

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No.1084, Relating to Liquor

BEFORE THE:

House Committee on Consumer Protection & Commerce

DATE: Thursday, February 9, 2023

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 329

Chair Nakashima, Vice-Chair Sayama, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1084 for your consideration.

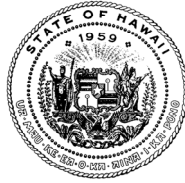
H.B. 1084 seeks to amend section 244D-4, Hawaii Revised Statutes, by increasing the tax rates per wine gallon on distilled spirits, sparkling wine, still wine, cooler beverages, beer other than draft beer, and draft beer. Section 2, on page 3 of the bill provides that the increased rates will be effective as of July 1, 2023.

Section 4, on page 4 of the bill provides that the measure will be effective upon approval and take effect on January 1, 2024.

To avoid ambiguity between the effective dates provided in section 2 and section 4 of the bill, the Department recommends replacing the date "July 1, 2023," on page 3, line 16, with the date "January 1, 2024."

The Department notes that it will be able to implement the increased tax rates with an effective date of January 1, 2024.

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



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

**Testimony COMMENTING on HB1084
RELATING TO LIQUOR**

REP. MARK M. NAKASHIMA, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Hearing Date: February 9, 2023

Room Number: 415

1 **Fiscal Implications:** Approximately \$17,000,000 in estimated new revenue.

2 **Department Testimony:** The Department of Health (DOH) supports this measure.

3 This measure seeks to amend Section 244-D(a), Hawaii Revised Statutes, by increasing the per
4 wine gallon tax on alcohol products.

5 The increase in the per wine tax on alcohol is estimated to generate approximately \$17 million
6 annually and will support an additional 3,000 individuals to receive substance abuse treatment
7 and greatly enhance and expand primary prevention efforts statewide.

8 The Centers for Disease Control and Prevention shows that Hawaii for 2015-2019 has an annual
9 average of over 500 alcohol attributable deaths due to excessive alcohol consumption per year.
10 Approximately 60% of these deaths are caused by chronic conditions. Results from the National
11 Survey on Drug Use and Health shows that over 61,000 Hawaii individuals, aged 18 and older,
12 needed but did not receive treatment for alcohol use disorder.

13 Excessive drinking can lead to a range of unintended health and social consequences such as such
14 as injuries from motor vehicle accidents, alcohol poisoning, violent behaviour, suicide, sexual
15 assault, HIV infection, unplanned pregnancy, and fetal alcohol disorders.

1 Increasing the price of alcohol to discourage consumption and appropriating the additional
2 revenue into substance abuse and mental health prevention and treatment services will diminish
3 alcohol-related health and social impacts.

4 The department supports amendments from the Department of Taxation for an effective date of
5 January 1, 2024.

6 Thank you for the opportunity to testify.

7 **Offered Amendments: None**



**HAWAI'I ALCOHOL POLICY
ALLIANCE**

Date: February 8, 2023

To: The Honorable Representative Mark Nakashima, Chair
The Honorable Representative Jackson Sayama, Vice Chair
Members of the House Committee on Consumer Protection & Commerce

Re: Strong Support of HB1084, Relating to Liquor

Hrg: Thursday, February 9, 2023 at 2:00pm, House Conference Room 329

Position: Support

The Alcohol Policy Alliance, which is fiscally managed by the Hawai'i Public Health Institute, would like to provide testimony in **SUPPORT of HB1084**, which would establish a state excise tax increase on alcohol. Alcohol harms costs our state nearly \$1 billion dollars in expenses every year, and a tax increase would help alcohol begin to offset these harms and generate an estimated \$58,000,000 in additional revenue for the State.

We support increasing the alcohol tax for the following reasons:

1. ***New findings from the University of Hawai'i Alcohol Tax Policy Study show significant public health and economic benefits to raising the price of alcohol***
This new study, specific to Hawai'i, shows how an alcohol tax increase would significantly reduce alcohol-related harms across our state. Some of the specific reduction in alcohol-related harms include underage drinking, fewer traffic crashes and DUIs, fewer ER visits and first responder calls-for-service, fewer violent crimes, including sexual assault, intimate partner violence and forcible rapes, and reductions in consumption rates for both youth and adults. **An increase in the liquor excise tax by 10 cents per drink, i.e. the equivalent of what is proposed in this measure, would result in a decrease in the following: 570 less ER visits per year, 4,675 less co-occurring alcohol & mental health disorders per year, 351 less DUI arrests per year.ⁱ** These consequences can be reduced with this proposed measure.
2. ***Increasing alcohol taxes is supported by science and backed by strong research evidence as one of the most effective strategies to reduce alcohol-related harms in society.***

