HB840, HD1

Measure Title:	RELATING TO LIQUOR.
Report Title:	Liquor; Discounts
Description:	Increases liquor tax rates. Reduces the liquor tax rate on the first sixty thousand barrels produced in a small brewery or brewpub. Makes it lawful to provide a discount for liquor purchases through coupons or mail-in rebates when made in combination with other merchandise. Effective July 1, 2011. (HB840 HD1).
Companion:	
Package:	None
Current Referral:	CPN, WAM

TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SIXTH LEGISLATURE, 2011

ON THE FOLLOWING MEASURE:
H.B. NO. 840, H.D. 1, RELATING TO LIQUOR.

BEFORE THE:

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

DATE: Tuesday, March 15, 2011 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): David M. Louie, Attorney General, or
Kristie Cruz Chang, Deputy Attorney General

Chair Baker, and Members of the Committee:

The Department of the Attorney General notes that this bill may be challenged as violating the Commerce Clause of the United States Constitution.

This bill amends chapter 244D, Hawaii Revised Statutes, to add a provision that allows small breweries or brewpubs that produce beer in the State to pay a lower tax rate for the first sixty-thousand barrels of beer produced (page 3, lines 5-11).

"No State, consistent with the Commerce Clause, may 'impose a tax which discriminates against interstate commerce . . . by providing a direct commercial advantage to local business.'" Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 268 (1984), *citing* Boston Stock Exchange v. State Tax Comm'n, 429 U.S. 318, 329 (1977).

In Bacchus, the United States Supreme Court found that an exemption similar to the exemption proposed in this bill violated the Commerce Clause. At issue in Bacchus was the Hawaii liquor tax, which was originally enacted in 1939 to defray the costs of police and other governmental services. Because the Legislature sought to encourage development of the Hawaiian liquor industry, it enacted an exemption from the liquor tax for okolehao (a brandy distilled from the root of the ti plant, an indigenous shrub of Hawaii) and for certain fruit wine manufactured in Hawaii. The United States Supreme Court concluded that the exemption violated the Commerce Clause because the exemption had both the purpose and effect of discriminating in favor of local products.

The lower tax rate for beer produced in-state, as created by this bill, appears to have similar purpose and effect as the exemption that violated the Commerce Clause in Bacchus.

We recommend that this bill be held or amended to allow the lower tax rate to apply to beer produced in all states.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII

LORETTA J. FUDDY, A.C.S.W., M.P.H.
INTERIM DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. BOX 3378
HONOLULU, HI 96801-3378

In reply, please refer to:
File:

Senate Committee on Commerce and Consumer Protection

H.B. 840 HD1, RELATING TO LIQUOR

Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Interim Director of Health
March 15, 2011; 9:00 a.m.

Department's Position: The Department of Health (DOH) supports enactment of this measure with recommended amendments.

Fiscal Implications: DOH defers to the Department of Taxation on the estimated revenues to be generated by increasing the liquor tax, and to the Departments of the Attorney General and Business, Economic Development and Tourism on providing a different tax rate for small in-state breweries.

Purpose and Justification: As amended, this measure amends: Section 244D-4, Hawaii Revised Statutes (HRS), to increase the various liquor tax rates; adds a section to Chapter 244D, HRS, and amends Section 244D-1 and Section 244D-4, HRS, to provide a different tax rate for in-state breweries; and amends Section 281-85, HRS, to allow consumers to receive discounts, coupons and rebates on the combined purchase of alcoholic beverages and other grocery items.

The Department of Health efforts address citizens making healthy decisions. The consumption of alcoholic beverages is proven to be harmful to human health. Increasing the liquor tax will curb the consumption of alcohol and reduce incidences of alcohol-related morbidity and mortality.

Higher taxes on alcohol increase prices and reduce alcohol consumption, mortality and morbidity. Alcohol-related traffic crashes, violent crime and liver cirrhosis significantly decline with increased taxes. The five-year (2006-2010) average for ADAD-funded annual admissions with alcohol identified as the primary substance at admission is 1,046 adults (or 32% of total adult admissions) and 785 adolescents (or 36% of total adolescent admissions).

Underage drinking continues to be a major public health problem. Teens who start drinking before age 15 are four times more likely to develop alcohol dependence and 2.5 times more likely to develop an addiction than those who begin drinking after age 21. Several studies have shown that youth are especially sensitive to changes in prices. When prices rise there are greater reductions in consumption and alcohol-related problems among youth. Taxes that increase the price of alcoholic beverages could deter some youth from drinking, reducing current and future alcohol problems.

Addiction to alcohol contributes disproportionately to injury, illness and death:

- Alcohol promotes hypertension, liver cirrhosis, cancers of the liver, mouth, esophagus and larynx.
- The harm alcohol causes in the form of dysfunctional families, ruined careers and school failure is incalculable.
- Drinking during pregnancy is the single most preventable cause of birth defects. A woman's preconception alcohol use can be associated with poor behavioral risk factors and outcomes that include, but are not limited to, preconception smoking, domestic violence, and unintended pregnancies. Nearly 50% of pregnancies in Hawaii are unintended (13% unwanted pregnancies). Unintended pregnancies increase the risk of having an alcohol exposed pregnancy and giving birth to a child with Fetal Alcohol Spectrum Disorders.
- Approximately half of all violent offenses, including murder, rape and robbery are alcohol related.

- Excessive consumption of alcohol is known to be a dominating factor in one-fourth to one-half of marital violence cases and one-third of child molestation cases.
- Alcohol strains the resources of emergency rooms, police departments, and prisons and contributes to reduced workplace productivity and high rates of absenteeism and illness.
- Alcohol use escalates the cost of life and health insurance premiums for all citizens, drinkers and non-drinkers alike.

The liquor tax is a user tax -- the more you drink, the more you pay. Over 80% of Americans 18 years or over consume either no beer at all or, at most, three beers a week. The 6% of drinkers who purchase over 50% of the alcohol would pay the lion's share of the tax.

We support increasing the tax on alcoholic beverages, however, we respectfully recommend the deletion of Part III (page 6, line 17 through page 7, line 18) as discounts, coupons and rebates on the combined purchase of alcoholic beverages and other grocery items promotes alcohol consumption which is contrary to public health efforts.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TESTIMONY OF THE DEPARTMENT OF TAXATION
REGARDING HB 840 HD 1
RELATING TO LIQUOR

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)
COMMITTEE: CPN
DATE: MARCH 15, 2011
TIME: 9:00AM

POSITION: SUPPORT

This measure increases liquor tax rates but also reduces the liquor tax rate for small breweries or brewpubs that brew or produce beer in the State. This measure's liquor tax increase is similar to a provision in the Administration bill, HB 1062.

The Administration supports increasing these types of taxes in these times of financial distress, but recommends increasing the rate by 50% as contemplated in the Administration's bill and in this bill's HD1 version. Please find below an illustration of how the increase will impact "per serving" cost.

Per Wine Gallon On	July 98 - June 11	July 1, 2011	Difference	Per Ounce	Typical Serving Size (Ounce)	Amount
Distilled Spirits	$5.98	$8.97	$2.99	$0.0234	1	$0.0234
Sparkling Wine	$2.12	$3.18	$1.06	$0.0083	5	$0.0414
Still Wine	$1.38	$2.07	$0.69	$0.0054	5	$0.0270
Cooler Beverages	$0.85	$1.28	$0.43	$0.0034	8	$0.0269
Beer Other than Draft Beer	$0.93	$1.40	$0.47	$0.0037	12	$0.0441
Draft Beer	$0.54	$0.81	$0.27	$0.0021	16	$0.0338

The Department defers to DBEDT on the merits of providing a lower tax rate for small breweries and defers to the Attorney General on the constitutionality of providing a different tax rate for in-state breweries.

In its current form, this measure's liquor tax increase is anticipated to increase general fund revenues by $9.4 million per year beginning FY 2012. However, the lower rate for small breweries is anticipated to result in a revenue loss of $2.1 million per year. The net revenue gain anticipated from this bill is thus $7.3 million per year.

If the bill's liquor tax increase is returned to the Administration thresholds, the increase to the general fund would be $23.4 million per year (a net of $21.3 million factoring in the small breweries provision).

TLC
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March 15, 2011

Testimony To: Senate Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies

Subject: H.B. 840, HD 1 – RELATING TO LIQUOR

Chair Baker and Members of the Committee:

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

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

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

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

The Committee also needs to be reminded that what was originally proposed in this bill was a fifty (50) percent increase on liquor products and that would place us nationally at least thirty-three (33) percent higher than any other state based on the liquor excise tax alone. By our calculations the increases on beer proposed in this bill will result in $17 million less in retail sales, 144 direct employment jobs lost and 169 beer industry jobs, all for a gain of $13 million more in the excise tax. In short, the liquor industry is not the "cash cow" it once was. Sales were down before this recession even started and they have only plummeted further. Although we are sometimes grouped under the heading of a "sin tax", we would like to remind this Committee that what we manufacture and sell is a legal product and it is not a sin to sit in your living room, watch the football game and , consume a beer.

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

As it relates to Section 9 which provides coupons and discounts we are also opposed. Since discounts are typically used in order to encourage sales, it might seem odd that a manufacturer would oppose them however, we find that they may not be a proper fit for Hawaii.

Manufacturers are already allowed to offer instant redeemable coupons which allow a discount off the price purchased and the price paid by the consumer. These are non-discriminatory price promotions or price discounts and are generally offered to all and any retailer who offers the product for sale.

A majority of the states however prohibit some sort of form of manufacture coupons or rebate. This is because they can be discriminatory, you can give them to some retailers and not others, and they are often prone to fraud and abuse. We have received several anecdotal stories of instances on the mainland where manufacturers provide a handful of these discounts to a retailer, the retailer waits for a certain amount of time and then turns them into the manufacturer. In other words, the coupons were redeemable for cash without any actual savings ever being passed on to the consumer. These in effect, are inappropriate cash payments or inducements by manufacturers to retailers.

We would remind this Committee that the liquor industry is highly regulated because of problems that occurred many years ago. Since the time of establishing a proper three tiered distribution system, we believe that the greed, the graft and the crime that accompanied these products have largely gone out of the marketplace; at least if they exist they do so at no greater degree than other industry. We are concerned however that this bill would jeopardize that situation and for these reasons, we think that expanding alcohol beverage coupons should be prohibited and, therefore, we would urge you to reject this section.

Part II of this bill provides a discriminatory rate for in state producers. What is an in-state producer?

Since liquor taxes are already based on a per barrel produced as an excise tax, the more barrels one produces, the heavier the tax load and while we would agree that the tax load is substantial, it nevertheless is proportioned to the amount that you produce. We find that a lowering of the tax rate based on a lower total overall production is highly discriminatory. We would also refer the Committee to the Supreme Court's Bacchus Imports case which ruled that even though Hawaii was trying to encourage the production of locally produced products by assessing a favored tax rate, the court found that its purpose was improper.

Based on that we cannot recommend passage of this bill.

Thank you.

March 14, 2011

Via email: CPNTestimony@Capitol.hawaii.gov

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair
Committee on Commerce and Consumer Protection
The Senate
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: H.B. 840 HD1 Relating to Liquor

Dear Chair Baker, Vice Chair Taniguchi, and Committee Members:

The Hawaii Liquor Wholesalers Association ("HLWA") respectfully submits the following written testimony in opposition to H.B. No. 840 HD1 relating to the liquor tax increase, which is scheduled for hearing by your Committee on Tuesday, March 15, 2011. Part I of H.B. No. 840 would increase the taxes payable on distilled spirits, sparkling wine, still wine, cooler beverages and beer. While we understand that the State government faces substantial fiscal issues, HLWA believes that Part I of H.B. No. 840 HD1, which would increase liquor tax rates, 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. Further increasing taxes would result in cuts in employment and job losses.

Second, particularly in a depressed 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 in Hawaii even more expensive, and is counter-productive to attempts to stimulate the State's number one economic driver.

For the foregoing reasons, we respectively oppose H.B. No. 840 HD1. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

Warren K. Shon

244301.1

Monday, March 14, 2011

TO: COMMITTEE : CPN

Senator Rosalyn Baker, Chair

Senator Brian Taniguchi, Vice Chair

Senator Brickwood Galuteria

Senator Josh Green

Senator Clarence Nishihara

Senator Malama Solomon

Senator Sam Slom

RE: HB 840; HD1

As one who works in Hawaii's alcohol beverage industry, I am opposed to the couponing portion HB840 and ask that it be removed from the bill. Here is the reason it should be removed:

Background – The alcohol industry is heavily regulated at both federal and state levels because of what happened long ago. As a result, many laws are in place to prevent manufacturers and distributers from financially inducing retailers. In other words, it is illegal in our industry, at both the federal and state level, for manufacturers and distributers to provide any kind of financial inducements to the retailers.

Couponing in the alcohol industry gives manufacturers and distributers a loophole to providing financial inducements to retailers. In my experience in the consumer goods industry, there are many stories of abuse where the retailer collects unused coupons and redeems it to the manufacturer for cash.

In the alcohol industry, this is prone to a different kind of abuse. It becomes a tool that gives manufacturers and distributers the ability to provide financial inducements to select retailers. This is not only illegal but discriminatory as well. For example, a manufacturer would give coupons to a favored retailer. The retailer would hold on to the coupons and later redeem it to the manufacturer for cash. This is no different than a cash payment from manufacturer to retailer and is in violation of Federal and State laws governing the alcohol industry.

