

STAND. COM. REP. NO. 110

Honolulu, Hawaii

FEB 10 2021

RE: S.B. No. 1232
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1232 entitled:

"A BILL FOR AN ACT RELATING TO LIQUOR,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a three-year surcharge on the liquor tax, to repeal on June 30, 2024.

Your Committee received testimony in support of this measure from the Hawai'i Alcohol Policy Alliance, Hawaii Substance Abuse Coalition, Hawaii Fetal Alcohol Spectrum Disorder Action Group, Maui Chapter of the State of Hawai'i Organization of Police Officers, Hawaii Chapter of Mothers Against Drunk Driving, Hawaii State Teachers Association, and fourteen individuals. Your Committee received testimony in opposition to this measure from the Maui Chamber of Commerce; Retail Merchants of Hawaii; Legislative Action Center; Hawaii Food Industry Association; Lanikai Brewing Company; Mahalo Aleworks; Hawaiian Craft Brewers Guild; Maui Brewing Co.; Kaua'i Island Brewing Co.; Wine Institute; Hana Koa Brewing Co.; Kauai Beer Company; Ola Brewing Co.; Waikiki Brewing Company; Beer Lab Hawaii; Maui Wine, Ltd.; Big Island Brewhaus; and nine individuals. Your Committee received comments on this measure from the Department of Taxation.



Your Committee finds that alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic. Excessive alcohol consumption poses significant health risks and costs money to our community. Treatment funds are being slashed in Hawaii, and funds are needed to help the economy recover. Additionally, increasing taxes on alcohol has lagged compared to other commodities. The temporary surcharge proposed by this measure would be paid only by those who consume alcohol, not the general public. According to testimony, it is estimated that over \$62 million would be generated in state revenues if a modest ten cent per alcoholic beverage surcharge were imposed over the next three years. These funds would help reduce excessive use of alcohol and its related consequences.

Your Committee notes the testimony of the Department of Taxation that this measure could be amended to instead increase the per-wine gallon liquor tax rates currently found in the applicable statute, rather than impose a separate per drink surcharge, to accomplish the same effect. Your Committee requests that your Committee on Ways and Means further examine this approach, if necessary, to clarify the desired objective of this measure.

Your Committee has amended this measure by:

- (1) Inserting an amount of \$0.10 for the per drink surcharge proposed by this measure; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1232, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1232, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



