

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



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

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

In reply, please refer to:  
File:

**SENATE HEALTH COMMITTEE**

**SB1289, RELATING TO HEALTH**

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.  
Acting Director of Health**

**February 9, 2011; 2:45PM**

1 **Department's Position:** The Department of Health (DOH) strongly supports this measure.

2 **Fiscal Implications:** Defer to the Department of Taxation on the construction of the tax structure and  
3 the potential revenue that will be generated as a result of the fees. It is the intent of the Administration  
4 that a portion of the revenues go to support early childhood development and obesity prevention  
5 programs.

6 **Purpose and Justification:** The purpose of Senate Bill 1289 is to encourage Hawaii citizens to make  
7 healthy decisions relating to the consumption of liquid beverages that are proven harmful to human  
8 health. Specifically the bill seeks to curb the consumption of alcohol by increasing the liquor tax and to  
9 assess a sugary beverage Healthy Hawaii fee on each sugary beverage in the State, in addition to the  
10 beverage container fee administered by the DOH.

11 The DOH respectfully offers amendments to the definitions in Part II Sections 3, 4, 5, and 6.

12 These revisions are based on the most recent research recommendations around taxing sugar sweetened  
13 beverages (see Attachment). The DOH defers to the Department of Taxation on Sections 7 through 11  
14 regarding language involving tax law construction or changes to the tax code. The proposed

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1 penny per ounce. Polling data has demonstrated that the public supports a sugar-sweetened beverage  
2 tax, particularly when the funds are earmarked for specific preventative programming, such as obesity  
3 prevention programs or nutrition programs, or to promote the health of key groups such as children.

4       Research suggests the most effective sugar sweetened beverage tax to be an excise tax (fee per  
5 ounce) of 1 cent per ounce of beverages that have any added caloric sweetener, though higher taxes  
6 would have greater benefits. Benefits of an excise tax include the following facts; consumers see the  
7 increased price at point of purchase; the tax can be imposed at the bottler, distributor, wholesaler, or  
8 importer level, making it easier to collect; the tax does not change if industry reduces prices; the tax will  
9 include syrup used in fountain drinks, and the tax generates a more stable and predictable revenue.

10       Thank you for the opportunity to provide testimony.

11

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1 the following rates for the various liquor categories defined in  
2 section 244D-1:

3 ~~[For the period July 1, 1997, to June 30, 1998, the tax~~  
4 ~~rate shall be:~~

- 5 ~~(1) \$5.92 per wine gallon on distilled spirits;~~
- 6 ~~(2) \$2.09 per wine gallon on sparkling wine;~~
- 7 ~~(3) \$1.36 per wine gallon on still wine;~~
- 8 ~~(4) \$0.84 per wine gallon on cooler beverages;~~
- 9 ~~(5) \$0.92 per wine gallon on beer other than draft beer;~~
- 10 ~~(6) \$0.53 per wine gallon on draft beer;]~~

11 ~~[On July 1, 1998, and thereafter,]~~ For the period July 1,  
12 1998, to June 30, 2011, the tax rate shall be:

- 13 (1) \$5.98 per wine gallon on distilled spirits;
- 14 (2) \$2.12 per wine gallon on sparkling wine;
- 15 (3) \$1.38 per wine gallon on still wine;
- 16 (4) \$0.85 per wine gallon on cooler beverages;
- 17 (5) \$0.93 per wine gallon on beer other than draft beer;
- 18 (6) \$0.54 per wine gallon on draft beer;

19 On July 1, 2011, and thereafter, the tax rate shall be:

- 20 (1) \$8.97 per wine gallon on distilled spirits;
- 21 (2) \$3.18 per wine gallon on sparkling wine;
- 22 (3) \$2.07 per wine gallon on still wine;
- 23 (4) \$1.28 per wine gallon on cooler beverages;
- 24 (5) \$1.40 per wine gallon on beer other than draft beer;

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1 adds calories to the diet of a person who consumes that  
2 substance.

3 "Consumer" means a person who purchases a sugar-sweetened  
4 beverage for consumption and not for sale to another.

5 "Department" means the department of taxation.

6 "Director" means the director of taxation.

7 "Distributor" means any person, including a manufacturer or  
8 wholesale dealer, who receives, stores, manufactures, bottles or  
9 distributes bottled sugar-sweetened beverages, syrup, or powder,  
10 for sale to retailers doing business in the State regardless of  
11 whether that person also sells such products to consumers.