The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive alcohol use in communities. Reductions in underage drinking would lead to less alcohol-related violence and harms in our state.ⁱⁱ The proposed tax increase creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying about \$27 more per year with this increased tax, non-excessive drinkers would be paying about \$5 more per year, while those who do not purchase alcohol pay nothing.ⁱⁱⁱ

3. *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.^{iv} The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.^v

4. *Excessive alcohol consumption costs money and lives to our community*
Alcohol does not pay for itself. 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.^{vi} 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), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

The proposed tax increase will bring additional funding to the state and significantly reduce alcohol-related harms and deaths. This tax increase will only affect those who purchase alcohol. It has been 23 years since our state last raised the tax on alcohol. This measure would greatly benefit the people of Hawai‘i and improve the health of all.

We are in strong support of this measure and respectfully ask you to **PASS HB1084**.

Please feel free to contact me if you have any questions.

Mahalo for the opportunity to submit testimony. .

A handwritten signature in black ink, appearing to read "Rick Collins" with "CPS" written below it.

Rick Collins
Director, Hawai‘i Alcohol Policy Alliance
rick@hiphi.org

ⁱ The Potential Economic and Social Effects of an Alcohol Tax Increase in Hawai‘i, (February 10, 2022) University of Hawai‘i, Retrieved February 8, 2023 from <https://www.hawaii.edu/aging/phac/wp-content/uploads/2022/03/Hawaii-Alcohol-Tax-Policy-Study-v1.2.pdf>

ⁱⁱ Guide to Community Preventive Services. Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms. <https://www.thecommunityguide.org/news/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms.html> Page last updated October 17, 2022.

ⁱⁱⁱ Consumer Costs and Job Impacts from State Alcohol Tax Increases interactive web tool, Center on Alcohol Marketing and Youth, Boston University. https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxTool

^{iv} 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>

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

^{vi} 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>



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Andy Huang, Vice Chairman-L&L Hawaiian BBQ

Tambara Garrick, Secretary – Hawaii Farm Project

Kahili Soon, Treasurer – Hukilau Marketplace

Greg Maples, Past Chair – Polynesian Cultural Center

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Date: February 7, 2023

To: Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair
Committee on consumer Protection @ Commerce

From: Victor Lim, Legislative Lead

Subject: HB1084 Relating to Liquor Tax

The Hawaii Restaurant Association representing 4,000 eating and drinking place locations here in Hawaii strongly opposes HB1084 that increases the per wine gallon tax on alcoholic beverages.

Even though we are now out of the Covid-19, businesses continue to struggle in this high interest rate and high inflationary climate. Our consumers also face higher costs for everything they buy including utilizes, gasoline, and so on

Our State coffers may be flushed with cash but our general citizenship is facing diminishing buying power. The high tax increases as proposed by this bill will further drive up the inflation index in these difficult times.

Thank you for giving us this opportunity to share our point of view on this.





**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 9, 2023
Re: HB 1084 Relating to Liquor**

Good afternoon Chair Nakashima 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 1084 Relating to Liquor. This measure increases the per wine gallon tax on alcoholic beverages

Hawaii already has high taxes that in turn increases the costs of products and makes Hawaii a very expensive place to live. **Hawaii is already the 2nd highest taxed state just under California.**

If this measure is to deter people from drinking by making the wine very expensive to purchase, we may see more people not purchasing a drink as frequently when they go out to a meal. Or more likely 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.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Tax Increase

BILL NUMBER: HB 1084, SB 1382 [HTH-17]

INTRODUCED BY: HB by SAIKI; SB by KOUCHI (Governor's Package)

EXECUTIVE SUMMARY: Increases the per wine gallon tax on alcoholic beverages.