Sincerely

Pablito Pagdilao

Maui Branch Delivery Supervisor

Anheuser-Busch Sales of Hawaii

MAUI BREWING CO.

14 March 2011

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Re: HB 840, Support with Amendments

Aloha Ladies and Gentlemen of the Committee:

I apologize for not being present personally at the hearing. My growing small business requires my presence. As a strong supporter of this and similar measures, I will be present in as many hearings as I can. I realize that my testimony is lengthy however it is important to cover all the ramifications to our industry here.

I am in strong support of HB 840 but with some very necessary Amendments; including clarification on what beer qualifies, removal of the couponing/discounting portion, and the amount of tax being sought on the increase.

Firstly, we need to clarify that the small brewers tax provision covers ONLY THE AMOUNT OF BEER BREWED IN HAWAI'I. I propose amending the wording to be as follows (changes in **Bold**):

"§244D- **Small breweries and brewpubs; tax.** Every small brewery or brewpub that brews or produces beer in the State shall pay a gallonage tax of $0.23 per gallon of beer on the first sixty thousand barrels of beer brewed or produced ***in the State*** during the taxable year. Beer produced after the first sixty thousand barrels during a taxable year shall be taxed under section 244D-4(a)."

This is to clarify that only beer wholly brewed in Hawai'i qualifies for the provision and mainland companies like Kona Brewing and others are not given a small producer benefit on the portions brewed outside the State.

Secondly, we believe that the discounting and coupon portion of the bill should be removed completely. We truly "Local" brewers, brewers that brew 100% of our product in Hawai'i with local labor, myself at Maui Brewing Co. and our bretheren at Hawai'i Nui Brewing Co. in Hilo, Waimea Brewing on Kauai, and Big Island Brewhaus on Hawai'i stand united on this cause. The large breweries (Bud Miller Coors etc.) seeking the coupon allowance operate on costs of production that are less than half of the costs of local brewers. The passage of this provision will create unfair competitive advantage and encourages consumption of cheap alcohol and food. By discounting and thereby incentivizing consumers to drink more of lower quality products (most likely with discounts on junk food) we further put the health of both our people AND our economy at risk. The passage of this bill puts the jobs of at least 150 constituents at risk. If we cannot compete fairly, we cannot sustain business in Hawai'i.

Here are a few other things to consider regarding couponing:

- A majority of states already prohibit some form of manufacturer coupons or rebates for alcohol beverages, especially instant redeemable coupons (IRC) and scanbacks (which are discount payments to retailers based on the sales data from their scanners). That's because the cost of coupons is paid by suppliers and effectively becomes a direct payment to retailers that bypasses the middle tier. Coupons circumvent the intent and spirit of the regulatory framework and rationale underlying the three-tier system just as slotting fees do.

- IRC's are prone to fraud and abuse. It is difficult to account for coupon transactions in such a way as to guarantee that every coupon is redeemed by a consumer for the purchase of the brand/product being discounted. Too often, substantial numbers of coupons are redeemed for cash without any actual savings being passed on to consumers. In those instances, the effective result is an inappropriate cash payment by manufacturers to retailers.
- Coupons can be discriminatory, favoring some retailers over others unless great care is taken to ensure that all retailers have access to them. Scanbacks, which are less prone to fraud, also violate the principle of retailers being treated without advantage. Many smaller retailers don't have scanning equipment, so scanbacks often work to the advantages of larger or more sophisticated retailers.

In 2005 when I started Maui Brewing Co. I did so with the vision of producing the highest quality ales and lagers available in the State, and doing so with a strong commitment to always brewing in Hawai'i. At that time most so-called "Hawaiian" beers were being brewed in the mainland and shipped to Hawai'i; it was my goal to bring truth and authenticity to Hawaiian Beer. We have stayed true to our vision and have brought attention to craft beer in Hawai'i for the first time in history. We have won more awards at all levels of competiton for our beers than any other brewery in the State. We are proud that in the craft brewing community around the world the name "Maui Brewing Co." is synonomous with world-class beer of a truly local Hawaiian origin. It has become increasingly difficult to grow and remain competitive with the extremely high cost of production in Hawai'i relative to our mainland counterparts, this compiled with the highest taxes in the Nation results in a disincentive to manufacturing in the State and a complete lack of competitive capability. One look at the store shelves will show you that our true Hawaiian beers are the most expensive beers on the shelf. Unfortunately this keeps them out of the reach of the average Hawaiian family. This is a sad state of affairs. We operate on margins that are less than half of those by the large MNCs seeking the coupon bill passage. Our position is if they can give a discount, they can afford a tax increase.

Lastly, in regards to the tax increase. We believe that an increase in taxes at the 20% level could discourage tourism and have an overall negative effect on revenues. Coupons will not offset this as they will not effect the large amount of sales through on-premise accounts, essentially sales to visitors. At this time when tourism is just beginning to return we need to proceed cautiously in pursuit of anything that might negatively effect the service industry.

Maui Brewing Co. is now Hawai'i's largest brewery, we are also the only brewery canning our beer in the State. We purchase our cans from a local Ball Corporation plant in Kapolei further supporting local labor. Bottles are not made in Hawai'i and we, as do many others, believe the can is better for beer. One reason for our growth is we have begun to sell our beer in the mainland and in international markets. I am often asked why my beers sell for the same price, and in some instances cheaper, on the west coast than in Hawai'i, as imported beer should be more expensive. Sadly, the State taxation in Hawai'i is so high that I can ship my beer AND pay taxes to the Western States for less than just the tax in Hawai'i. For example, CA is approx $.45 per case versus Hawai'i at $2.09 per case. This disincentive to local sales has encouraged an outward migration of jobs, taxes, and manufacturing. We want to be encouraged to sell our products in Hawai'i, and the support of our government officials with a decrease in tax for in-state produced product is the only way. We are not asking to pay the lowest tax, but a tax rate competitive to other States. It is time to create a small brewers tax provision that will allow us to bring back and create more jobs through growth. We believe in a strong Hawai'i, this starts with small businesses which are the backbone of any strong community.

Maui Brewing Co. currently employs 51 employees in the State. These employees live in Hawai'i, raise their children here, pay taxes, and contribute to the community. Forty-two employees are full-time employees with family-level wages, insurance benefits including health (medical, drug, dental, vision and

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preventative care), life insurance, and 401(k). We do not currently match contributions to 401(k), our goal is to implement profit sharing and/or matching this year as we believe in employee appreciation; we simply would not be where we are without our staff.

In speaking with others in our local industry, we collectively agree that the small brewers tax provison we are seeking would be utilized by us all to invest in new equipment and people in order to continue growing our companies locally. This would serve to bring local jobs to market and help get workers looking for jobs off unemployment and government assistance. Our growth would allow us to actually pay more in taxes as a result of increasing sales.

For our fiercely local company we believe in the true origins of Hawaiian products and are vehemently against those masquerading as Hawaiian without being made locally. Our beer will always be authentic and truly brewed in Hawai'i. This is the foundation for getting Hawai'i back on track; build a strong foundation of local businesses providing jobs to the community and tax revenues to the State. Do NOT give unfair advantage to the peddlers of commodity beer that serve to only contribute to the mass consumption of low quality alcohol and food.

The small brewers tax provision proposed within HB840 helps put Hawai'i on a solid foundation and on track to a healthy and prosperous future. The couponing provision allows for unfair competitive advantage by mainland breweries and presents a negative environment for local manufacturing. Simply put, voting for HB840 with the above-mentioned amendments, means voting FOR a STRONG HAWAI'I. It's good for local business, its good for local labor, and it makes for a strong Hawai'i.

Thank your for your time, please feel free to call me with any questions.

Mahalo,

Garrett W. Marrero
808.661.6205 office
808.280.4687 cell
G@MauiBrewingCo.com

Monday, March 14, 2011

TO: COMMITTEE : CPN

Senator Rosalyn Baker, Chair

Senator Brian Taniguchi, Vice Chair

Senator Brickwood Galuteria

Senator Josh Green

Senator Clarence Nishihara

Senator Malama Solomon

Senator Sam Slom

RE: HB 840; HD1

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Background – The alcohol industry is heavily regulated at both federal and state levels because of what happened long ago. As a result, many laws are in place to prevent manufacturers and distributers from financially inducing retailers. In other words, it is illegal in our industry, at both the federal and state level, for manufacturers and distributers to provide any kind of financial inducements to the retailers.

Couponing in the alchohol industry gives manufacturers and distributers a loophole to providing financial inducements to retailers. In my experience in the consumer goods industry, there are many stories of abuse where the retailer collects unused coupons and redeems it to the manufacturer for cash.

In the alcohol industry, this is prone to a different kind of abuse. It becomes a tool that gives manufacturers and distributers the ability to provide financial inducements to select retailers. This is not only illegal but discriminatory as well. For example, a manufacturer would give coupons to a favored retailer. The retailer would hold on to the coupons and later redeem it to the manufacturer for cash. This is no different than a cash payment from manufacturer to retailer and is in violation of Federal and State laws governing the alcohol industry.

Sincerely

Greg Cabanting

Maui Branch Manager

Anheuser-Busch Sales of Hawaii

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: LIQUOR, Increase tax; tax on small breweries and brewpubs

BILL NUMBER: HB 840, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 244D-4 to increase the liquor tax rates effective July 1, 2011 to: $7.18 per wine gallon on distilled spirits; $2.54 per wine gallon on sparkling wine; $1.66 per wine gallon on still wine; $1.02 per wine gallon on cooler beverages; $1.12 per wine gallon on beer other than draft; and $0.65 per wine gallon on draft beer.

Adds a new section to HRS chapter 244D to provide that a small brewery or brewpub that produces beer in the state shall be subject to a gallonage tax of $0.23 per gallon of beer on the first 60,000 barrels of beer brewed or produced during a taxable year; beer produced after the first 60,000 barrels shall be taxed under HRS 244D-4(a). Defines "small brewery or brewpub" as a brewery or brewpub that brews or produces not more than two million barrels of beer per taxable year.

Makes nontax amendments to permit Hawaii consumers to receive discounts, coupons and rebates on the combined purchase of alcoholic beverages and other grocery items.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: The proposed measure increases the liquor tax by 20% to encourage lower demand for the product. It should be noted that the use of the tax system as a social tool in its attempt to deter the sale of alcoholic products is an inefficient use of the tax system. It should be noted that Hawaii's tax rates on alcoholic beverages are among the highest, if not the highest, in the nation. This increase in liquor tax rates would reaffirm the perception that Hawaii is a tax hell.

The fortunes of the tax on alcoholic beverages are directly tied to the fortunes of the visitor industry as evidenced by dividing the resident population into the volume of alcoholic beverages consumed. Thus, any substantial increase in the tax on alcoholic beverages will affect the cost of such beverages to the visitor. Any increase in the tax rate on alcoholic beverages could have a trickle down effect in the bars from Waikiki to Ka'anapali. Since most leisure visitors are on a budget, that tax increase will also have an impact on the cost of the mixed drink or glass of wine to the point that it will, no doubt, reduce consumption and, therefore, the amount spent by the visitor for alcoholic beverages. Should that be the case and the volume is reduced, so will the amount of taxes collected. Given that Hawaii's tax rates on these beverages are amongst the highest in the nation, there is probably little tolerance for yet another increase in price of these beverages. Should consumption fall, not only will tax revenues decrease, but jobs and payroll will be affected in those establishments serving primarily tourists.

As lawmakers scratch their heads on how to deal with the unemployment problem and the lack of activity in the economy, they have only to look at the uncertainty a measure like this creates. With the uncertainty of tax increases and the relative impact they will have on business activity, business owners and investors will be reluctant to go out on a limb and invest, not knowing if they are going to get hit up again.

This proposal to jack up the liquor tax rates by 20% will really hurt the folks who are in the on-premise consumption business that must build the tax increase into the cost of their served drinks and then mark it up because of the heavy liability insurance they must carry should one of their patrons drive drunk and the establishment is sued. So what is now a $7 martini in Waikiki will go to $10 and the $10 glass of wine may have to go to $14. What an "ouch" that will be for the patron who will retaliate by buying one or two less drinks. Multiply that by 100 patrons a night and you are talking a business owner who is going to reduce his workforce because he cannot turn enough of a margin to cover the cost of one extra waitress or bartender.

If the bar owner cannot get the volume up enough with what slim profit margin he can charge, then he will not hire another person. Indeed it is the uncertainty of what the legislature is doing right now that will affect whether or not the unemployment rate can be addressed, let alone the revenue picture, to pull us out of this deficit.

This measure also proposes to impose a tax on small breweries and brewpubs. Currently, beer is subject to a state tax of $0.93 cents per wine gallon while draft beer is subject to a tax of $0.54. At the federal level beer is subject to a tax of $18 per barrel. Brewers who produce less than two million barrels are subject to a tax of $7 on the first 60,000 barrels and $18 after the first 60,000 barrels.

While the proposed measure would establish a reduced rate of $0.23 per gallon for the first 60,000 barrels of beer brewed or produced in the state by a small brewery or brewpub annually, it would grant a preferential reduced rate for beer produced locally as compared to beer that is imported. Unlike the federal preference which is extended to any and all micro brewers, the proposed preference in this bill would discriminate in favor of local brewers as opposed to all micro brewers. If nothing else, lawmakers should secure a legal opinion as to the constitutionality of conferring a preferential rate for brewers located "in the state."

