

JAN 25 2012

A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that a report by Cook and
2 Tauchen (1982) analyzed annual state-level cirrhosis mortality
3 rates for states that licensed the sale of alcoholic beverages
4 from 1962 through 1977. The investigators concluded that
5 increases in the excise taxes on distilled spirits would
6 significantly reduce deaths from liver cirrhosis. For example,
7 a \$1 increase in the distilled spirits tax was estimated to
8 lower cirrhosis death rates by 5.4 to 10.8 per cent. Thus, the
9 study contradicted the then-conventional wisdom that heavy,
10 addictive alcohol consumption was unresponsive to price.

11 The legislature also finds that the conclusion reached in
12 1982 by Cook and Tauchen was confirmed by Grossman (1993) using
13 the Becker-Murphy model of addiction to heavy alcohol
14 consumption as reflected by the cirrhosis mortality rate. Using
15 data for all states for the period from 1961 through 1984,
16 Grossman concluded that long-term heavy consumption is
17 responsive to price. For example, it was estimated that a 10
18 per cent increase in the price of alcohol would reduce cirrhosis



1 mortality by 8.3 to 12.8 per cent after the levels of heavy
2 drinking have fully adjusted to the price change in future
3 years. This adjustment would extend over many years because due
4 to the addictive nature of heavy drinking, and a price increase
5 in one year would reduce drinking not only in that year of
6 enactment but also in all future years.

7 Chesson and colleagues (2000) focused on sexually
8 transmitted disease rates in an analysis of all states for the
9 years 1981 to 1995. After controlling for state and year
10 effects, the investigators concluded that a \$1 increase in the
11 per-gallon liquor tax can reduce gonorrhoea rates by 2.1 per
12 cent; furthermore, a beer tax increase of 20 cents per six-pack
13 can reduce gonorrhoea rates by 8.9 per cent. Similar or even
14 somewhat larger effects of liquor and beer taxes were found for
15 syphilis rates.

16 Higher state tax rates on beer, the most popular alcoholic
17 beverage among youths and young adults, are associated with
18 lower gonorrhoea incidence rates for males ages fifteen to
19 twenty-four. These higher taxes are also associated with lower
20 rates of acquired immune deficiency syndrome for males ages
21 twenty to twenty-nine. Zero tolerance laws, which typically set
22 the maximum blood alcohol percentage at 0.02 for underage



1 drinkers, reduce gonorrhoea rates among fifteen- to nineteen-
2 year-old boys.

3 The purpose of this Act is to:

4 (1) Repeal the excise tax exclusion for dealers who hold a
5 permit to sell liquor;

6 (2) Repeal the use tax exclusion on intoxicating liquor;
7 and

8 (3) Increase the gallonage liquor taxes and designate
9 revenues from those taxes to be paid to the community
10 health centers special fund established under section
11 321-1.65, Hawaii Revised Statutes, and the trauma
12 system special fund established under section
13 321-22.5, Hawaii Revised Statutes.

14 SECTION 2. Section 237-24, Hawaii Revised Statutes, is
15 amended to read as follows:

16 **"§237-24 Amounts not taxable.** This chapter shall not
17 apply to the following amounts:

18 (1) Amounts received under life insurance policies and
19 contracts paid by reason of the death of the insured;

20 (2) Amounts received (other than amounts paid by reason of
21 death of the insured) under life insurance, endowment,



1 or annuity contracts, either during the term or at
2 maturity or upon surrender of the contract;

3 (3) Amounts received under any accident insurance or
4 health insurance policy or contract or under workers'
5 compensation acts or employers' liability acts, as
6 compensation for personal injuries, death, or
7 sickness, including also the amount of any damages or
8 other compensation received, whether as a result of
9 action or by private agreement between the parties on
10 account of the personal injuries, death, or sickness;

11 (4) The value of all property of every kind and sort
12 acquired by gift, bequest, or devise, and the value of
13 all property acquired by descent or inheritance;