SYNOPSIS: Amends section 244D-4, HRS, to increase the liquor tax rates as follows:

Type of Alcoholic Beverage	Current Tax Per Wine Gallon	Proposed Tax Per Wine Gallon
Distilled Spirits	\$ 5.98	\$ 7.95
Sparkling Wine	2.12	2.82
Still Wine	1.38	1.84
Cooler Beverages	0.85	1.13
Beer (Not Draft)	0.93	1.24
Draft Beer	0.54	0.72

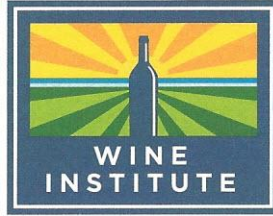
EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Health and designated HTH-17 (23). The preamble of the bill sets forth various social costs of alcohol-related diseases and injuries and concludes that “increasing the price of alcohol products to discourage alcohol consumption and appropriating the additional revenue into more substance abuse and mental health prevention and treatment services, will substantively diminish alcohol-related health and social impacts.”

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.

We understand that restaurants and bars were affected very strongly by the COVID-19 pandemic, as was reported in media such as Hawaii News Now. <https://www.hawaii-newsnow.com/2021/10/10/oahu-bars-restaurants-hope-new-guidelines-alcohol-curfew-large-events-boost-revenue/> Caution should be exercised before enacting yet another hurdle to business.

Digested: 2/7/2023



Sally H. Jefferson,
Director, Western States

THE HOUSE OF REPRESENTATIVES
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2023

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
February 9, 2023

Testimony in Opposition to HB 1084

Chair Nakashima, Vice Chair Sayama and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 1084 RELATING TO LIQUOR. Wine Institute, a public policy association representing more than 1,000 California wineries of all sizes, submits the following comments in opposition to HB 1084.

This legislation would result in the cost of wine sold in Hawaii being the highest overall in the nation. The proposed language would impose a 33% increase in the state's current gallonage tax on wine, beer and spirits. Hawaii's current gallonage tax on wine is already high, with it being the 11st highest in the nation. However, this legislation would result in the state moving to the 3rd highest wine gallonage tax rate in the country, at \$1.84/ gallon. It also would result in the tax rate for sparkling wine jumping up to \$2.82/gallon, which would make it the 2nd highest gallonage tax rate for that wine segment nationwide. This proposed tax to increase government revenues not only unfairly burdens responsible Hawaii wine consumers but the hospitality industry which is already in distress.

Our Hawaii partners in the restaurant and bar industry continue to deal with major challenges -- inflation driving up costs for food and ingredients, high energy costs, supply chain issues, employee shortages while still recovering from a two-year pandemic, in which the hospitality sector was hit hard especially with thousands of jobs losses and closures of restaurants and bars.

Wineries have also been hard hit by the loss of sales both in their own tasting rooms and to their on-premises licensees. While direct-to-consumer shipments increased over the last 2 years

during the pandemic, it has not come close to compensating for the loss of wine sales suffered by restaurants and bars. Wineries are still recovering from the pandemic-related restrictions and closures, unprecedented wildfires, trade tariffs, inflationary pressures and supply chain issues that are impacting packaging materials and driving up transportation costs.

Given all these challenges, none of the tiers – wineries, distributors or retailers/restaurants - are in the position to absorb any additional costs, so any increase alcohol beverage taxes will be passed onto Hawaii consumers who have already suffered in 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 taxes imposed on wine. Hawaii's current gallonage tax on wine of \$1.38, is already high, almost double the US median of \$0.73. Hawaii wine consumers also pay one of the highest prices for wine in the United States, given the compounding nature of Hawaii's general excise tax and the significantly 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 cost of housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming wine.

- Alcohol gallonage taxes are far reaching because, similar to the GET, 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 appreciate the opportunity to share our serious concerns with HB 1084 and respectfully urge that it be held in committee.

CRAFT *Ohana*

February 7, 2023

House Committee on Consumer Protection & Commerce
HB1084 Relating to Liquor
Thursday, February 9th, 2023 at 2pm, Conference Room 329

Re: **IN STRONG OPPOSITION OF HB1084**

Aloha Chair Representative Nakashima, Vice Chair Representative Sayama, 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 the Hawaii, 23 other States, and 4 countries. We began in 2005 with 26 team members and have added more than 400 team members across Hawaii. 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 strong opposition of **HB1084** which will increase the taxes on beverage alcohol purchases. Hawai'i has the second highest tax rate in the country and is nearly FIVE times the median for the USA, .93/gallon versus .20/gallon. This surcharge would also catapult us from number 3 at \$.93/gallon to number 2 at \$1.24/gallon. On a case of beer that translates to \$2.09 currently and 2.79/gallon if this were to be enacted. Without an exclusion for small (or local producers) this is a very bad idea. With one this could be interesting, see my case about Alaska below.

