

HB2422 HD1

Measure Title: RELATING TO LIQUOR.

Report Title: Liquor License; Liquor Commission

Description:

Amends liquor license application and operating procedures to allow publicly-traded companies, or entities ultimately solely owned by a publicly-traded company, to provide information for only those officers designated as primary decisionmakers regarding the purchase and sale of liquor and clarifies that the requirement of prior approval from a county liquor commission regarding a change in ownership of at least twenty-five percent of a corporation's outstanding capital stock applies only to voting stock. Allows the applicant for a liquor license or renewal, or both the transferor and transferee in the case of a liquor license transfer, to present a tax clearance certificate from the Department of Taxation and the Internal Revenue Service evidencing that the applicant, transferor, and transferee do not owe the State or federal government any delinquent taxes, penalties, or interest. (HB2422 HD1)

Companion:

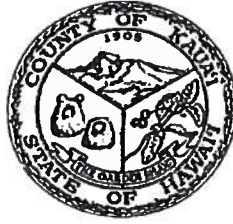
Package: None

Current Referral: PSM, CPH

Introducer(s): TSUJI, MIZUNO, Evans, Nakashima

Bernard P. Carvalho, Jr.
Mayor

Nadine K. Nakamura
Managing Director



Gerald T. Rapozo
Director

DEPARTMENT OF LIQUOR CONTROL
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March 24, 2016

Senator Rosalyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair
Committee on Commerce and Consumer Protection, and Health

Hearing: Wednesday, March 30, 2016
10:00 a.m.; Room 229

Position: Support HB 2422 HD1 Relating to Liquor

Dear Chair Baker, Vice Chair Kidani and Members:

The Department of Liquor Control, County of Kauai, supports House Bill 2422 HD1 relating to Liquor Licenses.

The bill as written clarifies the requirements in the liquor license application process and makes the process more efficient for both applicants and commission and doesn't diminish the oversight in the process.

The Department of Liquor Control, County of Kauai urges you to support House Bill 2422 HD1, Relating to liquor licenses.

Thank-you for the opportunity to testify on this matter.

Respectfully Submitted,


GERALD T. RAPOZO
Director



Executive Officers:
Derek Kurisu, KTA Superstores - Chairperson
John Erickson, Young's Market Company – Vice Chair
Bob Stout, Times Supermarkets – Secretary/Treasurer
Lauren Zirbel, Executive Director

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TO: COMMITTEE ON COMMERCE, CONSUMER PROTECTION, & HEALTH
Senator Rosalyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Wednesday, March 30, 2016
TIME: 10:00 a.m.
PLACE: Conference Room 229

RE: HB2422, HD1

Position: Support

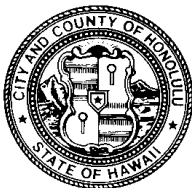
The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We support this measure. In addition to being practical, it increases accountability and helps to simplify a cumbersome process. Since many companies, both here and on the mainland, have multiple owners and numerous locations, it makes sense that the executive responsible for the corporation should be able sign for transfers.

Thank you for the opportunity to submit testimony.

**LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU**

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MALAMA MINN
COMMISSIONER

FRANKLIN DON PACARRO, JR.
ADMINISTRATOR

ANNA C. HIRAI
ASSISTANT ADMINISTRATOR

March 29, 2016

Senator Roslyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair
Committee on Commerce, Consumer Protection, and Health

Hearing: Wednesday, March 30, 2016
10:00 A.M.; Room 229

Position: Providing Comments on HB 2422 HD1, Relating to Liquor

Dear Chair Baker, Vice Chair Kidani, and Members:

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to provide comments on House Bill 2422 HD1, Relating to Liquor.

The proposed measure would amend three (3) sections of Chapter 281, Hawaii Revised Statutes (HRS), to clarify procedures applicable to a narrow category of licensee or liquor license applicant, and to make the license application and renewal process more efficient for applicants and licensees. The Commission feels that the proposed amendments **provide clarification and efficiencies without impeding or decreasing the quality of our regulatory oversight**. Specifics follow:

1. Section 1 would amend HRS 281-41(i) to specify that changes in outstanding *voting* capital stock is the appropriate type of capital stock that would determine whether a change in ownership of stock requires that the licensee get *pre-approval* of the change from the Commission. As corporate ownership structures frequently contain classes of stock that are *non-voting*, it is reasonable from a regulatory standpoint to only consider changes in *voting* stock, as only the voting stock classes can effect changes in a corporation's corporate behavior.
2. Section 2 would amend HRS 281-45(3) to authorize the county liquor commissions to accept an alternative compliance certificate approved by the Department of Taxation (DoTax) in satisfaction of the tax clearance requirement. This alternative clearance certification will provide compliance assurance equal to the tax clearances issued by DoTax and the IRS, while making for a more efficient license renewal process for all licensees, and particularly for those neighbor island licensees who do not have access to a local tax office.

3. Section 3 would amend HRS 281-53(1) to specify that if a licensee or liquor license applicant is a publicly-traded company, or an entity that is ultimately solely owned by a publicly-traded company, that only those officers designated as the primary decisionmakers regarding the licensee's or applicant's liquor sales and service activities need to be identified and submit personal history information for applications, renewals, and transfers. Section 1 makes a conforming amendment to HRS 281-41(i).

For the past ten years, licensees and applicants who meet this publicly-traded criteria have requested the same relief as that described in House Bill 2422, and the Commission routinely has granted this relief. The Section 1 and 2 amendments would eliminate this extra step. The reasons expressed for granting the relief are as follows:

(a) Publicly-traded companies are subject to oversight from the Securities & Exchange Commission, which imposes corporate governance, disclosure, and accountability requirements far more extensive than that imposed by the Commission.

(b) Publicly-traded companies frequently have corporate officers that number in the dozens, many of whom have no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu. Identifying and reviewing personal history information from those with no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu does not further regulatory oversight over the licensee or the applicant.

(c) In a similar vein, requiring the identification and personal history information from those with no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu is burdensome for both the licensee or the applicant and Commission staff, without a corresponding improvement in regulatory oversight.

Thank you for the opportunity to testify.

Respectfully submitted,

FRANKLIN DON PACARRO, JR.
Administrator