12 "Medically necessary food" means a food which is formulated  
13 to be consumed or administered under the supervision of a  
14 qualified medical provider and which is intended for the  
15 specific dietary management of a disease or health condition for  
16 which distinctive nutritional requirements, based on recognized  
17 scientific principles, are established by medical evaluation.

18 "Non-caloric sweetener" means any non-caloric substance  
19 suitable for human consumption that humans perceive as sweet and  
20 includes aspartame, saccharin, stevia, and sucralose, but does  
21 not include caloric sweeteners. For purposes of this  
22 definition, "non-caloric" means a substance that does not add  
23 calories to the diet of a person who consumes that substance.

1 alcohol per volume. "Sugar-sweetened beverage" does not  
2 include:

3 (1) Beverages sweetened solely with non-caloric  
4 sweeteners;

5 (2) Beverages consisting of one hundred per cent natural  
6 fruit or vegetable juice with no added caloric  
7 sweetener. For purposes of this paragraph, "natural  
8 fruit juice" and "natural vegetable juice" means the  
9 original liquid resulting from the pressing of fruits  
10 or vegetables, or the liquid resulting from the  
11 dilution of dehydrated natural fruit juice or natural  
12 vegetable juice;

13 (3) Milk without any added caloric sweetener, which means:

14 (A) Natural liquid milk regardless of animal source or  
15 butterfat content;

16 (B) Natural milk concentrate, whether or not  
17 reconstituted, regardless of animal source or  
18 butterfat content; or

19 (C) Dehydrated natural milk, whether or not  
20 reconstituted and regardless of animal source or  
21 butterfat content;

22 (4) Coffee or tea without added caloric sweetener;

23 (5) Infant formula; or

1 ~~(b) The sugary beverage Healthy Hawaii fee shall not apply~~  
2 ~~to deposit beverage containers exported for sale outside of the~~  
3 ~~State.~~

4 ~~(c) No county shall impose or collect any assessment or~~  
5 ~~fee on deposit beverage containers for the same or similar~~  
6 ~~purpose in this section.~~

7 ~~(d) Amounts collected under this section shall be for the~~  
8 ~~use of the State and shall be paid into the state treasury at~~  
9 ~~such times as the director of finance shall direct."~~

10 SECTION 4. Section 342C-101, Hawaii Revised Statutes, is  
11 amended by adding a definition of "sugary beverage":

12 ~~"Sugary beverage" means any soda, juice, or other non-~~  
13 ~~alcoholic beverage that is sold in separate deposit beverage~~  
14 ~~containers and the contents of which contain more than per~~  
15 ~~cent sugar, including sweetened water, soda, sports drinks,~~  
16 ~~energy drinks, colas, sweetened coffee or tea, and fruit or~~  
17 ~~vegetable drinks containing less than seventy per cent natural~~  
18 ~~fruit or vegetable juice. Sugary beverage does not include~~  
19 ~~milk, milk products, milk substitutes, nutritional dietary~~  
20 ~~supplements, oral rehydration solutions not marketed as sports~~  
21 ~~or energy drinks, and infant formula."~~

22  
23  
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1           ~~employees or any federal or state taxes for which the~~  
2           ~~professional employment organization is responsible.~~  
3           ~~As used in this paragraph, "professional employment~~  
4           ~~organization", "client company", and "assigned~~  
5           ~~employee" shall have the meanings provided in section~~  
6           ~~373K-1."~~

7           ~~SECTION 6. Section 342G-101, Hawaii Revised Statutes, is~~  
8           ~~amended by amending the definition of "beverage deposit~~  
9           ~~container" to read as follows:~~  
10          ~~"Deposit beverage container" means the individual,~~  
11          ~~separate, sealed glass, polyethylene terephthalate, high density~~  
12          ~~polyethylene, or metal container less than or equal to sixty~~  
13          ~~eight fluid [ounces,] ounces; provided that for purposes of the~~  
14          ~~sugary beverage Healthy Hawaii fee under section 342G, a~~  
15          ~~deposit beverage container is of any size, used for containing,~~  
16          ~~at the time of sale to the consumer, a deposit beverage intended~~  
17          ~~for use or consumption in this State."~~

18          SECTION 7. Section 342G-105, Hawaii Revised Statutes, is  
19          amended to read as follows:

20          "§342G-105 Deposit beverage container inventory report and  
21          payment. (a) Payment of the deposit beverage container fee,  
22          the sugary beverage Healthy Hawaii fee, and deposits as  
23          described in section 342G-110 shall be made monthly based on  
24          inventory reports of the deposit beverage distributors. All