Quick math shows that a 6 pack of beer would increase by about 50 cents and a pint by about 21 cents. While that doesn't sound like a lot of money we need to admit that this change WILL NOT dissuade heavy drinkers from drinking. The data is very clear that raising tax DOES NOT keep drinkers from drinking. "Excessive drinkers" will continue to buy cheap, foreign and mainland produced alcohol. We need to be focused on the mental and economic health of our people in order to make real change in these behaviors. This bill is solely about raising money for the State from the segment of businesses that have been decimated by the pandemic.

There is no clear and decisive data that proves 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 later will 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 a member of the Hawaiian Craft Brewers Guild. Our brewery along with all 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 rebuild 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). Bottom line this will cost local jobs and hurt local business, and lead to huge increases in costs on items local families choose to buy regularly.

MAUI
HARD SELTZER

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BEER

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BREWING CO

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COFFEE

KUPU
— SPIRITS —

CRAFT *Ohana*

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 local beer and other locally produced beverages.

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;
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.

The proposed tax increase 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, this is not the case here.

Thank you for the opportunity to offer these comments in opposition to **HB1084**, 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 recover. Mahalo for considering our testimony opposed to **HB1084**.

Sincerely,



Garrett W. Marrero
CEO/Founder

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**HAWAII LIQUOR WHOLESALERS ASSOCIATION
FIVE WATERFRONT PLAZA
500 ALA MOANA BLVD STE 400
HONOLULU, Hawaii 96813**

February 8, 2023

House Committee on
Consumer Protection & Commerce
Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: H.B. 1084 Relating to Liquor

Dear Chair Nakashima, Vice Chair Sayama, and Committee Members:

The Hawaii Liquor Wholesalers Association (“HLWA”) respectfully submits the following written testimony in opposition to HB 1084 relating to the liquor tax increase, which is scheduled for hearing by your Committee on February 9, 2023. Section 2 of the bill would increase the taxes payable on distilled spirits, sparkling wine, still wine, cooler beverages and beer by as much as 33.3%. While we understand that the State government has focused on the health issues and medical costs, HLWA believes that Section 2 of the bill is inappropriate and unworkable for several reasons.

First, Hawaii’s tax rates on liquor already are among the highest in the country. Hawaii’s businesses and residents already are burdened by high costs of living and doing business. The bill acknowledges that the general public do not cause the high medical costs. Further increasing taxes would only hurt the general public and would result in adverse effect on sales, business revenue and employment.

Second, particularly in a recessionary economy, consumption of alcoholic beverages is likely to be highly elastic or sensitive to changes in prices. Thus, increasing the taxes on liquor will result in decreases in consumption that offset any projected increases in tax revenue and not offset any resulting job losses.

Third, a significant portion of alcoholic beverages are consumed by visitors. While businesses in the tourist industry were forced to lower rates to attract visitors during this economic recession, adding an increase in the liquor tax would only make the cost of a vacation even more expensive, and is counter-productive to attempts to stimulate the State’s number one economic driver.

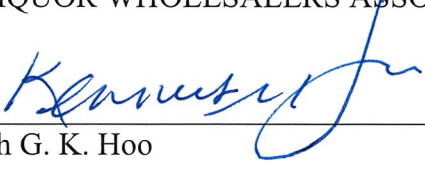
House Committee on
Consumer Protection & Commerce
February 8, 2023
Page 2 of 2

For the foregoing reasons, we respectively oppose Section 2 of the bill. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

By: _____


Kenneth G. K. Hoo
Its Secretary

HB-1084

Submitted on: 2/7/2023 12:48:59 PM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Steve Haumschild	Lanikai brewing Company	Oppose	Written Testimony Only

Comments:

RE: HB1084

Position: **OPPOSE**

Chair Nakashima, Vice Chair Sayama, and members of committee,

I am Steve Haumschild, CEO and founder of Lanikai Brewing Company located in Kailua Hawaii. We are an independent craft brewery producing 100% of our beer in Hawaii. In addition, we also operate a Distillery (Lanikai Spirits) as well as operate or are building multiple restaurants throughout 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.