14 (5) Amounts received by any person as compensatory damages
15 for any tort injury to the person, or to the person's
16 character reputation, or received as compensatory
17 damages for any tort injury to or destruction of
18 property, whether as the result of action or by
19 private agreement between the parties (provided that
20 amounts received as punitive damages for tort injury
21 or breach of contract injury shall be included in
22 gross income);



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- 1 (6) Amounts received as salaries or wages for services
- 2 rendered by an employee to an employer;
- 3 (7) Amounts received as alimony and other similar payments
- 4 and settlements;
- 5 (8) Amounts collected by distributors as fuel taxes on
- 6 "liquid fuel" imposed by chapter 243, and the amounts
- 7 collected by such distributors as a fuel tax imposed
- 8 by any Act of the Congress of the United States;
- 9 ~~[(9) Taxes on liquor imposed by chapter 244D on dealers~~
- 10 ~~holding permits under that chapter;~~
- 11 ~~+(10)]~~ (9) The amounts of taxes on cigarettes and tobacco
- 12 products imposed by chapter 245 on wholesalers or
- 13 dealers holding licenses under that chapter and
- 14 selling the products at wholesale;
- 15 ~~+(11)]~~ (10) Federal excise taxes imposed on articles sold at
- 16 retail and collected from the purchasers thereof and
- 17 paid to the federal government by the retailer;
- 18 ~~+(12)]~~ (11) The amounts of federal taxes under chapter 37 of
- 19 the Internal Revenue Code, or similar federal taxes,
- 20 imposed on sugar manufactured in the State, paid by
- 21 the manufacturer to the federal government;



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1 [~~(13)~~] (12) An amount up to, but not in excess of, \$2,000 a
2 year of gross income received by any blind, deaf, or
3 totally disabled person engaging, or continuing, in
4 any business, trade, activity, occupation, or calling
5 within the State; a corporation all of whose
6 outstanding shares are owned by an individual or
7 individuals who are blind, deaf, or totally disabled;
8 a general, limited, or limited liability partnership,
9 all of whose partners are blind, deaf, or totally
10 disabled; or a limited liability company, all of whose
11 members are blind, deaf, or totally disabled;

12 [~~(14)~~] (13) Amounts received by a producer of sugarcane from
13 the manufacturer to whom the producer sells the
14 sugarcane, where:

15 (A) The producer is an independent cane farmer, so
16 classed by the Secretary of Agriculture under the
17 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
18 the Act may be amended or supplemented;

19 (B) The value or gross proceeds of the sale of the
20 sugar, and other products manufactured from the
21 sugarcane, are included in the measure of the tax



1 levied on the manufacturer under section
2 237-13(1) or (2);
3 (C) The producer's gross proceeds of sales are
4 dependent upon the actual value of the products
5 manufactured therefrom or the average value of
6 all similar products manufactured by the
7 manufacturer; and
8 (D) The producer's gross proceeds of sales are
9 reduced by reason of the tax on the value or sale
10 of the manufactured products;
11 [~~(15)~~] (14) Money paid by the State or eleemosynary child-
12 placing organizations to foster parents for their care
13 of children in foster homes;
14 [~~(16)~~] (15) Amounts received by a cooperative housing
15 corporation from its shareholders in reimbursement of
16 funds paid by the corporation for lease rental, real
17 property taxes, and other expenses of operating and
18 maintaining the cooperative land and improvements;
19 provided that the cooperative corporation is a
20 corporation:
21 (A) Having one and only one class of stock
22 outstanding;



1 (B) Each of the stockholders of which is entitled
 2 solely by reason of the stockholder's ownership
 3 of stock in the corporation, to occupy for
 4 dwelling purposes a house, or an apartment in a
 5 building owned or leased by the corporation; and

6 (C) No stockholder of which is entitled (either
 7 conditionally or unconditionally) to receive any
 8 distribution not out of earnings and profits of
 9 the corporation except in a complete or partial
 10 liquidation of the corporation; and

11 ~~[(17)]~~ (16) Amounts received by a managed care support
 12 contractor of the TRICARE program that is established
 13 under Title 10 United States Code chapter 55, as
 14 amended, for the actual cost or advancement to third
 15 party health care providers pursuant to a contract
 16 with the United States."

