

JAN 18 2013

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, a price increase in
5 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 and the trauma system special fund
12 established under section 321-22.5.

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

15 "**§237-24 Amounts not taxable.** This chapter shall not
16 apply to the following amounts:

- 17 (1) Amounts received under life insurance policies and
18 contracts paid by reason of the death of the insured;
- 19 (2) Amounts received (other than amounts paid by reason of
20 death of the insured) under life insurance, endowment,
21 or annuity contracts, either during the term or at
22 maturity or upon surrender of the contract;



- 1 (3) Amounts received under any accident insurance or
2 health insurance policy or contract or under workers'
3 compensation acts or employers' liability acts, as
4 compensation for personal injuries, death, or
5 sickness, including also the amount of any damages or
6 other compensation received, whether as a result of
7 action or by private agreement between the parties on
8 account of the personal injuries, death, or sickness;
- 9 (4) The value of all property of every kind and sort
10 acquired by gift, bequest, or devise, and the value of
11 all property acquired by descent or inheritance;
- 12 (5) Amounts received by any person as compensatory damages
13 for any tort injury to the person, or to the person's
14 character reputation, or received as compensatory
15 damages for any tort injury to or destruction of
16 property, whether as the result of action or by
17 private agreement between the parties (provided that
18 amounts received as punitive damages for tort injury
19 or breach of contract injury shall be included in
20 gross income);
- 21 (6) Amounts received as salaries or wages for services
22 rendered by an employee to an employer;



- 1 (7) Amounts received as alimony and other similar payments
2 and settlements;
- 3 (8) Amounts collected by distributors as fuel taxes on
4 "liquid fuel" imposed by chapter 243, and the amounts
5 collected by such distributors as a fuel tax imposed
6 by any Act of the Congress of the United States;
- 7 ~~[(9) Taxes on liquor imposed by chapter 244D on dealers~~
8 ~~holding permits under that chapter;~~
- 9 ~~-(10)]~~ (9) The amounts of taxes on cigarettes and tobacco
10 products imposed by chapter 245 on wholesalers or
11 dealers holding licenses under that chapter and
12 selling the products at wholesale;
- 13 ~~[(11)]~~ (10) Federal excise taxes imposed on articles sold at
14 retail and collected from the purchasers thereof and
15 paid to the federal government by the retailer;
- 16 ~~[(12)]~~ (11) The amounts of federal taxes under chapter 37 of
17 the Internal Revenue Code, or similar federal taxes,
18 imposed on sugar manufactured in the State, paid by
19 the manufacturer to the federal government;
- 20 ~~[(13)]~~ (12) An amount up to, but not in excess of, \$2,000 a
21 year of gross income received by any blind, deaf, or
22 totally disabled person engaging, or continuing, in



1 any business, trade, activity, occupation, or calling
2 within the State; a corporation all of whose
3 outstanding shares are owned by an individual or
4 individuals who are blind, deaf, or totally disabled;
5 a general, limited, or limited liability partnership,
6 all of whose partners are blind, deaf, or totally
7 disabled; or a limited liability company, all of whose
8 members are blind, deaf, or totally disabled;

9 ~~[(14)]~~ (13) Amounts received by a producer of sugarcane from
10 the manufacturer to whom the producer sells the
11 sugarcane, where:

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

16 (B) The value or gross proceeds of the sale of the
17 sugar, and other products manufactured from the
18 sugarcane, are included in the measure of the tax
19 levied on the manufacturer under section
20 237-13(1) or (2);

21 (C) The producer's gross proceeds of sales are
22 dependent upon the actual value of the products



1 manufactured therefrom or the average value of
2 all similar products manufactured by the
3 manufacturer; and

4 (D) The producer's gross proceeds of sales are
5 reduced by reason of the tax on the value or sale
6 of the manufactured products;

7 [~~15~~] (14) Money paid by the State or eleemosynary child-
8 placing organizations to foster parents for their care
9 of children in foster homes;

10 [~~16~~] (15) Amounts received by a cooperative housing
11 corporation from its shareholders in reimbursement of
12 funds paid by the corporation for lease rental, real
13 property taxes, and other expenses of operating and
14 maintaining the cooperative land and improvements;
15 provided that the cooperative corporation is a
16 corporation:

17 (A) Having one and only one class of stock
18 outstanding;

19 (B) Each of the stockholders of which is entitled
20 solely by reason of the stockholder's ownership
21 of stock in the corporation, to occupy for



1 dwelling purposes a house, or an apartment in a
2 building owned or leased by the corporation; and
3 (C) No stockholder of which is entitled (either
4 conditionally or unconditionally) to receive any
5 distribution not out of earnings and profits of
6 the corporation except in a complete or partial
7 liquidation of the corporation; and

8 ~~[(17)]~~ (16) Amounts received by a managed care support
9 contractor of the TRICARE program that is established
10 under Title 10 United States Code chapter 55, as
11 amended, for the actual cost or advancement to third
12 party health care providers pursuant to a contract
13 with the United States."