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1 SECTION 9. Section 342G-107, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[+]§342G-107 [+] Management and financial audit. The  
4 auditor shall conduct a management and financial audit of the  
5 [~~program~~] programs under this part for fiscal years 2004-2005  
6 and 2005-2006, and for each fiscal year thereafter ending in an  
7 even-numbered year. The auditor shall submit the audit report,  
8 including the amount of unredeemed refund value and  
9 recommendations, to the legislature and the department no later  
10 than twenty days prior to the convening of [~~the~~] next  
11 regular session. The costs incurred by the auditor for the  
12 audit shall be reimbursed by the deposit beverage container  
13 program special fund. The auditor may contract the audit  
14 services of a third party to conduct the audit."

15 SECTION 10. Section 342G-110, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "[+]§342G-110 [+] Payment and application of deposits.

18 (a) By January 1, 2005, every deposit beverage container sold  
19 in this State shall have a refund value of 5 cents. Each  
20 container shall have the refund value clearly indicated on it as  
21 provided in section 342G-112.

22 (b) The refund value is the amount of the deposit  
23 required. Once a refund value has been applied to a deposit



1 a deposit equal to the refund value for each deposit beverage  
2 container sold in Hawaii. In addition, every deposit beverage  
3 distributor shall charge the dealer or consumer a sugary  
4 beverage Healthy Hawaii fee as provided in section 342G-A. The  
5 deposit charge and sugary beverage Healthy Hawaii fee may appear  
6 as a separate line item on the invoice.

7 (b) Each dealer shall charge the consumer the deposit  
8 beverage container deposit at the point of sale of the beverage,  
9 excluding sales for on-premises consumption. In addition, each  
10 dealer shall charge the consumer a sugary beverage Healthy  
11 Hawaii fee as provided in section 342G-A. The deposit charge  
12 and sugary beverage Healthy Hawaii fee may appear as a separate  
13 line item on the invoice.

14 (c) Each deposit beverage distributor shall generate and  
15 submit to the department a monthly report on the net number of  
16 deposit beverage containers sold, donated, or transferred by  
17 container size and [~~type-~~] type, including the sugar content of  
18 sugary beverages. All information contained in the reports,  
19 including confidential commercial and financial information,  
20 shall be treated as confidential and protected to the extent  
21 allowed by state law.

22 (d) Payment of the deposit beverage container fee and  
23 deposits, in addition to the sugary beverage Healthy Hawaii fee,  
24 as described in section 342G-110 shall be made monthly based on

1 value on each container to the department. The dealer shall  
2 inform customers that the deposits paid prior to January 1,  
3 2005, shall not be redeemable until January 1, 2005."

4 SECTION 12. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 13. This Act shall take effect on July 1, 2011.

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**Report Title:**

Fees and Taxes; Safety and Health

**Description:**

Promotes safety and health in Hawaii through increases in the liquor tax and by assessing a new sugary beverage fee.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

# LATE TESTIMONY

## LATE TESTIMONY

TESTIMONY OF MAR LABRADOR  
VICE PRESIDENT – HORIZON LINES, LLC  
BEFORE THE COMMITTEE ON HEALTH  
ON FEBRUARY 9, 2011  
REGARDING SB1289

Chair Green and members of the committee, I am Mar Labrador, Vice President of Horizon Lines and I am testifying in opposition to SB1289.

My grounds for opposition of this bill is principally based on my great concern that business can not afford to be further impacted by new and higher taxes. And more specifically, locally-owned small business will be the most affected.

This tax will hurt hundreds of local workers in the beverage industry; bottlers/canners, truckers, plant workers, delivery drivers, wholesalers and retailers who already feel the pinch of a weakened economy will see further impact to their already stressed operations.

Thank you for considering my testimony.

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Thank you for considering my testimony.



250 S. Wacker, Suite 800  
Chicago, IL 60606

311 10th St.  
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3939 W. Highland Blvd  
Milwaukee, WI 53208

**LATE  
TESTIMONY**

February 8, 2011

TO: Senator Josh Green, M.D., Chair  
Senator Clarence Nishihara, Vice Chair  
Members, Senate Committee on Health

FR: Lance Hastings, Director of State Government Affairs

RE: SB 1289 - Relating to Alcohol Tax Increase

MillerCoors is in opposition to SB 1289 because of the negative economic impact it will have on consumers, retailers, distributors and brewers in Hawaii. As the attached economic analysis demonstrates, a tax increase on beer will yield negative consequences, including the loss of jobs in the state.