The third part of this bill relates to the offering or extending discounts on this product by either coupons or rebates. Inasmuch as this is a matter for the consumer advocate, we reserve comment on this issue.

Digested 3/11/11

HAWAII FOOD INDUSTRY ASSN.

HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)
1050 Bishop St. Box 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

DATE: Tuesday, March 15, 2011 TIME: 9:00a.m. PLACE: Conference Room 229

FROM: Hawaii Food Industry Association - Lauren Zirbel, Government Relations

TO: COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair

Senator Brian T. Taniguchi, Vice Chair

RE: HB 840, HD 1 RELATING TO LIQUOR

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.**

Our state already boasts the second **highest excise tax rate on beer in the country,** with only Alaska coming in higher. In fact, at $.93 per gallon, Hawaii's bottled beer excise tax rate is **260% higher than the national average** of $.26 per gallon.

Distilled spirits are among the most heavily taxed consumer products in the United States and are already assessed significant taxes and fees in Hawai'i. For a typical bottle of distilled spirits sold in Hawai'i, 25% of the retail price goes to pay State and local taxes and fees. When factoring in federal taxes and other fees, 51 % of the purchase price of each bottle of distilled spirits goes toward such taxes and fees.

For Wine products this proposed 50% tax increase of $2 07 per wine gallon will ultimately harm the responsible wine consumers in Hawaii by increasing the price of wine, which is difficult to bear in tough economic times. With this increase, Hawaii's liquor tax on wine will be the third highest in the nation, surpassed only by Alaska at $2 50 with no additional sales tax and Florida at $225 with an additional sales tax. **Hawaii wine consumers already pay one of the highest prices in the United States for their wine**, given Hawaii's general excise tax of 4. 17% or 4.712% for Honolulu County and the higher transportation costs to ship wine to Hawaii.

HFIA does not support tax increases, especially increases that will simply increase the costs to consumers at a time when taxpayers cannot afford such increases. **This tax is highly regressive and will impact the poor the most.**

If you pass this measure it will severely damage the retail and beverage industry, **costing the state many jobs.** The loss of these jobs will cost significantly more in the long run than the gains in revenue which this liquor tax increase may generate.

Thank you for the opportunity to provide this testimony.

Alan Wong's
RESTAURANTS

February 24, 2011

To whom it may concern:

Thank you for hearing my testimony on H.B. NO. 840 H.D. 1 which proposes to increase the various liquor tax rates. In my opinion, H.B. NO. 840 H.D. 1 should not be passed.

We are living in a time when we are seeing a lot of independent small businesses disappearing. It has been very difficult for many to continue running their businesses since the stock market crash of a few years ago, and some are just starting to make the climb back to normalcy. This bill which proposes to raise taxes on alcohol will make it even harder for Hawaii's small businesses to survive.

No matter which angle you take, increasing taxes on goods results in higher costs to the consumers and lower profit margins to the businesses. Both of these take money out of the pockets of the people and reduce their spending power. They destabilize our local economy and lead to unemployment, homelessness, and increased social problems in our state.

If restaurant businesses slow to the point of closing, we lose not only the means of financial support for our employees, but also the very colorful part of Hawaii -- the neighborhoods. I am speaking not only for myself as a local independent restaurateur but for all the small local restaurants in our communities that really provide for our locals and attract visitors to our state to "Taste Hawaii".

Raising prices, cutting back on service, closing restaurants, and losing jobs -- I don't believe this is the way to go. I believe we need to work together, and I believe we need to fix a lot of problems. Tourism and the hospitality/restaurant industry supports Hawaii so much in so many different ways that I think it is dangerous to enforce this tax increase at this time.

Raising the alcohol tax will affect the bottom line for businesses in the food industry and all of the people of Hawaii employed by those businesses, and it will adversely impact the hospitality industry that attracts the visitors to our state and generates the greatest support for our local economy.

Thank you for hearing my testimony on this bill.

Sincerely,

Alan Wong
Chef/Owner

1857 S. King Street
Honolulu, HI 96826
P: 808.949.1939
F: 808.951.9520
www.alanwongs.com

HILTON
WORLDWIDE

March 14, 2011

Committee on Commerce and Consumer Protection
Sen. Rosalyn Baker, Chair
Sen. Brian Taniguchi, Vice Chair

Tuesday, March 15, 2011
9 a.m.
Conference Room 229

RE: Opposition to HB840 – Relating to Liquor

Sens. Baker and Taniguchi, and members of the Senate Committee on Commerce and Consumer Protection:

My name is Jerry Gibson and I am the area vice president, Hawaii region, for Hilton Worldwide. I am testifying on behalf of the thousands of team members employed at our Hilton family properties across the state.

You are well aware of the difficulties that the visitor industry has faced during the economic downturn that started in 2008. We are still trying to recover. It will take several more years until we can achieve the average rates that we had back in 2005.

Because of the impact that the visitor industry has to the state of Hawaii, our losses in revenue have become losses to the entire state, through loss of tax revenue, loss of jobs, loss of demand for goods and services and the list goes on and on.

We are already charging our guests higher TAT taxes and we know that these taxes will increase. Our guests are complaining that the prices in our restaurants are extremely high. They complain about the high costs of groceries and packaged goods at our sundry shops.

An increase in the liquor tax would only serve to reduce the amount consumed and purchased by our visitors thus further hurting our employees as well as our ability to maintain full employment. In addition, a reduction in purchases would actually REDUCE the amount of tax revenue that the state receives.

Our visitors do not have to come to Hawaii. There are many other attractive (and less costly) vacation destinations. We should do everything we can to encourage them to come rather than continuing to find ways to discourage them.

We urge you to hold on HB840 until which time our economy has recovered and our visitor industry is healthy enough to withstand such an increase.

Sincerely,

Jerry Gibson
Area Vice President – Hawaii
Hilton Worldwide

David L. Lewin
General Manager

Hyatt Regency Waikiki Resort & Spa
2424 Kalakaua Avenue
Honolulu, Hawaii 96815 USA

Telephone: 808.237.6100
FAX: 808.237.6114
Email: dlewin@hyatt.com
waikiki.hyatt.com

HYATT RESORTS ®

March 14, 2011

Senator Rosalyn H. Baker, Chair
Committee on Commerce and Consumer Protection

RE: Notice of Hearing – March 15, 2011, 9:00am
Testimony – HB 840, HD 1 (Relating to Liquor)

Dear Senator Baker:

I am strongly opposed to the passage of HB 840 which increases the liquor tax rates. As the General Manager of a major hotel in Waikiki (employing over 700 associates), the net result of this bill will be the layoffs of several of my bartenders and waithelp.

With the extraordinarily high wages and benefits our employees receive, our drink prices are already the highest in the market. Increasing the liquor tax will force us to raise our prices and will drive our current customers to other less costly establishments.

I speak from experience and the fact that we have had to close several of our bars and restaurants in the past because high labor costs forced our prices higher which decimated our customer base. At the Hyatt Regency Waikiki the following restaurants and bars were closed for the aforementioned reason: Trappers, Spats Night Club, Harry's Bar & Grill, Texas Rock and Roll Sushi Bar and Musashi. These outlets once employed over 150 bartenders, servers, cooks and support staff.

The passage of this bill would result in further loss of life sustaining jobs not only in our hotel but across the entire hospitality industry.

Balancing the State's Budget is everyone's responsibility. These "targeted" tax measures are not the answer. All Hawaii citizens need to share the burden.

Sincerely,

DAVID LEWIN
General Manager

DL:alf

GRAND HYATT KAUA'I
RESORT & SPA

Doug Sears
General Manager

Grand Hyatt Kaua'i
Resort and Spa
1571 Poipu Road
Koloa, Kauai, HI 96756 USA

Telephone: 808 742.1234
FAX: 808.240.6591
E-mail: dsears@hyatt.com

March 14, 2011

Senator Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection
Hawaii State Capitol
Via Email: CPNTestimony@Capitol.hawaii.gov

RE: HB840 HD1 Liquor Tax
Hearing on March 15, 2011, 9:00am

Aloha Senator Baker,

Greetings from the Grand Hyatt Kauai Resort and Spa! I hope you are doing well in this New Year.

I am writing you today to hopefully gain your support in opposing HB840.

The Hospitality Industry is a major employer in the State of Hawaii. As one of the major resorts and largest employer on Kauai, increasing the liquor tax in Hawaii will not only have a negative impact on our business but will affect the livelihood of our employees as well. The State is trying to lower unemployment and increasing the liquor tax would mean a potential loss of jobs which will only worsen our sour job situation.

The economic downturn over the last few years has been difficult for business and we cannot bear another tax increase. We repeatedly see feedback from our guests complaining about beverage prices. Our Food and Beverage sales are already struggling and will get a lot worse if our price/value deteriorates due to higher costs.

Tourism is still the number one priority in this State. The State of Hawaii already has some of the highest alcohol taxes in the Country. Balancing the State's Budget is the responsibility of everyone here. These "targeted" tax measures are not the answer! Everyone should share the burden!

Thank you for your attention to this very important matter.

Sincerely,

Doug Sears

Doug Sears
General Manager

A Hawaiian Classic.

TESTIMONY OF MICHAEL JOKOVICH, GENERAL MANAGER,

HYATT REGENCY MAUI RESORT AND SPA,

ON HB840 RELATING TO LIQUOR

HEARING: FRIDAY, 2/25/11 AT 6:00 PM

Good morning Chairman Oshiro and members of the House Committee on Finance.

As the general manager of a major resort hotel on Maui, I wish to express strong opposition to HB840 which will increase the tax on liquor.

We already hear comments from our guests that the drink prices in our restaurants and lounges are too high but, as we continue the struggle to return to profitability in these uncertain economic times, we would have no alternative but to pass this increase on to our customers. This can only strengthen the perception already held by many in the travel industry that Hawaii is too expensive and they should look elsewhere for more affordable vacation and meeting destinations.

I firmly believe that any additional revenue this tax increase might bring to the State will only be offset by a decrease in revenue due to this lost business, thus doing little to benefit the State's economy while severely hurting the working men and women whose livelihood depends on the hospitality industry.

Please show your support for the visitor industry, which is one of Hawaii's major revenue producers, by voting No on HB840.

Thank you for your consideration.

Michael Jokovich
General Manager
Hyatt Regency Maui esort and Spa
200 Nohea Kai Drive
Lahaina, Maui, HI 96761

808-667-4400
michael.jokovich@hyatt.com

THE WAIKIKI EDITION℠

Senator Rosalyn H. Baker
Senatorial District 5
Hawaii State Capitol, Room 230
Honolulu, HI 96813

March 14, 2011

Dear Senator Baker,

As the General Manager of the Waikiki EDITION, I have several concerns regarding HB 840, and respectfully request your opposition to the bill. The bill proposes a tax increase on beer, wine and spirits and if passed, will have a detrimental effect on our hotel and Hawaii's hospitality industry as a whole.

Hawaii's economy is driven by tourism and while it's shone promising improvement in recent quarters, we are still nowhere near the levels we were at decade ago. Business is difficult and we've already had to decrease employee hours during the past several months. A tax increase of this magnitude will impede our industry's recovery and has several adverse affects on our hotel:

- Potential loss of revenues. Alcohol sales account for almost 50% of our total revenue. Higher drink prices will undoubtedly lower consumption and hurt our bottom line.
- Potential job loss. Most importantly, a decline in consumption and business activity will ultimately lead to loss of jobs. The hospitality industry has already lost thousands of jobs during the recent economic downturn and the tax increase will only worsen our state's unemployment levels.

Alcohol taxes in Hawaii are already among the highest in the nation. Targeted tax measures are not the answer to Hawaii's recovery. Practical funding should be fair and broad based and should not single out one product or industry. Balancing the state's budget is everyone's responsibility.

Thank you for considering my views on this matter.

Sincerely,

Michael Rock
General Manager
The Waikiki EDITION

1775 ALA MOANA BOULEVARD HONOLULU, HI 96815 PHONE 808 943 5800 FAX 808 943 5841 WWW.EDITIONHOTELS.COM

HAWAI'I NUI BREWING

March 14th, 2011

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Dear Senator Baker:

I am writing today to urge you to vote for the passage of HB840.

While we are in support of HB840, Hawai'i Nui Brewing is not in support of the couponing aspect of the bill that gives unfair competitive advantage to the multinational beer megacorporations. Also, we believe clarification on what beer qualifies for the reduced tax would be helpful. The small brewers tax provision should only cover BEER BREWED AND PACKAGED IN HAWAI'I.

In reference to the couponing aspect of this bill we are strongly opposed and would ask that the committee consider:

- A majority of states already prohibit various forms of manufacturer coupons or rebates for alcohol beverages, especially instant redeemable coupons (IRC) and scan backs (which are discount payments to retailers based on the sales data from their scanners). The cost of the coupons is paid by suppliers and, thus, effectively becomes a direct payment to retailers that bypasses the middle tier. As such, coupons circumvent the intent and spirit of the regulatory framework and rationales underlying the three-tier system, just as slotting fees do.
- IRC's are prone to fraud and abuse. The vast majority of industry members operate in completely lawful ways; however, it is difficult to account for coupon transactions in such a way as to guarantee that every coupon is redeemed by a consumer for the purchase of the brand/product being discounted. Too often, coupons are redeemed for cash without any actual savings being passed on to consumers.
- Coupons can be discriminatory, favoring some retailers over others unless great care is taken to ensure that all retailers have access. Scan backs, which are less prone to fraud, also violate the principle of retailers being treated without advantage. Many smaller retailers don't have scanning equipment, so scan backs often work to the advantages of larger or more sophisticated retailers.
- Coupons and scan backs are not needed to ensure that consumers receive the advantages of price competition. The alcohol industry is legally permitted to discount its products via non-discriminatory price promotions or price discounts to all retailers. This is the proper way that alcohol manufacturers and wholesalers can and do comply with the legal intent of trade practice regulations, while at the same time competing with one another to give consumers the best possible price/value combination.