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

16 "(g) The tax imposed by this chapter shall not apply to
17 any ~~[intoxicating liquor as defined in chapter 244D and]~~
18 cigarettes and tobacco products as defined in chapter 245,
19 imported into the State and sold to any person or common carrier
20 in interstate commerce, whether ocean-going or air, for
21 consumption out-of- state by the person, crew, or passengers on
22 the shipper's vessels or airplanes."



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

3 "§244D-4 Tax; limitations. (a) Every person who sells or
4 uses any liquor in the State not taxable under this chapter, in
5 respect of the transaction by which the person or the person's
6 vendor acquired the liquor, shall pay a gallonage tax which is
7 hereby imposed at the following rates for the various liquor
8 categories defined in section 244D-1:

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

- 11 (1) \$5.92 per wine gallon on distilled spirits;
- 12 (2) \$2.09 per wine gallon on sparkling wine;
- 13 (3) \$1.36 per wine gallon on still wine;
- 14 (4) \$0.84 per wine gallon on cooler beverages;
- 15 (5) \$0.92 per wine gallon on beer other than draft beer;
- 16 (6) \$0.53 per wine gallon on draft beer;

17 [~~On~~] For the period July 1, 1998, [~~and thereafter,~~] to
18 June 30, 2013, the tax rate shall be:

- 19 (1) \$5.98 per wine gallon on distilled spirits;
- 20 (2) \$2.12 per wine gallon on sparkling wine;
- 21 (3) \$1.38 per wine gallon on still wine;
- 22 (4) \$0.85 per wine gallon on cooler beverages;



1 (5) \$0.93 per wine gallon on beer other than draft beer;

2 (6) \$0.54 per wine gallon on draft beer;

3 On July 1, 2013, and thereafter, the tax rate shall be:

4 (1) \$ _____ per wine gallon on distilled spirits;

5 (2) \$ _____ per wine gallon on sparkling wine;

6 (3) \$ _____ per wine gallon on still wine;

7 (4) \$ _____ per wine gallon on cooler beverages;

8 (5) \$ _____ per wine gallon on beer other than draft beer;

9 (6) \$ _____ per wine gallon on draft beer;

10 and at a proportionate rate for any other quantity so sold or
11 used."

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

14 "[~~§~~244D-17~~]~~ **Disposition of revenues.** All moneys
15 collected pursuant to this chapter shall be distributed as
16 follows, with the excess revenues paid into the state treasury
17 as state realizations, to be kept and accounted for as provided
18 by law~~[-]~~; provided that:

19 (1) _____ per cent of the revenues collected under this
20 chapter shall be deposited into the community health
21 centers special fund established under section
22 321-1.65; and



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

4 SECTION 6. Section 421H-4, Hawaii Revised Statutes, is
 5 amended by amending subsection (c) to read as follows:

6 "(c) The membership shares and cooperative fees are
 7 interests in real property for purposes of:

8 (1) Cooperative housing corporations under section 216 of
 9 the federal Internal Revenue Code of 1954, as amended;
 10 and

11 (2) Exemption from state general excise tax under section
 12 [237-24(16)-.] 237-24(15)."

13 SECTION 7. Statutory material to be repealed is bracketed
 14 and stricken. New statutory material is underscored.

15 SECTION 8. This Act shall take effect on July 1, 2013;
 16 provided that the amendments made by section 2 of this Act to
 17 section 237-24, Hawaii Revised Statutes, shall not be repealed
 18 when section 237-24, Hawaii Revised Statutes, is reenacted on
 19 December 31, 2013, pursuant to section 4 of Act 70, Session Laws
 20 of Hawaii 2009.

21

INTRODUCED BY: John M. Green



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S.B. NO. **645**

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S.B. NO. 645

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.

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