Now is not the time to increase the costs to Hawaii's valued consumers and businesses. Instead, focus should be on restoring economic vitality and creating more jobs.

For these reasons, we oppose SB 1289.

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

**MillerCoors**

**Hawaii Will Pay a High Economic Price To Raise Minimal Revenues From a High Alcohol Tax**

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Currently, the State of Hawaii levies an excise tax on beer equal to \$0.90 per gallon. Now the state is considering increasing beverage alcohol taxes to pay for budget shortfalls resulting from higher state spending. One of these proposals is for an increase of \$13.88 per barrel (\$0.45 per gallon, \$1.01 per case, \$0.25 per 6-pack) on the beer excise tax. Such an increase will harm Hawaii's economy, hurt the state's working poor and raise relatively little in additional revenue.

**A 50.0% increase in the excise tax on beer could result in job, sales and income losses**

Raising beer taxes in Hawaii by 50% will marginally increase revenues, but at a high economic price. It is estimated that the tax increase will result in lost sales of 844,410 cases impacting workers at retail stores, bars, restaurants, hotels, and other venues in the state. It is likely that about 200 retail jobs alone will be lost in the state because of the proposed tax increase.<sup>1</sup>

A \$13.88 per barrel beer tax increase could cost the state of Hawaii \$34.0 million in economic activity due to a decline in sales and the resulting decreased need for raw materials (i.e. corn, hops and malt) and packaging materials (such as glass and aluminum).

If Hawaii were to raise its beer excise tax by 50%, people in the state could lose their jobs. The state could lose up to 400 jobs, especially in the hospitality industry - jobs often held by those new to the workforce.

Lawmakers should not enact job-killing tax increases, especially in these uncertain economic times. With 36,600 people already out of work in the state, now is not a good time to add more people to the unemployment lines.<sup>2</sup>

**A 50.0% increase in the excise tax on beer will raise only minimal revenues**

At the same time, the tax will raise only about \$11.4 million and will result in a net loss of economic activity in the state of close to \$34 million.<sup>3</sup>

	<b>Beer Related Taxes in Hawaii</b>		
	Before Excise Tax Increase	After Excise Tax Increase	Net Change
Excise taxes	\$ 27,948,280	\$ 39,369,831	\$ 11,421,551
Sales taxes	\$ 18,874,647	\$ 18,562,535	\$ (312,112)
Business Taxes	\$ 29,609,588	\$ 27,877,024	\$ (1,732,564)
<b>Total Beer Related Taxes</b>	<b>\$ 76,432,516</b>	<b>\$ 85,809,391</b>	<b>\$ 9,376,875</b>

In fact, the increase in excise taxes will be offset to a great extent by lost sales taxes and a loss in business and personal tax revenues. Once these factors are taken into account, the tax will raise only \$9.4 million – or about \$23,400 for each person thrown out of work.

<sup>1</sup> Based on an economic impact analysis conducted for John Dunham and Associates for the Beer Institute (see: [www.beerservesamerica.com](http://www.beerservesamerica.com)), 2009 and a model developed for MillerCoors by John Dunham and Associates, 2011.

<sup>2</sup> US Department of Labor, Bureau of Labor Statistics. Data for December 2010.

<sup>3</sup> Based on a model developed for MillerCoors by John Dunham and Associates, 2011.

green1 - Karen

**From:** Garrett W. Marrero [g@mauibrewingco.com]  
**Sent:** Tuesday, February 08, 2011 9:46 PM  
**To:** HTHTestimony  
**Subject:** SB 1289 testimony in strong opposition

Garrett  
MARRERO  
TESTIMONY

Aloha, as a small business owner on Maui I stand extremely opposed to the passage of this bill. I am all for supporting initiatives that benefit the health of the public. I particularly am a strong supporter of our community and have been a fiercely local proponent of local agriculture and manufacturing. I cannot however stand by and see measures be passed that would serve to only hurt small business owners that are the backbone of our economy locally. We simply cannot compete and continue to produce locally where we provide residents with jobs, family wages and benefits, while we continue to literally be taxed out of business. With this kind of mentality I promise you will continue to see not only a decrease in revenues but an outward migration of manufacturing and labor. When small businesses close their doors you will simply leave Hawaii and it's people without jobs.

Increasing taxes is not the way to insure health of our kama'aina. We need to be supporting small business and local producers. For these reasons I am strongly opposed to SB1289.

Mahalo for your time.