Alcohol production in Hawaii is taxed at some of the highest rates in the nation. Its part of the reason why our industry is crippled and there is little growth within it compared to other states. There is no concrete data that points to the notion that increases in taxes on producers will curb risks associated with alcohol abuse. Alcohol imported from the mainland and beyond can be produced at a fraction of creating Hawaii products and this bill will discourage local production due to increasing costs and favor importing less expensive, not made in Hawaii products. In addition, should this bill pass, what it will more likely do is REDUCE JOBS and opportunities for industry growth.

Please consider our testimony to OPPOSE this bill.

HB-1084

Submitted on: 2/8/2023 10:53:45 AM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Geoffrey Seideman	Honolulu BeerWorks	Oppose	Written Testimony Only

Comments:

OPPOSE



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

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BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

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Rep. Jackson D. Sayama, Vice Chair

Rep. Terez Amato
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Rep. Richard H.K.
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Burdick
Rep. Cedric Asuega
Gates

Rep. Adrian K. Tam
Rep. Elijah Pierick

NOTICE OF HEARING

DATE: Thursday, February 9, 2023
TIME: 2:00 PM
PLACE: VIA VIDEOCONFERENCE
Conference Room 329
State Capitol
415 South Beretania Street

STRONGLY OPPOSE HB 1084

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 and other local manufacturers of wine and liquor in Hawaii embrace the responsible consumption of alcohol.

This proposed tax increase 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 rate increase 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 brands and less expensive alcohol. Craft beverages produced locally tend to be more expensive compared to imported, 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 2 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 and imported products. 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.

Some pertinent information below regarding the intentions of this bill:

1. Excessive consumption of liquor is not reduced by increased tax rates. 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. Now is not the time to impose taxes on businesses struggling to survive. 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 2 years, will create hardship for this small business sector.
3. 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.
4. 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.

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

President / Brewmaster
Big Island Brewhaus



February 8, 2023

Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair
Members of the House Committee on Consumer Protection
& Commerce

RE: **HB 1084 – Relating to Liquor**
Hearing date: February 9, 2023 at 2:00 PM

Aloha Chair Nakashima, Vice Chair Sayama and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of Anheuser-Busch in **OPPOSITION** to HB 1084 – Relating to Liquor. Anheuser-Busch is one of America's best-loved breweries and has been one of the most popular brands for beer and other beverages in Hawaii for decades.

HB 1084 would increase the tax on alcoholic beverages including an increase from \$0.54 to \$0.72 per wine gallon on draft beer and \$0.93 to \$1.24 per wine gallon on other types of beer.

Hawaii is already one of the most heavily taxed states for alcoholic beverages. Higher taxes are always passed along to consumers in the form of higher prices. HB 1084 would increase the tax on beer and other beverages by more than 33%. Higher prices lead to reduced sales and lost employment. The cost to Hawaii bars, restaurants, and package stores are projected to see a decline in sales of millions of dollars and will likely result in hundreds of lost jobs across industries.

It's only been a few years since the pandemic caused restaurants to shut down completely, but those impacts are still being felt – now is not the time to impose higher taxes or fees when many restaurants and bars are still struggling to recover.

More importantly, increased taxes will not have the desired effect of discouraging excessive alcohol consumption. Most studies indicate that alcohol beverage taxes do not act as a deterrent to abusive drinking. Some of the studies include:

- A 2011 study funded by the National Institute for Alcohol and Alcohol Abuse (“Does the response to alcohol taxes differ across racial/ethnic groups? Some evidence from 1984-2009 Behavioral Risk Factor Surveillance System,” *Journal of Mental Health Policy Economics*, April, 2011) reviewed 26 years of detailed data and noted that “[t]ax policies aimed to reduce alcohol-related health and social problems should consider whether they target the most harmful drinking behaviors ... Tax increases also appear to be less effective among the heaviest consumers who are associated with the highest risk.”
- A more recent European study (“Alcohol quantity and quality price elasticities: quantile regression estimates,” *The European Journal of Health Economics*, October 2018) showed

that the heaviest 5 percent of drinkers were the least responsive to price increases. The authors conclude: *“These are important findings – the quantity results show that price-based measures will have little effect in reducing heavy consumption because of their small price elasticities, whilst simultaneously having a large negative effect on consumer surplus for the light drinking majority ...”*

