow their business.

Hawaii consumers are already overburdened with taxes and they already pay several taxes on beverages, including:

- five-cent deposit
- one-cent handling fee
- one-half percent gross receipts tax from the wholesaler
- four percent gross receipts tax from the retailer

Ball Corporation pays almost $300,000 in taxes to the state, and pays over $4 million dollars in wages and benefits.

We encourage this Committee to reject this discriminatory tax on our products and consumers and instead look to comprehensive ways to address the complex problem of obesity. Thank you for the opportunity to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 18, 2010 2:36 PM
To: FINTestimony
Cc: Michael.Nobriga@mauisoda.com
Subject: Testimony for HB2153 on 2/18/2010 5:00:00 PM

Testimony for FIN 2/18/2010 5:00:00 PM HB2153

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael Nobriga
Organization: Individual
Address: 918 A Lower Main Street Wailuku, HI
Phone: (808) 244-7951
E-mail: Michael.Nobriga@mauisoda.com
Submitted on: 2/18/2010

Comments:
Proposed Bill would not meet the desired objectives as stated. Economy is much to fragile to expose a specific, narrow band consumable product to negative user fees. A broader approach is required. Support adjusting GET temporarily to attain the necessary results. Alternative is to tax EVERYTHING sweet-candy, cookies, cake, pie, cereal, milk, juice, ketchup, fruit, salad dressing and processed meats.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 16, 2010 2:05 PM
To: FINTestimony
Cc: cstlouis@queens.org
Subject: Testimony for HB2153 on 2/18/2010 5:00:00 PM

Testimony for FIN 2/18/2010 5:00:00 PM HB2153

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: charles st louis
Organization: Individual
Address: 95-1024 paemoku pl mililani , hi
Phone: 808 626 0332
E-mail: cstlouis@queens.org
Submitted on: 2/16/2010

Comments:
i support this bill, it is a viable/reasonable way to generate funds for our budget needs.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 16, 2010 6:13 PM
To: FINTestimony
Cc: bill@ejlounge.com
Subject: Testimony for HB2153 on 2/18/2010 5:00:00 PM

Testimony for FIN 2/18/2010 5:00:00 PM HB2153

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Bill Comerford
Organization: Hawaii Bar Owners Association
Address: 10 Marin Lane Honolulu, HI
Phone: 808-223-3997
E-mail: bill@ejlounge.com
Submitted on: 2/16/2010

Comments:
What new organization and how many employees will it take to administer this new tax?
How much paper work is involved in recording and reporting this new tax?
Will Bars be exempt or are we taxing every drink made?
Cant this be taxed like the bottle bill without all this unnecessary paperwork?

WE STRONGLY OPPOSE THIS BILL