Garrett W. Marrero  
Maui Brewing Co.  
808.661.6205 office  
808.280.4687 cell

...sent from my iPhone 4





LATE  
TESTIMONY

Maui County Farm Bureau

P.O. Box 148 • Kula, Hawaii 96790 • Phone/Fax: (808) 878-2688 • www.mauicountyfarmbureau.org

February 7, 2011

Testimony

**RE: SB 1289 - Relating to Health**

Senator Josh Green, Chair and Senator Clarence Nishihara, Vice Chair, and Members of the Senate Committee on Health:

MCFB on behalf of our commercial farm and ranch families and organizations on the island opposes SB1289, imposing additional taxes on certain beverages.

Maui County Farm Bureau understands the intent of the measure and does not disagree that Hawaii's people will benefit from better consumption habits. Yet, wines, juices and other beverages are part of everyone's daily diet.

Local farmers, partnering with local entrepreneurs are producing local versions of these beverages from wines from Tedeschi Vineyards to juices from Hawaiian Sun using our local sugar. These unique drinks provide flavours that provide a local ambience, providing tourists with a special experience only possible in Hawaii. Tourists often go home with cases of the drinks... great suitcase exports. We do not believe it is the intent of this measure to affect local production capacity and the jobs that they provide. There are little companies in Hawaii creating local sodas and drinks using local sugar and fruits. For the fruit industry, these are important added revenue sources to increase their viability. Impacts to local businesses will be an unintended consequence of this measure.

For this reason, we respectfully request that this measure be held. Thank you for this opportunity to address this important issue. If there are any questions, please contact Warren Watanabe, Executive Director at MCFB. Thank you

THE SENATE  
Committee on Health  
Senator Josh Green, M.D., Chair  
Senator Clarence K. Nishihara, Vice Chair

State Capitol, Conference Room 229  
Wednesday, February 9, 2011; 2:45 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1289  
RELATING TO HEALTH**

The ILWU Local 142 strongly opposes S.B. 1289, which purports to promote safety and health in Hawaii through increases in the liquor tax and by assessing a new sugary beverage fee. We have no objection to increasing the liquor tax, but we oppose this bill because of the new "sugary beverage Healthy Hawaii fee" for the following reasons.

First off, we believe this measure is a thinly disguised effort to use health as a reason to tax Hawaii's people once again. If proponents of this bill are really concerned about curbing obesity and improving health, there has got to be a better way. If soda is unhealthy, what will be next? An additional tax for pastries or candy or fatty hamburger?

Second, "sugary beverages" are targeted as though they are a "sin" on the same plane as alcohol or tobacco products. We fully understand the state's enormous budget deficit and sympathize with the Legislature and the Administration's need to fill that deficit, but there are other ways to generate revenue. Raising the GET by one-half or one percent for a temporary period comes to mind.

Third, the amount of money generated is likely to plummet as people begin to balk at the cost of a can of soda. Rather than buy a can and pay the "sugary beverage Healthy Hawaii fee" plus the Hi5 fee, more people are likely to go to a McDonald's where they can get any size cup of soda for just \$1. The law will just get people to stop drinking altogether (which may be the law's intent) or steer them toward cheaper alternatives that are not assessed the fee.

Fourth, why is the fee only charged on deposit beverage containers? Why not dispensers like McDonald's, restaurants, hotels, etc.? The bill seems to target the small, ordinary consumer who buys his soda from the grocery store rather than businesses that could conceivably pass on the cost of the "sugary beverage fee" to their customers.

Fifth, the bill provides an exemption for deposit beverage containers exported for sale outside of the State, yet assesses the fee on each deposit beverage container manufactured in or imported into the State. Again, the bill seems to target ordinary Hawaii residents who happen to enjoy consuming sugary beverages.

The Twenty-Sixth Legislature  
Regular Session of 2011

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TESTIMONY**

THE SENATE  
Committee on Health  
Senator Josh Green, M.D., Chair  
Senator Clarence K. Nishihara, Vice Chair

State Capitol, Conference Room 229  
Wednesday, February 9, 2011; 2:45 p.m.

**STATEMENT OF GAYLEN TERAOKA ON S.B. 1289  
RELATING TO HEALTH**

My name is Gaylen Teraoka. I have worked for Pepsi Bottling Group for the past 25 years as a driver. I distribute Pepsi products to large supermarkets. I enjoy my work and I like the fact that I can bring a product to customers that they enjoy.

I am also the chairman of the ILWU collective bargaining unit at Pepsi. We have about 150 members there. We are proud of the product that our members produce and distribute for sale to the public. We believe we deliver a quality product.