- The National Institute on Alcohol Abuse and Alcoholism (NIAAA), the government’s lead agency on alcohol issues, reported in its January 2001 issue of Alcohol Alert that research suggests the heaviest-drinking 5 percent of drinkers do not reduce their consumption significantly in response to price increases, unlike drinkers who consume alcohol at lower levels.
- Consistent with the NIAAA findings was a 2009 meta-analysis, “Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies,” published in *Addiction*. The study found that heavy drinkers are far less responsive to price increases than the total population of drinkers. And, it is important to note that “heavy” is often defined in alcohol studies as anyone having more than two drinks per day – not necessarily someone who has an alcohol use disorder. If drinkers who consumed five or more drinks per day were isolated these populations would be even *less* responsive to higher prices.
- Another 2009 study published by the National Bureau of Economic Research and conducted by researchers at the Yale School of Public Health showed that heavy drinkers were not at all responsive to higher prices. Thus, the study concluded that higher alcohol taxes could not be justified based upon a public health or economic justification.

Increasing taxes on alcoholic beverages does not serve as a deterrent to excessive alcohol use and instead only serves to penalize responsible consumers. As inflation continues to rise, the legislature should consider the impact on local residents, workers, and business owners, especially when the bill will not have the desired effect. For these reasons I urge the committee to defer HB 1084. Mahalo for your consideration.

Sincerely,

Curtis Raulinaitis
Region Vice President
State Government Affairs
curtis.raulinaitis@anheuser-busch

HB-1084

Submitted on: 2/8/2023 1:54:12 PM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert Dawson	Manulele Distillers, LLC	Oppose	Written Testimony Only

Comments:

As a farm to bottle craft distillery, we employ 30 people. 13 of our staff are full time farmers. We started over 10 years ago with only two people and hope to grow into hundreds of acres of sugar cane farms employing more farm and production staff each year. This is not possible with the increased tax burden this bill proposes. This bill puts a terrible burden on a small business people and should not be allowed to hurt local producers like us. Please do not move forward with this bill.

HB-1084

Submitted on: 2/8/2023 9:44:47 PM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Justin Guerber	Kauai Beer Company	Oppose	Written Testimony Only

Comments:

We oppose HB1084, which would Increase the wine gallon tax. We believe local manufacturers already have challenges enough, and an increase in the cost of doing business would ultimately hurt more than it helps. Increasing the wine tax would drive up local product prices, and serves only to provide incentives for consumers to buy cheaper, imported products.

HB-1084

Submitted on: 2/8/2023 2:36:49 PM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sam DeWitt	Brewers Association	Oppose	Written Testimony Only

Comments:

Thank you for accepting our testimony, Mr. Chair and members of the committee. My name is Sam DeWitt, State Government Affairs Manager for the Brewers Association, a 501(c)6 National Trade Association dedicated to promoting and protecting the interests of America's small and independent craft brewers.

The Brewers Association strongly opposes propositions to raise excise taxes on small and independent brewers. Such proposals often cite either public policy or revenue needs as reasons for targeting beer manufacturers. The Brewers Association believes that raising taxes for these reasons is ineffective and ill-targeted.

Excise tax increases fail to influence problem drinking as is often claimed by proponents. Problem drinkers are not sufficiently price sensitive for taxes to change behavior, while moderate drinkers may be influenced by increased prices. As policy makers consider public policy and behavior modification reasons for excise tax increases, they should look closely at the relative price of liquors, wines, and beers, noting that liquor has both increased market share and decreased relative price in the most recent decades.

Additionally, excise taxes, as with all consumption taxes, are naturally regressive. "Sin" taxes have an elevated regressive effect, with the heaviest effect found in the bottom fourth of the population by income.

Finally, it should always be top of mind for policy makers that excise taxes are in addition to all regularly required business taxes. The small, independent, local brewer pays corporate, payroll, real property, and every other required tax. Increased tax costs can reduce brewers' ability to make capital expenditures, hire and retain employees, and plan for growth. The Brewers Association strongly opposes excise tax increases on small brewers.

HB-1084

Submitted on: 2/8/2023 2:51:28 PM

Testimony for CPC on 2/9/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Rachel Zenner	Molson Coors	Oppose	Written Testimony Only

Comments:



Chamber of Commerce HAWAII

The Voice of Business

Testimony to the House Committee on Consumer Protection & Commerce Thursday, February 9, 2023, at 2:00 P.M. Conference Room 329 & Videoconference

RE: HB 1084 Relating to Liquor

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **Opposes HB1084**, Increases the per wine gallon tax on alcoholic beverages.