17 SECTION 3. Section 238-3, Hawaii Revised Statutes, is
 18 amended by amending subsection (g) to read as follows:

19 "(g) The tax imposed by this chapter shall not apply to
 20 any ~~[intoxicating liquor as defined in chapter 244D and]~~
 21 cigarettes and tobacco products as defined in chapter 245,
 22 imported into the State and sold to any person or common carrier

1 in interstate commerce, whether ocean-going or air, for
2 consumption out-of-state by the person, crew, or passengers on
3 the shipper's vessels or airplanes."

4 SECTION 4. Section 244D-4, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) Every person who sells or uses any liquor in the
7 State not taxable under this chapter, in respect of the
8 transaction by which the person or the person's vendor acquired
9 the liquor, shall pay a gallonage tax which is hereby imposed at
10 the following rates for the various liquor categories defined in
11 section 244D-1:

12 For the period July 1, 1997, to June 30, 1998, the tax rate
13 shall be:

- 14 (1) \$5.92 per wine gallon on distilled spirits;
- 15 (2) \$2.09 per wine gallon on sparkling wine;
- 16 (3) \$1.36 per wine gallon on still wine;
- 17 (4) \$0.84 per wine gallon on cooler beverages;
- 18 (5) \$0.92 per wine gallon on beer other than draft beer;
- 19 (6) \$0.53 per wine gallon on draft beer;

20 ~~On~~ For the period July 1, 1998, ~~[and thereafter,]~~ to
21 June 30, 2012, the tax rate shall be:

- 22 (1) \$5.98 per wine gallon on distilled spirits;



- 1 (2) \$2.12 per wine gallon on sparkling wine;
- 2 (3) \$1.38 per wine gallon on still wine;
- 3 (4) \$0.85 per wine gallon on cooler beverages;
- 4 (5) \$0.93 per wine gallon on beer other than draft beer;
- 5 (6) \$0.54 per wine gallon on draft beer;

6 On July 1, 2012, and thereafter, the tax rate shall be:

- 7 (1) \$ _____ per wine gallon on distilled spirits;
- 8 (2) \$ _____ per wine gallon on sparkling wine;
- 9 (3) \$ _____ per wine gallon on still wine;
- 10 (4) \$ _____ per wine gallon on cooler beverages;
- 11 (5) \$ _____ per wine gallon on beer other than draft beer;
- 12 (6) \$ _____ per wine gallon on draft beer;

13 and at a proportionate rate for any other quantity so sold or
14 used."

15 SECTION 5. Section 244D-17, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"[+]§244D-17[+] Disposition of revenues.** All moneys
 18 collected pursuant to this chapter shall be distributed as
 19 follows, with the excess revenues paid into the state treasury
 20 as state realizations, to be kept and accounted for as provided
 21 by law[-]; provided that:



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1 (1) per cent of the revenues collected under this
 2 chapter shall be deposited into the community health
 3 centers special fund established under section
 4 321-1.65; and

5 (2) per cent of the revenues collected under this
 6 chapter shall be deposited into the trauma system
 7 special fund established under section 321-22.5.

8 SECTION 6. Statutory material to be repealed is bracketed
 9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 2012;
 11 provided that the amendments made by section 3 of this Act to
 12 section 237-24, Hawaii Revised Statutes, shall not be repealed
 13 when section 237-24, Hawaii Revised Statutes, is reenacted on
 14 December 31, 2013, pursuant to section 4 of Act 70, Session Laws
 15 of Hawaii 2009.

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INTRODUCED BY: *Josh M.*
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 [Signature]

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Report Title:

Liquor Tax

Description:

Increases liquor taxes and repeals excise and use tax exemptions on the sale of liquor. Designates a percentage of funds from liquor taxes to go toward the community health centers special fund and the trauma system special fund.

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