Hawai'i Primary Care Association
345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
www.hawaiipca.net

House Committee on Health
The Hon. Ryan I. Yamane, Chair
The Hon. Scott Y. Nishimoto, Vice Chair

Testimony in Support of House Bill 2153

Relating to Taxation

Submitted by Beth Giesting, Chief Executive Officer

January 29, 2010 9:30 a.m. Agenda, Room 329

The Hawai'i Primary Care Association supports this measure, which would impose a tax on soft drinks. As noted in the bill's preamble, consumption of such drinks has contributed to poor oral health, obesity, and related diseases. Creating a new tax on soft drinks may result in decreased soft drink consumption and will certainly result in increased revenues, which are both good.

While the economic situation we find ourselves in now may dictate the need to assign soft drink tax revenues to the general fund, we recommend that the bill be altered to re-direct some or all of the proceeds to health-related interests including but not limited to the community health center special fund, health and nutrition promotion programs, and oral health improvement needs by 2013.

Thank you for this opportunity to testify in support of this measure.

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

January 27, 2010

Rep. Ryan I Yamane, Chair
Committee on Health
House of Representatives
Honolulu, Hawaii 96813

Dear Chair Yamane,

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

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

House of Representative
Committee on Health
Hearing on Jan 29. 2010
9:30 a.m.
Conference Room 329.

Fx: 586-8519

HAWAII
FOOD
INDUSTRY
ASSN.

TO: COMMITTEE ON HEALTH, Chair Ryan Yamane, Vice Chair Scott Nishimoto

FROM: Hawaii Food Industry Association; Dick Botti and Lauren Zirbel

RE: HB 215~~1~~3 RELATING TO TAXATION

Friaday, January 29 2010, 9:30 AM, CR 320

Thank you Chair Yamane, Vice Chair Nishimoto and committee members for the opportunity to testify.

HFIA strongly opposes this bill.

The legislature must stop taxing groceries. It is the most unfair and regressive way to fill the budget deficit.

The beverage industry is already doing more than its fair share to raise money for the State of Hawaii. The bottle bill has cost the industry a significant amount of profit percentage in surcharges and reduced sales. Please don't pass on the tab for the budget deficit to the food and beverage industry.

There is no empirical evidence supporting the argument that a soda tax will reduce consumers' collective calorie intake.

Although our consumption of soda has increased, soda still only represents 7 percent of our collective energy intake.

In an article recently published by STATS.org, Trever Butterworth stated that while public health experts argue that a tax on sugared soda could help curb obesity, economists are unconvinced. He went on to explain that there is no evidence of a linear relationship between soda and obesity.

Butterworth asks, "How much of a tax increase would lead to a meaningful reduction in consumption – and would that, in turn, lead to meaningful changes in diet and weight?" In the 33 states that have implemented soda taxes, including the five most obese states, little change has been detected.

An article published in Contemporary Economic Policy entitled "Can Soft Drink Taxes Reduce Population weight" examined how changes in states taxation rates from 1990 to 2006 have affected body mass index

(BMI). "They found that a one percentage point increase in the tax rate was associated with a statistically significant decrease of 0.003 points in BMI. (To put this into context, the National Institutes for Health defines a person as having a normal weight if their BMI is between 18.5 and 24.9, and obese if their BMI is 30.0). As the researchers note, even a large tax increase of 20 percentage points might not have a substantial effect on population weight."

Food preference isn't an actuate healthy weight detector. A holistic look at calorie intake is a more appropriate way to determine an individual's propensity to achieve a health weight.

This is an attempt to raise funds, not create a healthier population.

The bills definition of "soft drink" is extremely broad, including juice and all non-alcoholic beverages. It states that fruit drinks containing seventy per cent or more natural fruit juice are exempt. What if a drink is 50% fruit juice and 50% water or tea? Is that still considered unhealthy under the yet to be determined random assignment of an acceptable per cent of sugar?

Lost sales will damage local businesses that employe over 500 workers across the state, pay tens of millions of dollars in wages and benefits, and generates of $100 million annually in state and federal taxes.

Thank you for the opportunity to provide this testimony.

Representative Ryan Yamane, Chair
Representative Scott Nishimoto, Vice Chair
Committee on Health

HEARING Friday, January 29, 2010
9:30 am
Conference Room 329
State Capitol, Honolulu, Hawaii 96813

RE: HB2153, Relating to Taxation

Chair Yamane, Vice Chair Nishimoto, 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 support 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, 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

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

AMERICAN BEVERAGE ASSOCIATION

Representative Ryan Yamane, Chair
House Committee on Health

January 29, 2010 - 9:30 AM
Hawaii State Capitol, Conference Room 329

RE: HB 2153 – Relating to Taxation

Chair Yamane, Vice Chair Nishimoto, 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

Hawaiian Sun Products, Inc.

January 28, 2010

To: House Committee on Health
Rep. Ryan I. Yamane, Chair
Rep. Scott Y. Nishimoto, Vice Chair

From: Hawaiian Sun Products, Inc.
Kent Kurihara

Hawaiian Sun Products, Inc. strongly opposes the proposed bill to tax sugary drinks. If the bill's primary focus is to improve the health of our State, then dietary health education is the responsible means of reaching that goal. Our community's lifestyle needs to be altered, by its own will, not by economic force and punishment. This bill and the employment of a tax is discriminatory, deceiving, and a poorly veiled attempt at generating a source of revenue for the State at the expense of Hawaii's fragile manufacturing community.

HB 2153's discriminatory nature is clearly evident by its singular focus on soft drinks, even though no claim can be made that soft drinks are the singular source of obesity, diabetes, and other related health problems. This is akin to the assessment of fees attached to the sales of beverage containers in Hawaii. Beverage containers are not the singular source of trash, but are singled out for "taxation" to combat our trash problems and force the public into the ***lifestyle*** of recycling. As it stands, the bill appears to be just another source of revenue, focused on punishing the consumer and stymieing the national brands and their seemingly deep pockets. But these taxes negatively affect us all, especially in the small beverage manufacturing community of Hawaii.

This bill should be focused on education, not taxation. Our family and community members buy what they want to eat/drink. They tell us (the manufacturers) what they want us to produce. They tell us how they want it to taste and what they want it to be comprised of. Our job, as manufacturers, is to bring these specific items to market. Consumers should be able to choose what they eat without the burden of taxation, or their government trying to make their dietary decisions for them. Currently, with the cooperation of the Food and Drug Administration, we provide as much dietary information as possible on all of our food containers. The consumers have more than enough information at their disposal to make their own dietary choices. When their

Processor & Distributor of Tropical Fruit Juices & Macadamia Nut Candies
259 SAND ISLAND ACCESS ROAD * HONOLULU, HI 96819-2227 * PHONE: (808) 845-3211 * FAX: (808) 842-0532

Hawaiian Sun Products, Inc.

lifestyle changes, their demands from the manufacturer's will change. Until then, it's not the business of the government to try to alter their lifestyle, through taxation.

People with existing health conditions, like diabetes, understand the type of lifestyle required to manage and prevent their disease from negatively affecting their lives. They do not need or deserve to be taxed. The others at risk in our community need to be educated and convinced, not taxed, to lead a healthier ***lifestyle***.

Please address education as the source of our community's health problems, and not punish our community, the manufacturers, and the businesses that provide the products that the public asks for.

Processor & Distributor of Tropical Fruit Juices & Macadamia Nut Candies
259 SAND ISLAND ACCESS ROAD * HONOLULU, HI 96819-2227 * PHONE: (808) 845-3211 * FAX: (808) 842-0532