An increase in taxes on alcohol would impose an economic burden on local businesses, who are already feeling the effects of the current economic climate. By raising taxes on alcohol, businesses would be forced to pass on the costs to consumers, resulting in a decrease in consumer spending. This would be especially damaging to small, locally owned businesses, which make up a large portion of our business community.

In addition, higher taxes would also make it more difficult for businesses to remain competitive in the market. With higher costs, businesses would be forced to find ways to cut those additional costs, resulting in fewer jobs and fewer opportunities for economic growth.

For these reasons, we urge the committee to reconsider any proposed tax increase on businesses. Such an increase would be detrimental to our local business community and the local economy in general.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Thank you for the opportunity to testify.



February 9, 2023

Hawaii State Legislature
House Committee on Consumer Protection and Commerce
Hon. Mark Nakashima, Chair
State Capitol Building, Room 432
415 S Beretania St.
Honolulu, HI 96813

RE: **Oppose House Bill 1084** – A tax increase on Hawaii consumers

Dear Chair Nakashima,

The American Distilled Spirits Alliance (ADSA) is a group of industry leaders in manufacturing, importing, and marketing of distilled spirits in the United States and around the world. We represent hundreds of spirits brands and over 70% of all distilled spirits sales in the US.

At a time when the Hawaii hospitality and tourism industry (including sales and consumption of alcoholic beverages) is just recovering from the pandemic, lawmakers should be looking for every opportunity to support, not penalize, this sector. Instead, HI HB 1084, will burden your constituents with higher beverage alcohol taxes coming out of the pandemic and, quite possibly, just as we may be heading into an economic downturn.

This legislation will not curb consumption. What it will do is increase revenue to the state on the backs of hard-working Hawaiians via a higher retail price - \$17 million new revenue to the General Fund , per the legislature's own fiscal note. While the distilled spirits industry fully supports evidence-based solutions to combat alcohol abuse, the science simply does not show that higher taxes achieve this goal.

Multiple studies over the last several years repeatedly show that those who abuse alcohol do not curb their consumption in response to higher prices. This proposed tax increase will only serve to penalize responsible alcohol consumers. The proposal is also blatantly regressive among household income ranges.

Proponents of HB 1084 make a linear correlation between higher prices and lower consumption. The evidence is not that clear. For example:

- In a January 2001 *Alcohol Alert*, the National Institute on Alcohol Abuse and Alcoholism (NIAAA), the leading US federal agency on alcohol-related issues, stated in its research that 'the heaviest-drinking five-percent of drinkers do not reduce their consumption significantly in response to price increases, unlike drinkers who consume alcohol at lower levels.'



Page Two

Oppose House Bill 1084

- A 2011 study funded by the NIAAA and researched by the Journal of Mental Health Policy, their findings stated 'Tax policies aimed to reduce alcohol-related health and social problems should consider whether they target the most harmful drinking behaviors'. Further, that 'Tax increases also appear to be less effective among the heaviest consumers who are associated with the highest risk.'
- A 2009 study by the Yale School of Public Health and jointly published with the National Bureau of Economic Research, *Sin Taxes: Do Heterogeneous Responses Undercut Their Value*, showed that 'heavy drinkers were not at all responsive to higher prices.' The study further concluded that '...higher alcohol taxes could not be justified based upon a public health or economic justification.'

This is just a sampling of the universe of research from around the world that contradicts the assumption that higher prices/taxes of beverage alcohol results in lower consumption of that same beverage alcohol.

General increases in corporate, personal, property and sales taxes are meant to keep pace with normalized inflation and other cost drivers. A 33% tax increase as envisioned in HB 1804 is extreme, even by today's elevated inflation rate. Such a tax increase would eventually find its way into the retail prices of alcohol paid for by your constituents.

Oppose HI HB 1084. Saddling Hawaii businesses, employees, citizens and responsible alcohol consumers with excessive tax increases is not an effective solution to this otherwise well-intended and important legislation addressing a host of short- and long-term health risks. Thank you for the consideration.

Sincerely,

Thomas Perrick
Director of State Affairs
American Distilled Spirits Alliance
tom@americandistilledspirits.org