Hawai'i Nui Brewing.
275 East Kawili Street, Hilo, Hawai'i. 96740 808.934.8211-tel 808.961.9621-fax

HAWAI'I NUI BREWING

Those of us that are committed to Hawai'i and brew 100% of our product in Hawai'i with local labor, stand united on this cause. Along with us, Maui Brewing Company and Waimea Brewing on Kauai, as well as Big Island Brewhaus in Kamuela, believe passage of this provision will create unfair competitive advantage for the large multinational beer megacorporations. It will only encourage consumption of cheap, low quality alcohol and food. We support the passage of the intent of HB840 regarding the creation of a small brewers tax provision and eliminating the coupon provision. It's good for local business, its good for local labor, and it makes for a stronger Hawai'i.

Currently, the largest Hawai'i based brewer produces almost all of their beer on the mainland and ships some of it to Hawai'i. We believe in the true origins of products made in Hawai'i and are vehemently against those masquerading as "Made in Hawai'i" without being made locally. Our beers are 100% authentic and only brewed in Hawai'i. A small brewers tax provision will incent current producers to make the correct decision to produce within the state of Hawai'i and employ our kama'aina.

Hawai'i Nui Brewing and Maui Brewing Company are the only packagers of beer in Hawai'i that export out of state. We moved our bottling operations back to Hawai'i two years ago. By doing that, we were able to create many additional jobs and generate additional tax revenue for the State of Hawai'i. Sadly, no other brewer bottles beer in Hawai'i.

Hawai'i consumed almost 1,000,000 Barrels of malt beverages (31,000,000 gallons) in 2009. Over 97% of that beer was produced outside of Hawai'i and imported in.

We operate on margins that are less than half of those by the large multinational beer megacorporations seeking the coupon bill passage. If they can discount via couponing, they can absorb a tax increase. Lets create jobs and a strong Hawai'i by supporting bills that create a small brewers tax provision contained within HB840 and remove the portions allowing couponing that hurts local manufacturing.

A reduction in the beer tax to .23 cents per gallon for beer produced in the state of Hawai'i would help our industry to be more competitive with beer produced out of state. One look at the store shelves will show you that our true "Made in Hawai'i" beers are some of the most expensive beers on the shelf. Unfortunately this keeps them out of the reach of the average family in Hawai'i.

We create jobs in Hawai'i, out of state producers do not. 100% of Hawai'i Nui Brewing employees live in Hawai'i, pay taxes, raise their children and support the local economy every day. Out of state producers do not. Hawai'i Nui Brewing believes that authenticity is critical to maintain the stellar image of Hawai'i'. Allowing others to squander

Hawai'i Nui Brewing.
275 East Kawili Street, Hilo, Hawai*i. 96740 808.934.8211-tel 808.961.9621-fax

that by producing their beer on the mainland and calling it "local" in the name of higher margins is detremental to our image as a state and as craft brewers.

Please do not give unfair advantage to the peddlers of commodity beer that serve to only contribute to the consumption of low quality alcohol and food.

I humbly request that we follow the lead of The Federal Government (TTB) and 15 other states (Alaska, Iowa, Kentucky, Michigan, Minnesota, Montana, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, Texas, Washington, Wisconsin and Wyoming). Creating a Hawai'i small brewer tax provision that lowers the current tax for beer produced in Hawai'i to 23 cents per gallon.

Mahalo for your continued support,

Keith Kinsey
President
Hawai'i Nui Brewing
Hilo, Hawai'i

Hawai'i Nui Brewing.
275 East Kawili Street, Hilo, Hawai'i. 96740 808.934.8211-tel 808.961.9621-fax

March 14, 2011

Via CPNTestimony@Capitol.hawaii.gov

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair
COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senate
State Capitol
415 South King Street
Honolulu, HI 96813

RE: H.B. No. 840, HD1 Relating to Liquor

Dear Chair Baker, Vice Chair Taniguchi, and Committee Members:

On behalf of Southern Wine & Spirits of Hawaii ("Southern"), we respectfully submit the following written testimony in opposition to H.B. No. 840, HD1, relating to liquor, which is to be heard by your Committee on Commerce and Consumer Protection on March 15, 2011. H.B. No. 840, HD1 would increase the taxes payable on distilled spirits, sparkling wine, still wine, cooler beverages and beer by 20%. While we understand that the State government faces substantial fiscal issues, Southern believes that H.B. No. 840, HD1 is inappropriate and unworkable.

The tourist industry is a very large part of Hawaii's total economy. Many tourist while visiting will consume alcoholic beverages. Raising the liquor tax by 20% would only make the cost of a vacation even more expensive, and would be counter-productive to stimulate the State's number one economic driver. Hawaii's tax rate on liquor is already one of the highest in the country. Hawaii's residents and visitors already are burdened by high taxes on liquor.

Consumption of alcoholic beverages are very elastic and price sensitive, especially in a recessionary economy. Raising the taxes on liquor may result in lower consumption which will lower the amount of taxes paid. Also, consumers may trade down to a lower quality, more affordable product which will generate less dollar volume for wholesalers, retailers, restaurants, hotels and bars which will have an impact on the bottom line and will put jobs at risk. We have 205 employees throughout the State of Hawaii that cannot afford to lose their jobs due to high tax increases.

The State's fiscal issues are shared by all. This bill is targeting a single industry to try to solve the problems by raising taxes that will not do much ultimately to stimulate the economy. It could only hurt the recovery process by putting more strain on business that are already paying a high cost to do business in Hawaii. We respectfully oppose H.B. No. 840, HD1. Thank you for your time.

Sincerely,

Steve Perry
Vice President Operations

155 Kapalulu Pl. Suite 300 • Honolulu, HI 96819 • Ph (808) 591-8825 • Fax (808) 589-2028

WINE INSTITUTE

KATIE JACOY
WESTERN COUNSEL

TO: Senate Committee on Commerce and Consumer Protection
Senator Rosalyn Baker, Chair
Senator Brian Taniguchi, Vice- Chair

DATE: March 15, 2011, 9:00am
Conference Room 229

RE: Opposition to HB840 HD1
RELATING TO LIQUOR

Wine Institute ("WI") is a public policy association representing 923 California wineries. WI opposes HB 840 HD1 because it proposes to increase the liquor tax on all categories of alcoholic beverages, including wine, by 20%. This proposed 20% tax increase to $1.66 per wine gallon will ultimately harm the responsible wine consumers in Hawaii by increasing the price of wine, which is difficult to bear in tough economic times. In this economy, none of the tiers - winery, distributor, or retailer/restaurant - are in the position to absorb any additional costs, so any increased tax will be passed onto the consumer.

With this increase, Hawaii's liquor tax on wine will be the sixth highest in the nation. Hawaii wine consumers already pay one of the highest prices in the United States for their wine, given Hawaii's general excise tax of 4.17% or 4.712% for Honolulu County and the higher transportation costs to ship wine to Hawaii.

After years of double-digit declines, Hawaii's tourism industry is finally recovering. After similar declines, on-premise sales of wine are beginning to increase as well. Tourism accounts for one-quarter of Hawaii's GDP and one-third of its jobs. Restaurants, hotels, and wine retailers can't afford a tax increase that will hamper this much needed recovery.

A 20% increase in the liquor tax on wine unfairly harms the wine consumer in Hawaii:

- Hawaii wine consumers already pay a disproportionate share of taxes through the existing liquor tax imposed on wine. Most other products they buy do not carry such an additional tax burden.

2103 N OAKES STREET, UNIT D · TACOMA · WA · 98406 · 253/302-5250 · WWW.WINEINSTITUTE.ORG

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

- Excise taxes are inefficient and wasteful because they are levied at the producer level. Since the taxes are marked up by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.

- Data indicates that when taxes are imposed on specific products, overall sales decrease. If overall sales decrease, local restaurants and wine retailers are also negatively impacted.

- Scores of medical research reports show that moderate wine consumption reduces the risk of coronary heart disease and is healthful. Wine consumption in moderation saves on health care costs: the U.S. Department of Health & Human Services found that 6 to 13 glasses of wine per week saves on average of $400 per year per wine drinker in Medicare expenses. Wine is a beverage of moderation. Its use should not be discouraged by excise tax increases resulting in higher wine prices to the consumer.

Date: March 14, 2011 for Hearing on March 15, 2011

To: THE House Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Re: Testimony on HB 840, Relating to Liquor

From: Paula Hegele, President, Tedeschi Vineyards, Ltd.

On behalf of Maui's only winery, I would like to strongly oppose the proposed increase to Hawaii's liquor taxes. This increase will have a significant negative impact on Tedeschi Vineyards dba Maui's Winery, as well as many other businesses in the State.

My primary concern with this bill is the discriminatory tax increase on the alcohol industry and the burden it will have on my business. However, to add confusion to the bill you are proposing to decrease the taxes on small brewers. We are too, in support of Maui Brewing and their ongoing efforts to brew locally, however the timing of a tax decrease to them exclusively, is inequitable and strangely selective.

Hawaii already stands out as being one of the highest liquor tax states in the country. As a local winery we continually struggle to keep up with raising costs of manufacturing in Hawaii and striving to create quality products from local agriculture. If our wine pricing goes up our sales are reduced. Yes, a tax increase would have to be passed on to the consumer, but it will hurt sales and a reduction in sales will mean that we will be forced to produce less, impacting the cost of goods produced and our employees.

We labor every day to produce the best products possible and fight to stay in business. We are just now beginning to stabilize after many years of losing sales due to the economy and lack of visitors to the Islands. We have just begun filling positions that had been eliminated and will have to lay-off again should sales decrease due to a liquor tax increase.

In these last few years, we have paid less in wine taxes however this is because we have unfortunately sold fewer gallons. The more gallons we sell the more taxes we will pay. Help me to increase sales and we will pay more in liquor taxes with the existing tax structure. Increasing the cost of our products via taxation will only reduce sales, especially as a local specialty wine. This means higher production costs, less retail sales and fewer gallons sold to pay liquor taxes on.

We are hopeful and looking forward to your committee creating ideas to increase revenues by stimulating the sales of all local businesses, please don't consider a tax increase that would create further hardship.

MillerCoors
250 S. Wacker, Suite 800
Chicago, IL 60606
311 10th St.
Golden, CO 80401
3939 W. Highland Blvd
Milwaukee, WI 53208

March 13, 2011

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Senate Committee on Commerce and Consumer Protection
Hawaii State Capitol, Room 229
Honolulu, HI 96813

RE: HB 840 - Relating to Coupons, and Taxation

Dear Chair Baker, Vice Chair Taniguchi and Members of the Committee:

MillerCoors supports the language contained in HB 840, as originally introduced, to allow beer manufacturers to provide discounts to Hawaii consumers. We support these provisions because of the value the proposed legislation will bring to consumers, retailers and government in Hawaii.

Current law does not allow a beer purchase on coupon and rebate programs, and as our data demonstrates, value is being lost when compared to other states that allow such programs. There are 38 states that allow couponing on beer products, and 14 of those states allow Mail-in Rebates, Instant Redeemable Coupons <u>and</u> scan programs.

If the law is changed via HB 840, we anticipate an increase in retailer sales, as well as redemption by consumers. These additional sales would benefit revenue collections in the state via increased sales and excise taxes, as the attached information demonstrates. In addition, by involving suppliers, retailers and customers in the program, we believe the integrity of the system will be preserved and additional value will be enjoyed by consumers in Hawaii.

However, MillerCoors is OPPOSED to the provisions of HB 840 that increase the excise tax rates on large brewers and at the same time reduce excise taxes for smaller brewers. Those provisions are inherently unfair and treat the same members of an industry in an unequal manner.

Please accept this testimony for the committee hearing.

Please contact me if you have any additional questions at (916)771-6447.