But S.B. 1289 seems to say that our product is bad, a health hazard, maybe even a sin, and that the public must be penalized for consuming it. Whether anyone wants to admit it or not, S.B. 1289 is really just another tax to help the State out of its budget problems. Yet what it actually will do is hurt business and hurt all of us who are trying to make a living.

When the HI-5 bottle fee was started in 2005, Pepsi's sales slowed down quite a bit. We didn't experience any layoffs, but all of us saw a reduction in our hours because sales were down. That meant less money in my pocket, less money to buy things for me and my family, less money paid in taxes to the government. I think that will happen again if S.B. 1289 is passed. Just like the bottle fee, the sugary beverage fee will make consumers think twice about buying soda or sugary juice. The two fees will add 16 cents to each can or \$1.92 for a 12-pack.

Most of my co-workers are like me. We have families, we pay taxes, we enjoy living in Hawaii, we make our small contributions to making this a good place to live. We can do this because we have jobs, but a bill like S.B. 1289 only threatens our livelihood.

Please--don't pass S.B. 1289. There's got to be a better way to raise money for the State than to jeopardize jobs like ours. Thank you for letting me speak on this bill.

February 9, 2011

Senator Josh Green, M.D., Chair  
Senate Committee on Health

Wednesday, February 9, 2011  
Conference Room 229; 2:45 p.m.

**Re: SB 1289 - Relating to Health**

Chair Green, Vice Chair Nishihara, and members of the Committee:

My name is Greg Haskin, Director of Government Affairs for PepsiCo ("Pepsi"), testifying in strong opposition to SB 1289, which assesses an unspecified surcharge tax on all soft drinks sold in the state.

While Pepsi does not oppose the notion of general taxation, what we do oppose are discriminatory taxes that single out and penalize a specific product, industry, and its customers. This bill seeks to tax juice drinks, soda and other refreshment beverages. Taxing these consumer products will do little to address the state's budget deficit, let alone serve a greater good when it comes to public health - we are not going to solve the very serious and complex issue of obesity with a discriminatory tax on one consumer good.

The majority of people oppose a tax on their juice drinks, soda and other non-alcoholic beverages. Many of them do not think a tax will solve obesity or address diabetes. And, even more people are averse to paying a penny more for anything during these very difficult economic times.

Furthermore, science shows that a multitude of factors contribute to diseases related to obesity, from genetics to the over consumption of any and all caloric foods, to the lack of exercise in today's modern, sedentary lifestyle.

As our industry continues to produce more zero-calorie, low-calorie and reduced-portion products, consumers are taking advantage of and enjoying these new better-for-you options.

In closing, any proposal to impose a tax on beverages in Hawaii would be an unfair initiative aimed directly at beverage consumers and local jobs. We know that levying a new tax will adversely affect jobs and our industry in Hawaii - we experienced this impact when the Deposit Beverage Container Program was implemented. Beverage companies across the state directly employ, and indirectly impact, thousands of jobs. It is important to note that the soft drink industry continues to be one of the few remaining manufacturers of consumer products in the State. We employ local people.

On behalf of PepsiCo, thank you for the opportunity to testify.

# LATE TESTIMONY

Date: February 8, 2011 for Hearing on February 9, 2011

To: THE SENATE Committee on Health  
Senator Josh Green M.D., Chair  
Senator Clarence Nishihara, Vice-Chair

Re: Testimony on SB 1289, HD 1 Relating to Health

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

On behalf of Maui's only winery, I would like to strongly oppose the tax increase to Hawaii's existing liquor tax and additional taxation on personal beverages. Although, the intent of better health for Hawaii is an admirable mission, increasing taxes on wines, juices and other daily beverages will create additional tax burdens that impact consumers and hurt local business.

Hawaii already stands out as being one of the highest liquor taxation states in the country. As a local winery we struggle to keep up with the high costs of manufacturing in Hawaii and strive to create quality products from local agriculture. If our wine pricing goes up our sales are reduced, especially in these already difficult years. 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.

Tedeschi Vineyards, along with other local manufacturers labor every day to produce the best products possible and struggle to stay in business. Export market opportunities are limited for Hawaii manufacturers making us more dependent on local sales support. Increasing taxes on these products will reduce sales and production volume for the small Hawaii liquor industry and negatively impact our Maui sugar industry and companies that use local sugar to create value added products.

In these last few years, we have paid less in wine taxes however this is because we have sold fewer gallons. The more gallons we sell the more taxes we will pay, which can be used to benefit the State and health programs in Hawaii. 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 for local specialty products, but will not be a proven method of reducing the misuse of alcohol by individuals.