Lance Hastings
Director – State Government Affairs

Coupons for Beer Products

Permitted - All

Alaska	Delaware	Mississippi	South Carolina
Arizona	Florida	Nevada	Wisconsin
California	Illinois	New Mexico	Wyoming
DC	Iowa		

Permitted – Mail-In Rebates

Connecticut	Massachusetts	New York	South Dakota
Georgia	Michigan	North Dakota	Tennessee
Idaho	Minnesota	Ohio	Virginia
Louisiana	Nebraska	Oregon	Washington
Maryland	New Jersey	Pennsylvania	

Permitted-IRC/MIR; Prohibited-Scan

Colorado	New Hampshire	Oklahoma	Rhode Island
Kansas			

Prohibited-IRC/Scan; BAR-MIR

Vermont

Board Approval Required

Montana

Coupons for Other Products

Permitted

Alabama	Hawaii	Mississippi	Pennsylvania
Alaska	Idaho	Missouri	Rhode Island
Arizona	Illinois	Nebraska	South Carolina
Arkansas	Indiana	Nevada	South Dakota
California	Iowa	New Hampshire	Tennessee
Colorado	Kansas	New Mexico	Texas
DC	Kentucky	New York	Virginia
Delaware	Maryland	North Carolina	Wisconsin
Florida	Massachusetts	Ohio	Wyoming
Georgia	Michigan	Oklahoma	

Board Approval Required

Maine	Montana	West Virginia

Prohibited-IRC; Permitted-MIR

Connecticut	Minnesota	Oregon	Washington
Louisiana	North Dakota	Utah	

MillerCoors™

Value Opportunities for Hawaii

Prepared for MillerCoors LLC by:

Andrew Perroy & Isaac Riffelmacher

University of California, Davis Graduate School of Management

Couponing benefits Hawaii in 3 ways

- Increased value to Consumers
- Increased revenue to Retailers
- Increased tax revenue to Hawaii

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Value offer delivery landscape is diverse

- Types of coupon vehicles:
  - 80% - Mail-In-Rebate (MIR)
  - 20% - Instant Redeemable Coupons (IRC)

- Methods of delivery:

Tear Off Pads	Take One	In Ad	On Pack	Pamphlet
IMAGE	IMAGE	IMAGE	IMAGE	IMAGE

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Hawaii Revised Statutes Section 281-85

It shall be unlawful for any person acting as agent or representative of a non resident principal or for any licensee directly or indirectly or though any subsidiary or affiliate, to give any premium or free goods of intoxicating liquor or other merchandise *in connection with the sale of any intoxication liquor*, or to offer or to provide any premium or free goods of intoxication liquor in connection with the sale of other merchandise.

i.e. No purchase necessary

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Increased Value to Consumers in Hawaii Means More Money in Consumers' Pockets

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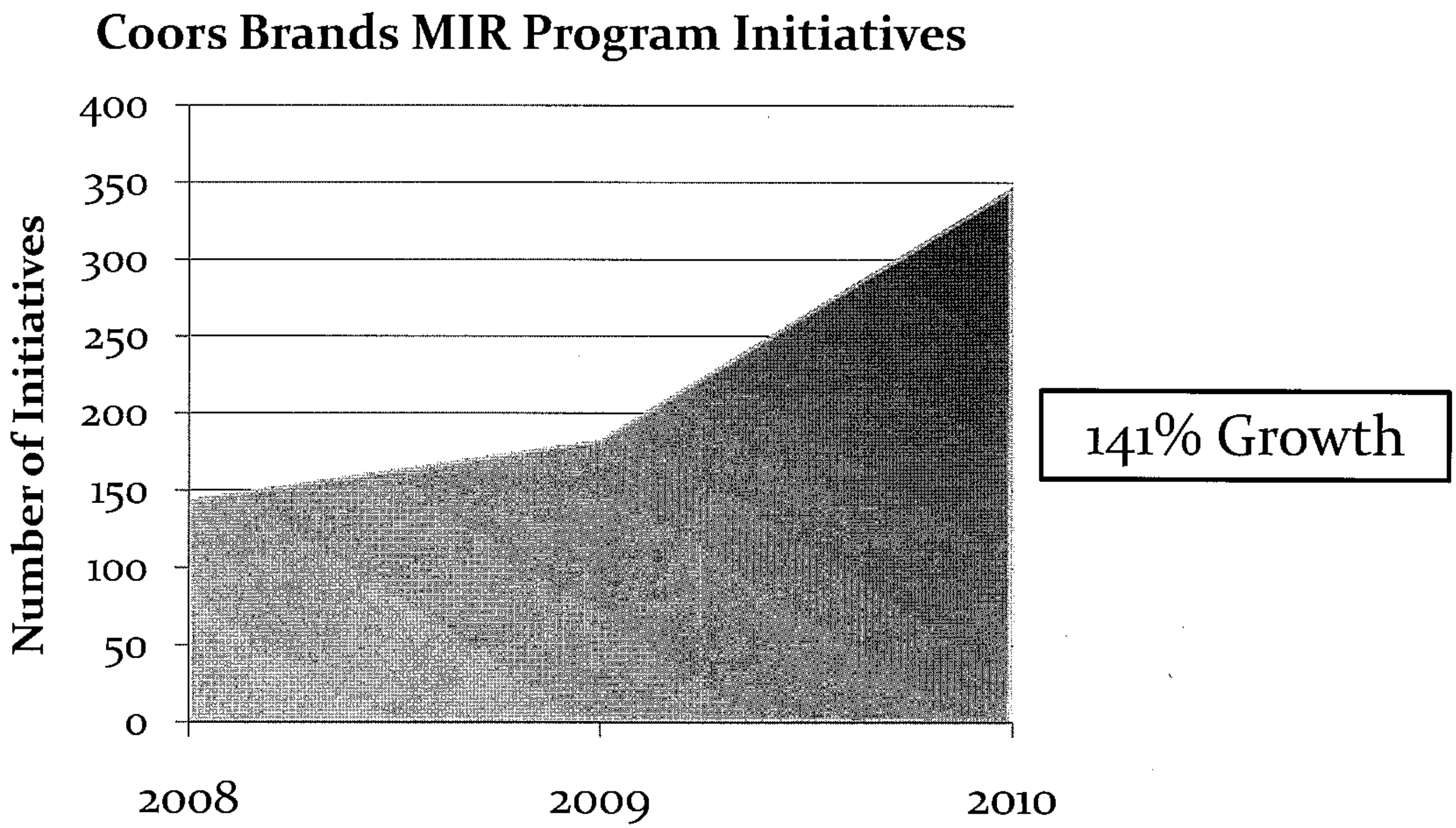
National MIR campaigns grew dramatically from 2008 to 2010



2008-2009 MIR coupon redemption data from TriStar

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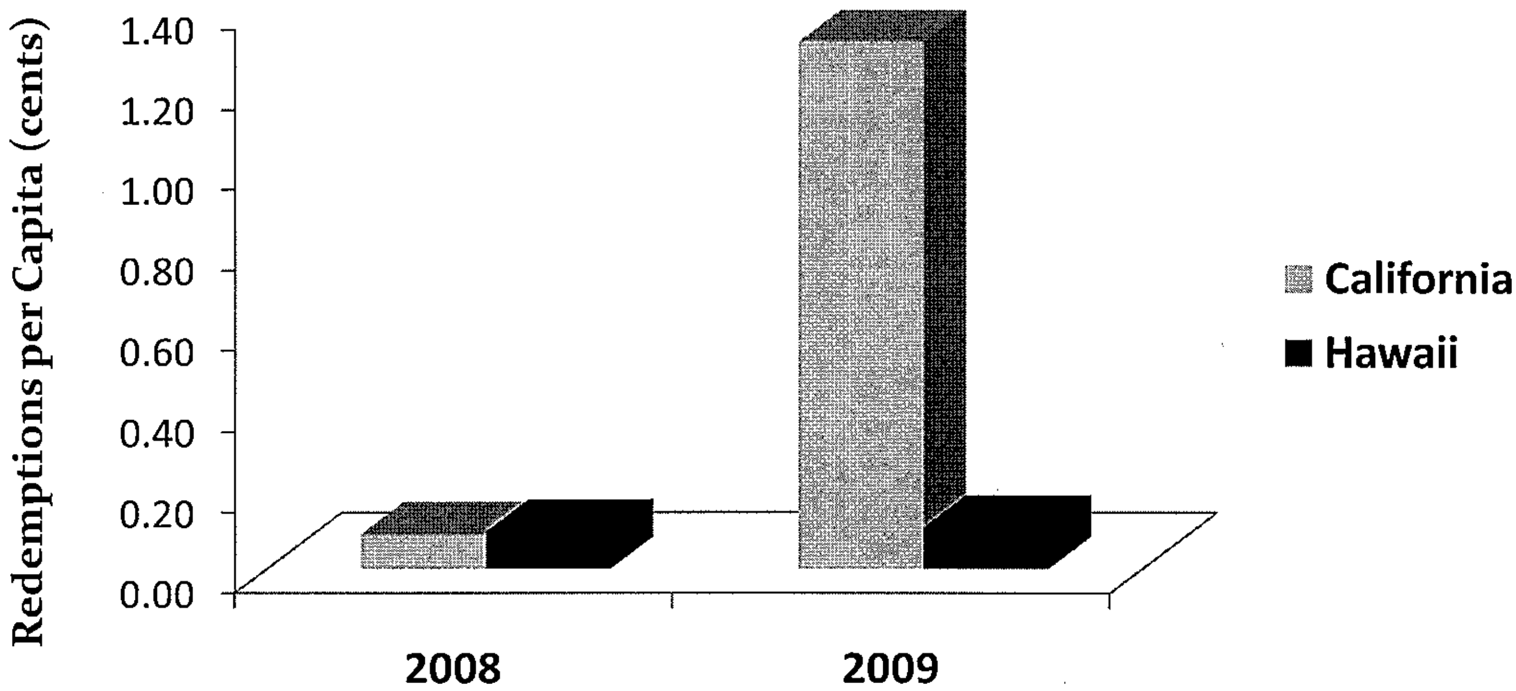
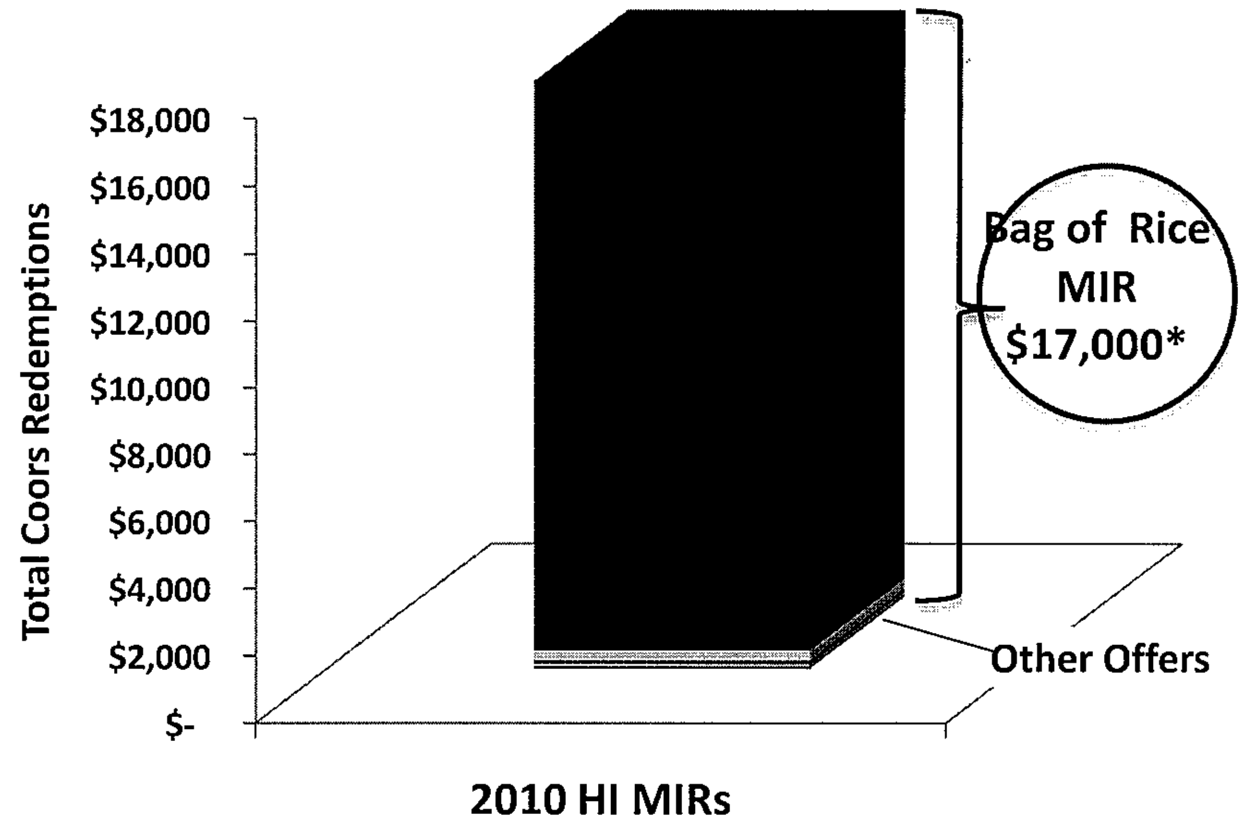
Accordingly, MIR redemptions for Coors products skyrocketed in 2009, but Hawaii remained flat

MIR Redemptions Adjusted for Population



2008-2009 MIR coupon redemption data from TriStar

In 2010, MillerCoors tested HI market with a CA-style program—consumers rushed to take advantage



The experiment proved that Hawaiian consumers want these types of MIR offers

* $10 MIR with 20lb bag of Rice or larger. 3/15/2010-6/30/2010. Offer # 101120-101121.

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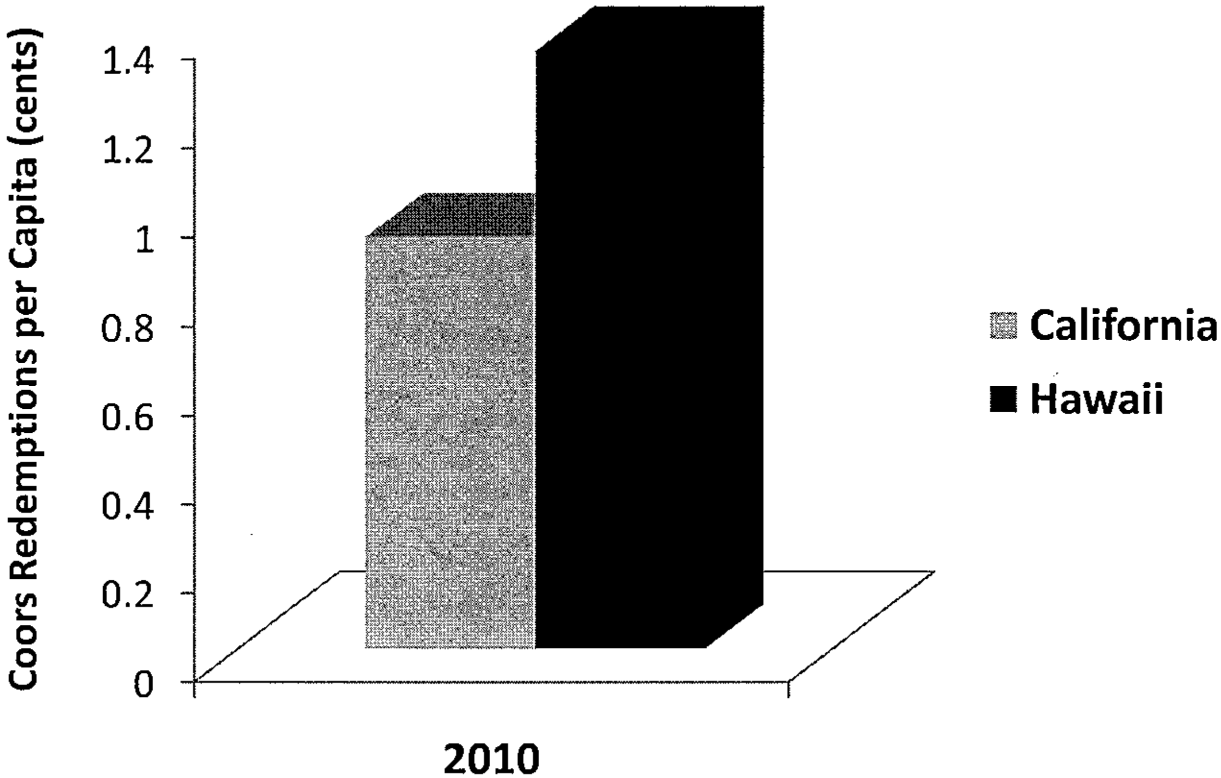
Hawaii even beat CA in 2010 per capita MIR redemptions



- However... Lack of purchase requirement hides any measurable retail sales increase

- Continuing these types of programs is unlikely unless law is changed.

2010 MIR coupon redemption data from TriStar

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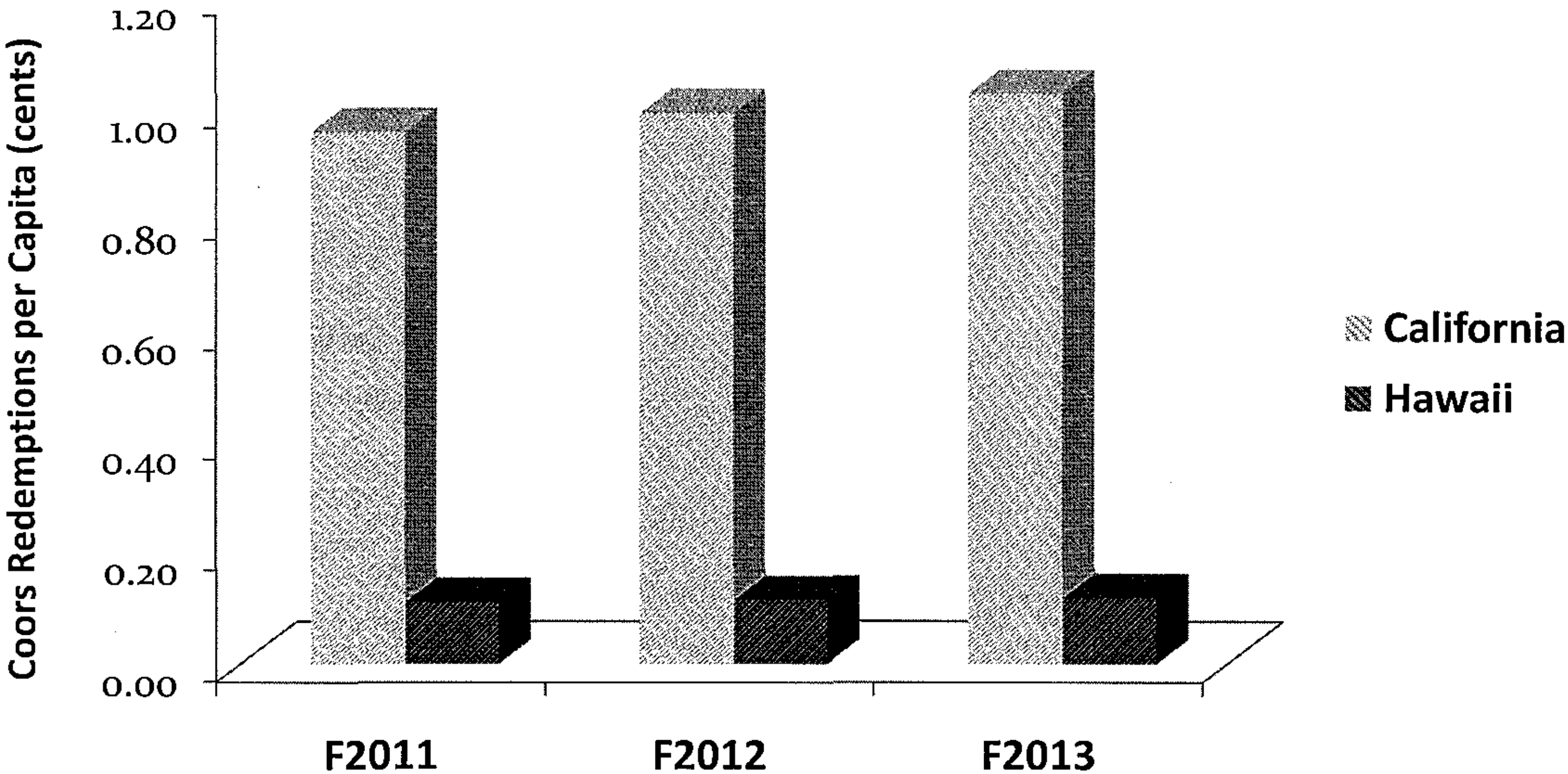
Local value from Coors coupons looks bleak in the coming years*



The status quo will ensure that consumers receive <u>9x less value</u> from Coors coupons compared to Californians

* Assuming an annual increase in MIR expenditures of 3.5% from 2011-2013

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HI should receive <u>at least</u> as much value per capita from MIR coupon redemptions as CA

- MillerCoors and other food and beverage companies will invest in Hawaii given the right environment
- MillerCoors should redeem MIRs in HI at the same rate as in CA
  - More MIR redemptions means more cost savings for HI consumers (see MillerCoors table on next slide)
- The effects would be even more dramatic when applied to all food and beverage…

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With legislative change, forecasts predict 2011 can bring increased MIR value to Hawaiian consumers

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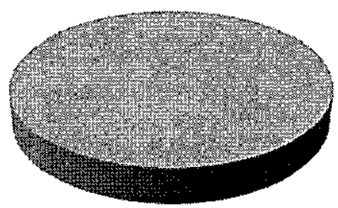
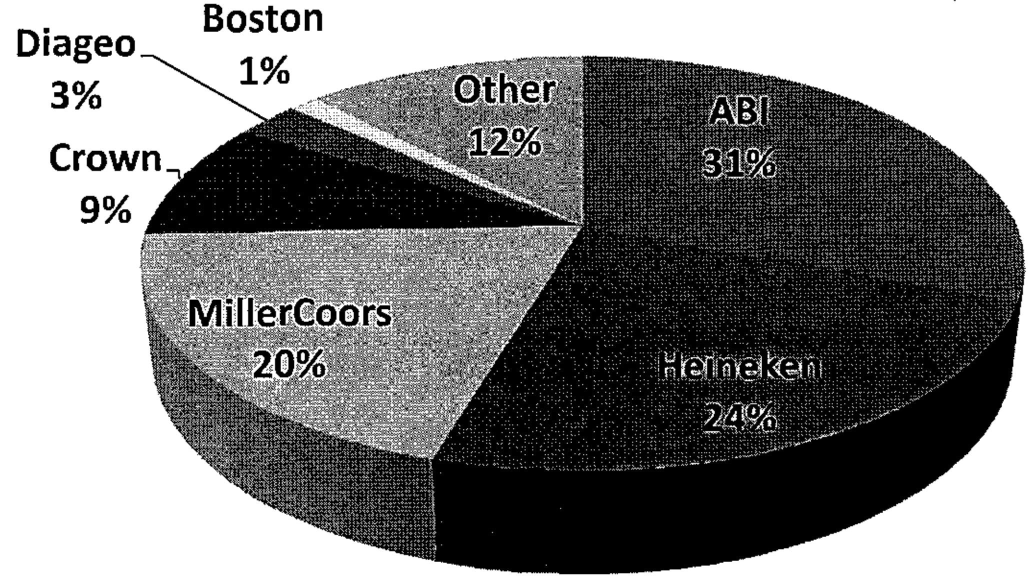


All Malt Beverages



MillerCoors Redemptions	
2011 status quo [1]	2011 w/changes [2]
$1,455	$18,297

Total Coupon Redemptions	
2011 status quo [1]	2011 w/changes [2]
$7,275	$91,485

1 Hawaii MIR redemptions at the forecasted status quo rate of 0.11 cents per capita
2 Hawaii MIR redemptions at the California rate of 1.39 cents per capita
2008-2010 coupon redemption data from TriStar, The Nielsen Company 52 weeks ending 1/1/2011

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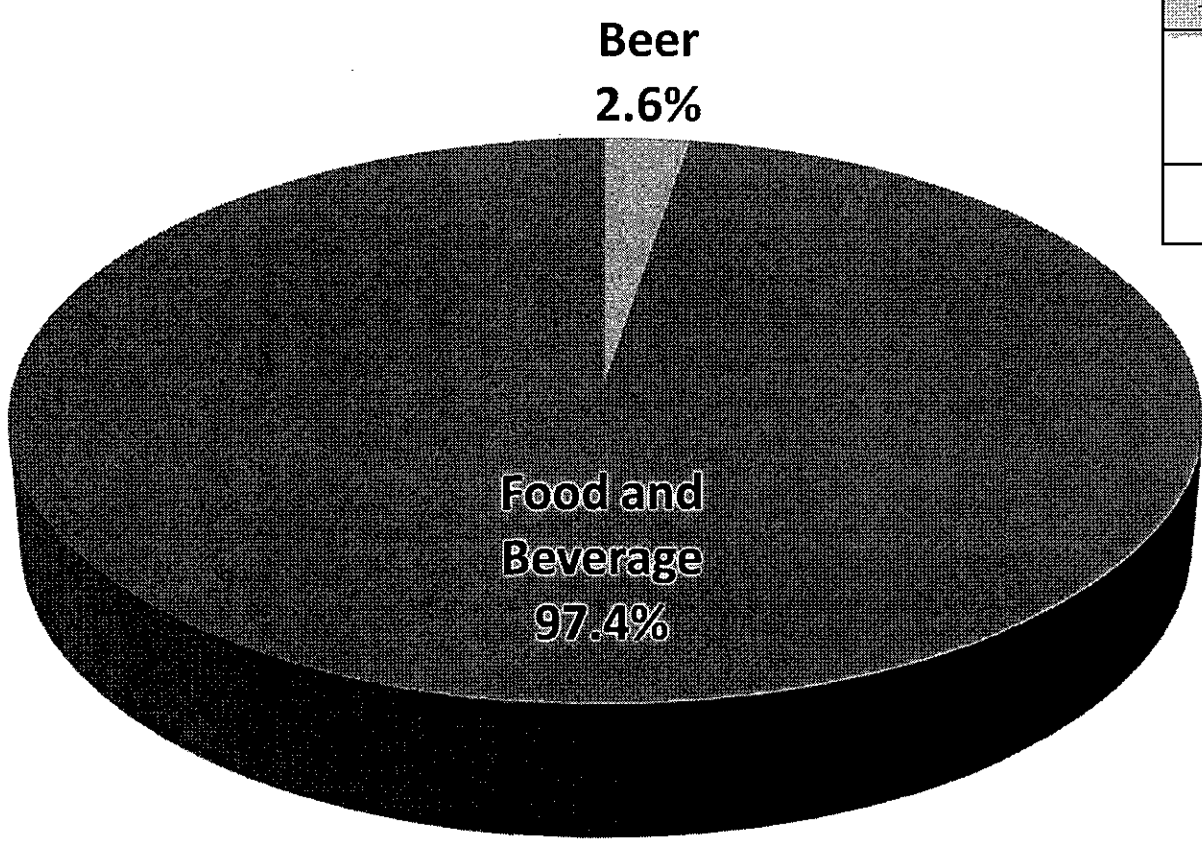
Enormous consumer value once extended across all Food and Beverage in Hawaii



Total Coupon Redemptions	
2011 status quo [1]	2011 w/changes [2]
$279,808	$3,518,654

1 Hawaii total food and beverage MIR redemptions at the forecasted status quo rate of 0.11 cents per capita
2 Hawaii total food and beverage MIR redemptions at the California rate of 1.39 cents per capita
The Nielsen Company total U.S. Food & Beverage 52 weeks ending 12/25/2010

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Suggested change to Hawaii Revised Statutes Sec 281

Notwithstanding any other provision of this chapter, it shall be lawful for any person acting as agent or representative of a non resident principal or for any licensee directly or indirectly or though any subsidiary or affiliate, to provide a discount to the consumer, either in the form of a coupon redeemed through a retail licensee or through a mail-in rebate and proof of purchase the consumer sends to the licensee or its agent or representative, when purchasing both intoxicating liquor and other merchandise.

i.e. Cross-Merchandise, purchase necessary

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Legislative change means:

Increased Revenue to Retailers

Increased Tax Revenue to Hawaii

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Research indicates as redemptions grow, so do basket size and tax revenue

- In-store couponing can increase basket size by 14% [1]
  - $1.00 in-store coupon increases sales by $7.68 [1]
- Cross-merchandise coupons are redeemed at 5x the rate of traditional coupons [2]
- 70% of all purchasing decisions made in store [1]

[1] Carrie M. Heilman, Kent Nakamoto, Ambar G. Rao. "Pleasant Surprises: Consumer Response to Unexpected In-Store Coupons." *Journal of Marketing Research.* Volume XXXIX. Issue (May 2002): 242-252. Print.