Please consider the full impact of increasing taxes. Any tax increase would be a hardship, considering we already have the 8<sup>th</sup> highest liquor taxes in the country, and the proposed 67% increase on wine is shocking. Maui liquor manufacturing companies, like us, are working hard to be a value to the State economy by producing locally, utilizing local agriculture ingredients whenever possible and hiring and training local employees in a unique industry, which is appreciated and supported by the visitors and community.

We are hopeful that this year's legislative body will be working on ways to stimulate our economy, increasing the revenues of local businesses and therefore facilitating a healthy Hawaii.



The Association of Food, Beverage  
and Consumer Products Companies

February 09, 2011

Senator Josh Green, M.D. Chair  
Senator Clarence K. Nishihara, Vice Chair  
Committee on Health  
Hawaii State Capitol, Room 229

**RE: SB 1289 – OPPOSE**

Dear Chairman Green, Vice Chairman Nishihara and Member of the Committee:

On behalf of the Grocery Manufacturers Association (GMA<sup>1</sup>), I am writing to express our opposition to Senate Bill 1289 because it will do nothing to fight obesity and its selective taxation is arbitrary, discriminatory, regressive, and largely unpopular.

### **Obesity is a Complex Problem with No Simple Solution**

Many factors contribute to obesity and related health problems and singling out one particular product for taxation isn't going to solve the issue. Rather than

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<sup>1</sup> Based in Washington, D.C., the Grocery Manufacturers Association is the voice of more than 300 leading food, beverage and consumer product companies that sustain and enhance the quality of life for hundreds of millions of people in the United States and around the globe.

Founded in 1908, GMA is an active, vocal advocate for its member companies and a trusted source of information about the industry and the products consumers rely on and enjoy every day. The association and its member companies are committed to meeting the needs of consumers through product innovation, responsible business practices and effective public policy solutions developed through a genuine partnership with policymakers and other stakeholders.

In keeping with its founding principles, GMA helps its members produce safe products through a strong and ongoing commitment to scientific research, testing and evaluation and to providing consumers with the products, tools and information they need to achieve a healthy diet and an active lifestyle.

The food, beverage and consumer packaged goods industry in the United States generates sales of \$2.1 trillion annually, employs 14 million workers and contributes \$1 trillion in added value to the economy every year.

### **GROCERY MANUFACTURERS ASSOCIATION**

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[www.gmaonline.org](http://www.gmaonline.org)

### **SB 1289 is a Regressive and Discriminatory Tax**

This tax is also unpalatable because it would disproportionately impact those Hawaiians who can least afford to pay the higher costs. Hawaii families already pay some of the highest taxes in the nation and like all people are struggling in this difficult economy. There could not be a worse time to ask them to pay more for the products they consume.

In August 2006, GMA released a study on the economic impact of selective taxation of certain foods. The findings detailed the economic impact of a selective tax on certain foods on the economy as a whole, on the food industry in particular, and on individual consumers. The following is a key report finding illustrating the discriminatory nature of such a tax as is proposed in SB 1289: Given consumption patterns, a selective tax on certain foods would be more regressive than a general sales tax. Households with incomes below \$10,000 spent 11.9 percent of their income on these types of foods and beverages in 2004, compared to 1 percent for households with incomes greater than \$70,000.

### **SB 1289 Has Been Tried and Failed in Other States**

In the early 1990s, several jurisdictions, including California, Maine, Maryland and the District of Columbia, implemented ill advised taxes on selective food products. The source of revenue quickly became a failure. The new tax never generated the projected revenue because its complexity prevented its proper collection, its administration was complex, and a decrease in consumer demand made estimating revenue difficult.

In the 2004, 2005, and 2006 sessions, Maryland, Texas and West Virginia respectively, rejected proposals to tax certain foods and beverages because each state believed the tax would create a poor business environment and would be inefficient to administer. In Maine, the legislature passed a new beverage tax that was quickly repealed by the citizens through a ballot measure in the November 2008 general election by an almost two to one margin. Finally, just last year, Washington residents through a ballot initiative soundly rejected (60% to 40%) the legislature's attempt to impose additional discriminatory taxes candy, bottled water, and soda.

Obesity is a complex problem that requires a comprehensive solution. GMA, food manufacturers and beverage companies have been in the forefront of developing tools for the consumer and making the challenge easier. Selective taxation does nothing to contribute to the solution. As such, the Grocery Manufacturers Association must respectfully oppose SB 1289.

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
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**LATE  
TESTIMONY**

FREDERICK D. PABLO  
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## SENATE COMMITTEE ON HEALTH

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 1289 RELATING TO HEALTH

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF  
TAXATION (OR DESIGNEE)  
COMMITTEE: HTH  
DATE: FEBRUARY 9, 2011  
TIME: 2:45PM  
POSITION: SUPPORT

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The purpose of this measure is to encourage Hawaii citizens to make healthy decisions relating to the consumption of liquid beverages that are proven harmful to human health.

Every year, the health of hundreds, if not thousands, of Hawaii residents is impacted due to overconsumption of alcohol and sugary beverages. Diseases that stem from overconsumption of alcohol and sugary beverages include alcoholism, liver disease, diabetes, among other chronic conditions.

The Department of Taxation (Department) supports this measure and requests that it be passed out of committee with amendments.

The Department defers to the Department of Health on all health aspects of this legislation and comments accordingly.

#### I. INCREASE IN THE LIQUOR TAX

In a study titled "The Effects of Price on Alcohol Consumption and Alcohol-Related Problems," it was found:



assessed for sugary beverages of more than twelve ounces.

**III. REQUESTED AMENDMENTS TO THE SUGARY BEVERAGE FEE**

After further consideration and deliberation with its colleagues at the Department of Health, the Department requests that this bill be amended.

The Department offers as an alternative to the sugary beverage fee, a soda tax on bottles, as well as syrups, on a per-ounce or per-gallon basis.

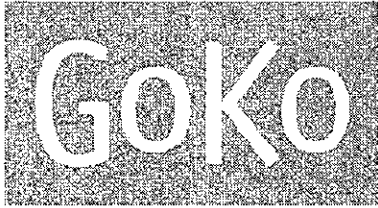
Because a new tax type must be implemented, the Department will work with the Committee to finalize acceptable language that can be implemented in a timely fashion.

Please note that any legislation containing a new tax type requires at least 18 months for the Department to implement.

**IV. REVENUE GAIN**

In its current form, this measure is anticipated to increase general fund revenues by \$67.4 million per year beginning FY 2012 and thereafter as follows:

- \$23.4 million per year gain from increasing the liquor tax;
- \$44.0 million per year gain from the sugary beverage fee.



GoKo Restaurant Enterprises, LLC  
1405 Dillingham Blvd.  
Honolulu, HI 96817

# LATE TESTIMONY

February 8, 2011

Mr. Josh Green, Chair  
Senator Clarence Nishihara, Vice Chair  
Senate Committee on Health

Reference SB 1289 - Relating to Health

Mr. Chairman and Vice Chairman:

My company is opposed to SB 1289- relating to health. We employ about 150 people and feel that a new tax hits the hardest at those who can least afford it.

Middle- and lower- income families are struggling as it is now to make ends meet. They are already stretching their grocery and utility dollars to keep up with bills. During tough times like our current circumstances, adding a new tax will hurt these families the most.

A new tax is bad for our economy. At a time when unemployment is high and the economy is unsteady, adding a new tax on common grocery items like beverages will put jobs at risk and increase the cost of living. It would also hurt small businesses, like neighborhood grocery stores and convenience stores, restaurants and bars that will be harmed by shrinking sales.

New taxes don't teach healthy lifestyles. Placing a discriminatory tax on beverages will not change behaviors or teach children about a healthier lifestyle. Parents and caretakers are responsible for helping children make smart decisions about diet, exercise and moderation.

A new tax is imposing a burden on consumers and businesses. Hawaii's businesses and groups can't afford new taxes aimed at raising our grocery costs on sodas and other beverages and the cost of living. Government needs to stimulate the economy and provide rewards for more jobs that will increase revenues.

Sincerely,

*Clinton Goo*  
Clinton Goo  
Manager Partner

green1 - Karen

**LATE  
TESTIMONY**

**From:** Debra Bringman [DebraB@financefactors.com]  
**Sent:** Saturday, February 05, 2011 11:56 AM  
**To:** HTHTestimony  
**Subject:** Against SB1289

**SB 1289**

**RELATING TO HEALTH.**

Testimony

Promotes safety and health in Hawaii through increases in the liquor tax and by assessing a new sugary beverage fee.

Status

The public is going to have a hard time believing the government is looking out for our health by charging a fee on sodas, etc. Everyone knows the State government is struggling financially and looking at ways to increase revenue. Please don't add more tax on the Hawaii people; we are already struggling.

Debra Bringman

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