[2] Christophe Collard, Michael Pustay, Christophe Roquilly, Asghar Zardkoohi. "Competitive Cross-Couponing: A Comparison of French and U.S. Perspectives." *Journal of Public Policy & Marketing.* Volume 20(I). Issue (Spring 2001): 64-72. Print.

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Hawaii should change the law to benefit consumers and bring more value to the state

- A 10% sales increase in the malt beverage category would mean:

  $16.2 million increased revenue to local retailers over 3 years

  $649,000 increased general excise tax revenue to Hawaii over 3 years

Based on The Nielsen Company Oahu malt beverage sales for 52 weeks ending 1/1/2011

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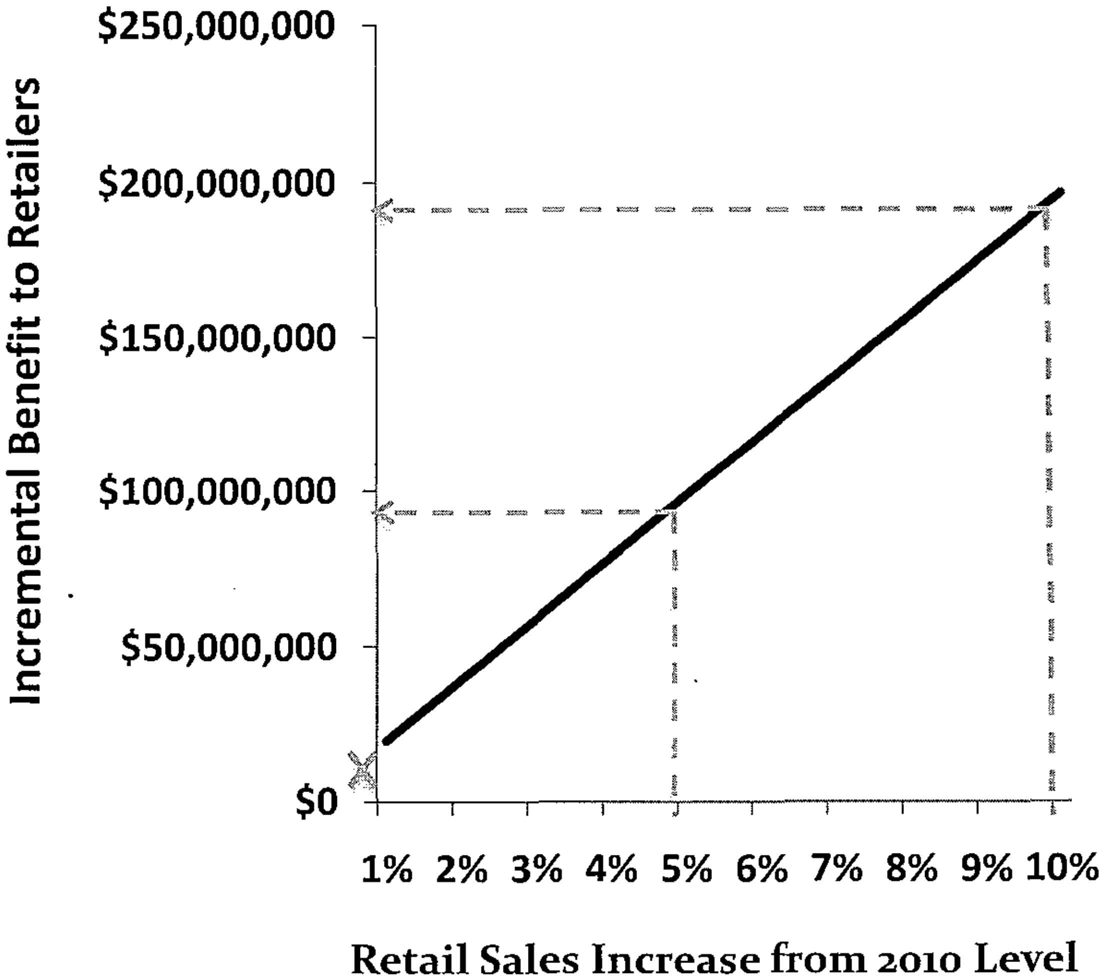
New coupon law will increase food & beverage sales by up to 10%, which leads to $197 million more for retailers



Incremental Benefit			
	10%	5%	1%
Retailer	$196.8 M	$98.3 M	$19.7 M
State Tax	$7.9 M	$3.9 M	$0.8 M

Based on The Nielsen Company Oahu malt beverage sales for 52 weeks ending 1/1/2011

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The legislative change ensures that previous opportunity cost now becomes value for Hawaii

- Increased value to Hawaii Consumers, up to

  $3.5 Million

- Increased revenue to Hawaii Retailers, up to

  $197 Million

- Increased tax revenue to Hawaii, up to

  $7.9 Million

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Data References

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Monday, March 14, 2011

TO: COMMITTEE : CPN

Senator Rosalyn Baker, Chair

Senator Brian Taniguchi, Vice Chair

Senator Brickwood Galuteria

Senator Josh Green

Senator Clarence Nishihara

Senator Malama Solomon

Senator Sam Slom

RE: HB 840; HD1

As one who works in Hawaii's alcohol beverage industry, I am opposed to the couponing portion HB840 and ask that it be removed from the bill. Here is the reason it should be removed:

Background – The alcohol industry is heavily regulated at both federal and state levels because of what happened long ago. As a result, many laws are in place to prevent manufacturers and distributers from financially inducing retailers. In other words, it is illegal in our industry, at both the federal and state level, for manufacturers and distributers to provide any kind of financial inducements to the retailers.

Couponing in the alcohol industry gives manufacturers and distributers a loophole to providing financial inducements to retailers. In my experience in the consumer goods industry, there are many stories of abuse where the retailer collects unused coupons and redeems it to the manufacturer for cash.

In the alcohol industry, this is prone to a different kind of abuse. It becomes a tool that gives manufacturers and distributers the ability to provide financial inducements to select retailers. This is not only illegal but discriminatory as well. For example, a manufacturer would give coupons to a favored retailer. The retailer would hold on to the coupons and later redeem it to the manufacturer for cash. This is no different than a cash payment from manufacturer to retailer and is in violation of Federal and State laws governing the alcohol industry.

Sincerely

Jonathan "Tuni" Aheong

Maui Warehouse Supervisor

Anheuser-Busch Sales of Hawaii

Activism | Victim Services | Education™

Mothers Against Drunk Driving HAWAII
745 Fort Street, Suite 303
Honolulu, HI 96813
Phone (808) 532-6232
Fax (808) 532-6004
www.maddhawaii.com

March 15, 2011

To: Senator Rosalyn Baker, Chair, Senate Committee on Commerce & Consumer Protection; Senator Brian Taniguchi, Vice Chair; and members of the Committee

From: Carol McNamee, Public Policy Chairman – MADD Hawaii

Re: House Bill 840, HD1 – Relating to Liquor

I am Carol McNamee, founder and current Vice Chair of Public Policy for MADD Hawaii. I am testifying on behalf of the membership of MADD Hawaii in strong support of HB 840, HD1 – relating to liquor. This bill proposes increases in the tax on alcoholic beverages as a means of promoting safety and health.

Alcohol is a major contributor to an array of economic costs and social problems in the United States. These include lost productivity, health-care expenditures, motor vehicle crashes, fetal deformities, spousal and child abuse, violence, crime, accidental falls, fires, drownings and suicides. *(Center for Science in the Public Interest)*

Over 105,000 Americans die each year from alcohol-related causes. According to the National Institute on Alcohol Abuse and Alcoholism, the economic costs to the nation exceed $185 billion in emergency and long-term medical expenses, lost productivity, and crime and property damage as well as police and court costs. Hawaii shares in this enormous human and financial cost of alcohol-related problems. It is estimated that alcohol-related crashes *alone* result in a $400,000,000 cost to our State.

Adjusting state tax rates makes sense because states and localities bear most of the burden of alcohol-related problems in costs associated with law enforcement, emergency medical services, health care, homeless services, etc Alcohol is a discretionary item, not a necessity. Increasing taxes on alcohol is more equitable than increasing gasoline or general sales taxes.

Some will argue that raising the price of alcohol will penalize the majority of responsible drinkers. However, the vast majority of Americans do not drink or drink small amounts and infrequently. Therefore, most people would feel almost no impact from a raise in alcohol taxes. (*Drinking in America*; U.S. Department of Justice) Rather, increases in alcoholic-beverage excise taxes would primarily be felt by those who drink heavily.

Over the years, State revenues across the country have declined significantly in terms of real dollars, costing states millions of dollars per year in lost potential revenues. Once a significant source of revenue for most states, alcohol taxes now contribute much less. Alcohol taxes in the

Peggy Mierzwa

From: Jill Shiroma [petitjs@aol.com]
Sent: Monday, March 14, 2011 1:26 PM
To: CPN Testimony
Subject: Alcohol Tax Hearing

Elected Officials,

On behalf of all the small fine wine retailers, please vote against raising taxes on alcohol. The fate of our small business will be in jeopardy to survive. Please understand our retail focus is mainly fine wine, high end spirits, and specialty beers. To increase taxes on products that we retail at a higher price point all ready will put our business into a serious situation to compete in a all ready competitive market. Please help keep our small business in business and vote against the increase in alcohol taxes.

Sincerely,
Jill Shiroma
Owner of SWAM: Shiroma's Wine and More

Email: info@swamwine.com
Phone: (808) 487-7926
Address: 98-1277 Kaahumanu Street
Aiea, HI 96701

Sent from my iPhone

Peggy Mierzwa

From: Duane Miyashiro [dmiyashiro@youngsmarket.com]
Sent: Saturday, March 12, 2011 10:04 AM
To: CPN Testimony
Subject: Fwd: HB 840, HD1 Relating to Liquor

Duane Miyashiro
Better Brands Express
Store Manager
650 Iwilei Road Suite #175
Dmiyashiro@youngsmarket.com
(808) 347-6318 cell
(808) 531-9840 office

>>> Duane Miyashiro 3/12/2011 8:48 AM >>>
Aloha Senator,

My name is Duane Miyashiro and I am the Manager of Better Brands Express Store in Honolulu. Better Brands is a liquor wholesaler authorized to distribute liquor to various licensed retail stores and restaurants in the state of Hawaii. I am testifying in opposition to HB 840, HD1, "Relating to Liquor."

Retailers, restaurant and small business owners continue to struggle from the effects of the recent economic recession. Increasing taxes on liquor will create an additional financial burden on these same entities making it difficult for them to stay in business. This in turn will contribute to an increased number of people unemployed in the state of Hawaii, destroying our tax base and reducing the amount of taxes being collected.

Not only does increased alcohol taxes contribute to job loss, it will unfairly burden and penalize all consumers of alcoholic beverages because of the actions of a relatively small number of drinkers.

I respectfully ask for your consideration in negating this bill. Thank you for the opportunity to testify on this matter.
Sincerely,

Duane Miyashiro
Better Brands Express
Store Manager
650 Iwilei Road Suite #175
Dmiyashiro@youngsmarket.com
(808) 347-6318 cell
(808) 531-9840 office

Peggy Mierzwa

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 12, 2011 6:43 PM
To: CPN Testimony
Cc: mmiyahira@southernwine.com
Subject: Testimony for HB840 on 3/15/2011 9:00:00 AM

Testimony for CPN 3/15/2011 9:00:00 AM HB840

Conference room: 229
Testifier position: oppose
Testifier will be present: No
Submitted by: Mark Miyahira
Organization: Individual
Address:
Phone:
E-mail: mmiyahira@southernwine.com
Submitted on: 3/12/2011

Comments:
I have been a salesperson in and around the Waikiki and Honolulu area for the past 19 years. I have also seen the ups and downs of the wine industry during this time and I can honestly say that we are on a low point. I believe that we will not have increased sales when prices go up. We are already having increases in shipping. Now with the tragedy in Japan, I believe that the tourist from there are less likely to travel as traditionally Japanese people don't celebrate while they mourn. Let us not compound the decreases in sales with increases in taxes. Please consider this before passing any new taxes.
Thank You

Peggy Mierzwa

From: Thrift, Mark [mthrift@southernwine.com]
Sent: Friday, March 11, 2011 4:13 PM
To: CPN Testimony
Subject: HB 840 - OPPOSE

Dear Members,

I have written before in opposition to HB 840 and I do have a vested interest in the bill since I have worked in the Beverage Alcohol industry my entire adult life. But this is not the major reason I am opposed to the bill, I am strongly oppose targeted legislation, in this case against a minority of us who choose to use a consumer product and are singled out for higher, if not the highest taxes in America when we have a beer, glass of wine or an occasional cocktail. I understand you are only going to raise an additional $8 million through this unfair tax which is not a significant amount against the gap you are attempting to fill.
If you are set on closing the budget gap and feel you can only do it through higher taxes then choose consumer products that more people use like eggs, milk and bread.

Mark Thrift
2333 Kapiolani Blvd.
Apt. 3101
Honolulu, HI 96826
(808) 222-0088

Peggy Mierzwa

From: Aline Tran [aline.l.tran@gmail.com]
Sent: Sunday, March 13, 2011 10:35 AM
To: CPN Testimony
Subject: HB 840

HB 840
March 15 at 9:00 am
State Capitol, room 229.

I am greatly opposed to the tax hike on alcoholic beverages. Hawaii's restaurants and bars, small, medium, large, well-known, or neighborhood eateries, absolutely do not make enough profit from food alone when one factors in the numerous fixed costs it takes to operate a bar or restaurant. Most of the profit earned actually comes from the sale of alcohol, and even then, Hawaii's alcoholic drink prices are so high, that in our current times, a person has limited themselves to one or two drinks. By raising the alcohol tax, all these businesses that rely on higher profit margins from alcohol to offset the low profit margins from food will have to resort to cost-saving measures. Since they can't turn off the electricity, lower the rent, and not pay for water...the first thing restaurants and bars will do is cut jobs - Hawaii's economy is in a rut. It's mostly fueled tourism, retail, entertainment, and food - all these industries will be greatly affected by the alcohol tax hike. If a tourist has to spend more to buy a drink, this tourist will either not buy the drink or will not buy something else (say, a shirt). Either way, someone is losing and in these hard times to raise money, businesses will close and if building owners can't rent out their property, then they will most likely sell the property, which will get bought out by large investment firms - Hawaii will slowly lose all that makes it unique as commercial buyouts become rampant entries for non-local companies.

I currently live in Utah and everyone I talk to say how much they would love to come to Hawaii but never do because they say it is too expensive. Making it more expensive isn't going to help anyone. You want to save money, decrease spending and get a grip on corruption and have more transparency but hiking up an already high alcohol tax is not the way to bring in money to the state because at that point, no one will be drinking as much, businesses will make less money, and everyone loses.

Peggy Mierzwa

From: Melody Yurth [myurth@youngsmarket.com]
Sent: Sunday, March 13, 2011 9:08 PM
To: CPN Testimony
Cc: George Szigeti; Mark Milton
Subject: HB840, March 15, 2011 Hearing, 9am

Dear Senators and Committee members;

I am employed by Better Brands, a Wine and Spirit distributor who has been in business in Hawaii since 1947. We have warehouses and offices on Oahu, Maui, Kauai and the Big Island, as well as 2 express stores for the small independent accounts to purchase their goods from.

Like many wine, spirit and beer distributors in Hawaii, we annually support many charities to include Hawaii Foodbank, University of Hawaii, HCC Culinary programs and many, many others. Our employees are encouraged to support our community when possible.

We have recently added 15 positions to better serve our customers and with hopes that the economy will slowly recover. We were experiencing more conventions returning, tourism improving and locals treating themselves to a nice dinner. A tax increase on alcoholic beverages will hamper any positive correction in this industry. Results will lead to loss of jobs in every segment that touches alcohol sales to include hotels, restaurants, all retail stores, freight forwarders, Matson, Young's Brothers, UPS, FedEx, local wine and spirit producers and the employees of all of the distributors in Hawaii.

The tragic tsunami in Japan will affect Hawaii's economy immensely. We depend on the Japanese nationals to frequent our islands. Increasing the tax on alcohol beverages at this time will enhance our potential loss of tax revenues we currently have.

I have lived here all of my life and have never seen the number of homeless individuals living in tents, in their cars, at the beaches and parks, under the freeways and on benches. We have made it difficult for the average resident to survive in Hawaii. Increasing taxes is not a solution.

We need to stop these tax hikes and figure out how to increase our revenue through other ways and means. We use to thrive in the pineapple and sugar industry....that has gone. Why can't we utilize our best feature...TOURISM! We're a highly desired resort destination. We need to build things to encourage the tourist to return. Casinos are frowned upon by the political figures but maybe it is a solution. I would rather us build a casino or two to bring back some revenue to our islands and increase job opportunities.

I OPPOSE HB840 and hope you will take my statement into consideration.

Sincerely,
Melody Yurth

Melody Yurth
VP/Sales Manager - Chain/Off Premise
94-501 Kau St., Waipahu, HI 96797
Cell: 306-3770, Office: 676-6164, Fax: 676-6195

Peggy Mierzwa

From: Natalya Spotkaeff [nspotkae@youngsmarket.com]
Sent: Monday, March 14, 2011 9:56 AM
To: CPN Testimony
Subject: HB 840

To whom it may concern:

My name is Natalya Spotkaeff and I am an Account Executive at Better Brands. Better Brands is the number 2 wine and spirits distribution center in the state of Hawaii. As an employee, I am very opposed to the passing of HB 840, HD1, "Relating to Liquor."

Passing this bill will only enhance the already poor economic situation that the state of Hawaii is currently in. There are so many businesses that are barely surviving and this bill will definitely cause them to lose their business. Why does the government continue to discourage and make it difficult for small businesses to prosper in the state of Hawaii? If these small restaurants and bars are defeated by this tax bill, then others such as suppliers and vendors will also be affected creating a snowball effect of minimal sales, lose wages and job cuts.

There are other ways that the state of Hawaii could generate income, such as increases our sales tax, getting tougher on foreign businesses etc.

Please consider voting no on this bill.

Sincerely,
Natalya Spotkaeff

HEALTHY MOTHERS HEALTHY B·A·B·I·E·S
COALITION OF HAWAII

DATE: March 14, 2011

TO: Committee on Commerce and Consumer Protection
Senator Rosalyn Baker, Chair
Senator Brian Taniguchi, Vice Chair

FROM: Jackie Berry, Executive Director

Hearing: Tuesday, March 15, 2011, 9:00 a.m., Room 229

RE: **HB 840 HD1 - Liquor; Discounts**

Testimony in Strong Support

Chair Baker, Vice Chair Taniguchi and members of the Committee on Commerce and Consumer Protection:

Healthy Mothers Healthy Babies (HMHB) is a statewide coalition of public and private agencies, and individuals committed to the improvement of maternal and infant health status in Hawaii through education, coordination and advocacy. **HMHB is testifying today in strong support of HB 840, HD1 Liquor; Discounts. This bill promotes safety and health in Hawaii through increases in the liquor tax.**

Consumption of alcohol, particularly during pregnancy, results in serious health issues. Given the shortage of funding available to support programs which deal with the effects of alcohol consumption or to support prevention programs that educate the public about the effects of alcohol consumption, it is an excellent idea to increase the tax on liquor and apply a portion of that increase to alcohol prevention programs. For example, Fetal Alcohol Syndrome is the leading cause of mental retardation in this country and is completely preventable if women do not drink while pregnant.

We would also ask that a penny of the increase taxes be designated to The Path Clinic. The Path Clinic is the only comprehensive prenatal addiction clinic in Hawaii. The population of women served are known to have a 4-5 times greater risk for costly preterm and low birth weight deliveries. The birth outcomes for women served at the Clinic have far exceeded expectations. Their preterm and low birth weight rates are comparable to the average rates for women statewide. This is remarkable given the risk level of this population: 98% lived below the poverty level; 57% had lost custody of a previous child; 34% had histories of incarceration; and 31% were homeless at some point during their pregnancy.

845 22nd Avenue, Honolulu, Hawaii 96816
Phone # (808) 737-5805
E-mail: jackieb@hmhb-hawaii.org website: www.hmhb-hawaii.org

While not a substance abuse treatment program, over 90% of mothers significantly reduced substance use with 81% becoming abstinent. 95% of mothers maintained custody of their infants at 10 weeks and the repeat pregnancy rates was very low.

Alcohol like tobacco is a legal drug, but a drug none the less, and should be considered a "luxury" item for taxing purposes. The penny from this tax to the Path Clinic would ensure that high-risk babies will begin life safe and healthy, and their mothers much better prepared and capable of properly caring for them. All babies in Hawaii deserve no less.

We urge you to support HB 840, HD1 and pass this measure.

Mahalo for your consideration of this bill and our testimony.

845 22nd Avenue, Honolulu, Hawaii 96816
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E-mail: jackieb@hmhb-hawaii.org website: www.hmhb-hawaii.org

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TO: Senator Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection
Hawaii State Capitol, Room 230

Via Email: CPNTestimony@Capitol.hawaii.gov

FROM: Mihoko E. Ito

DATE: March 14, 2011

RE: **H.B. 840, H.D. 1 – Relating to Liquor**
Hearing: Tuesday, March 15, 2011 at 9:00 a.m., Room 229

Dear Senator Baker and Members of the Committee on Commerce and Consumer Protection:

I am Mihoko Ito, submitting comments on behalf of the Distilled Spirits Council of the United States ("DISCUS"). DISCUS is a national trade association representing producers and marketers of distilled spirits sold in the United States.

DISCUS **opposes** H.B. 840, H.D. 1, which increases liquor tax rates. This bill also reduces the liquor tax rate on the first sixty thousand barrels produced in small breweries or brewpubs and makes it lawful to provide a discount for liquor purchases through coupons or mail-in rebates when made in combination with other merchandise.

We strongly oppose Part I of the bill, which proposes a 20% increase to the liquor gallonage tax assessed on liquor including distilled spirits. Distilled spirits are among the most heavily taxed consumer products in the United States. In Hawai'i, they are already assessed substantial taxes and fees which are significant compared to other states. For a typical bottle of distilled spirits sold in Hawai'i, 25% of the retail price goes to pay State and local taxes and fees. When factoring in federal taxes and other fees, 51% of the purchase price of each bottle of distilled spirits goes toward such taxes and fees.

Liquor tax increases drive down retail sales as consumers react to higher prices. This, in turn, negatively impacts many other industries critical to our economy, such as hospitality, tourism, and dining. At a time when Hawaii's economy, including local businesses and consumers, is still recovering from the recession, increasing liquor taxes will impact consumer spending.

Higher tax rates are estimated to decrease retail spirits sales by $5.4 million. Including beer and wine, the estimated decrease in retail sales would total over $12 million.

Increasing the liquor gallonage tax rates would significantly increase costs for anyone that enjoys a cocktail, beer or glass of wine. Whether in the form of higher prices or job losses, an excessive liquor tax is counterproductive and will impact low to middle income taxpayers most. The tax increases proposed in this bill would hurt, not help, Hawai'i's economy.

While we support the intent of Part III of the bill as a creative marketing tool, it does nothing to soften the foregoing negative impacts of Part I, especially concerning reduction in tax revenue to the state and loss of retail sales. We take no position on Part II of the bill at this time.

For the reasons stated above, we respectfully ask that you hold H.B. 840, H.D. 1. Thank you for the opportunity to testify.

Dear Elected Official,

My husband and I own a small grocery store in west Maui and we feel this tax could severely impact our business in a negative manner. It is hard enough for the small business owner to compete with the larger corporations, and raising the alcohol tax could make it very difficult for us to sustain our business. If this tax goes through, we will potentially have to lay off one, if not all of our employees. There needs to be a better solution to this tax as it could really impact the way visitors spend their dollars on island. Futhermore, it could prevent visitors from returning again. Times have been tough enough with the economic downturn. We love our business, our employees and our patrons, please vote no to this tax. Please consider an alternative to this tax!!!

Sincerly yours,

Tracey Novy

President

Tradewinds Kahana Grocery, Inc.

4310 L. Honoapiilani Rd. #107

Lahaina, HI 96761

Peggy Mierzwa

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 14, 2011 2:47 PM
To: CPN Testimony
Cc: jyoshikane@netscape.net
Subject: Testimony for HB840 on 3/15/2011 9:00:00 AM

Testimony for CPN 3/15/2011 9:00:00 AM HB840

Conference room: 229
Testifier position: oppose
Testifier will be present: No
Submitted by: Jerry Yoshikane
Organization: Individual
Address:
Phone:
E-mail: jyoshikane@netscape.net
Submitted on: 3/14/2011

Comments:
I oppose the tax as well as any type of coupon use.
Thank you.

Testimony for CPN 3/15/2011 9:00:00 AM HB840

Conference room: 229
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Tony Campus
Organization: Individual
Address:
Phone:
E-mail: tony.campus@anheuser-busch.com
Submitted on: 3/14/2011

Comments:
Please Oppose this bill.
Thank you!!!

Testimony for CPN 3/15/2011 9:00:00 AM HB840

Conference room: 229
Testifier position: oppose
Testifier will be present: No
Submitted by: Matthew Goto
Organization: Individual
Address:
Phone:
E-mail: mgoto@southernwine.com
Submitted on: 3/14/2011

Comments: