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February 18, 2019

Re: SB 1006 SD1, Includes distilled beverages containing spirits and added blending materials that contain less than twelve per cent of alcohol by volume in the cooler beverage definition. Deletes definition of draft beer. Applies the tax rate on draft beer to all beer.

I'm writing on behalf of our small, local family-operated business, Big Island Brewhaus in Kamuela on the Big Island. We support SB1006 SD1 which includes redefining distilled beverages containing spirits and added blending materials that contain less than twelve per cent of alcohol by volume in the cooler beverage definition. Deletes definition of draft beer. Applies the tax rate on draft beer to all beer.

These measures can help authentic Hawaiian Craft Breweries continue to grow local manufacturing creating an incentive to grow and reinvest in equipment and employees. A passage of this bill will help create more jobs, help pay more wages, to create new products, and allow breweries to grow not only in numbers but in volume, and ultimately reinvest in our communities growing the overall industry of locally made beverages. Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused on using local sources for our food and beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of SB1006 SD1.

Sincerely,

Thomas Kerns
Founder & Brewer
Big Island Brewhaus
64-1066 Mamalahoa Highway
Kamuela, HI, 96743

BigIslandBrewhaus@yahoo.com
Cell# 808-276-3301

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Broaden Cooler Beverage Definition, Harmonize Tax Rate on Beer

BILL NUMBER: SB 1006; SD-1

INTRODUCED BY: Senate Committee on Commerce, Consumer Protection, and Health

EXECUTIVE SUMMARY: Includes distilled beverages containing spirits and added blending materials that contain less than twelve per cent of alcohol by volume in the cooler beverage definition. Deletes definition of draft beer. Applies the tax rate on draft beer to all beer. The bill appears reasonable to align the tax system to current industry practices.

SYNOPSIS: Amends the definition of “cooler beverage” in section 244D-1, HRS, to include a spirit beverage cooler containing distilled spirits and added natural or artificial blending material, such as fruit juices, flavors, flavorings, colorings, or preservatives, and that contains less than twelve per cent of alcohol by volume.

Amends section 244D-4, HRS, to apply the tax rate on beer to draft beer as well, at the rate previously applied to draft beer, and deletes the separate tax rate for draft beer.

Makes conforming amendments to remove references to “draft beer.”

EFFECTIVE DATE: January 1, 2020.

STAFF COMMENTS: The bill recites that under the current definition of “cooler beverage” the tax rate applied is only applicable to wine- or beer-based beverages. Thus, if a local distiller wants to make a ready-to-drink “cooler beverage” that contains one ounce of a distilled spirit and eleven ounces of another consumable liquid, then it is taxed as if the entire contents are distilled spirits. The bill recites that there is a growing number of local distilleries, but there are no locally produced ready-to-drink spirits-based beverages, whereas there are several companies on the mainland exporting small volumes of cocktails in cans or bottles but there is no local option.

The bill also recites that the current taxation scheme on beer is confusing because lower tax rate is imposed on draft beer, statutorily defined as beer in an individual container of seven gallons or larger. However, many beer sellers, including many local small brewers, dispense what is commonly referred to as draft beer from containers smaller than seven gallons.

The bill is designed to simplify the law and align it to current industry practices, and appears to be a reasonable attempt to accomplish these goals.

Digested 2/15/2019

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

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To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 19, 2019

Time: 9:30 A.M.

Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1006, S.D. 1, Relating to Intoxicating Liquor

The Department of Taxation (Department) offers the following comments on S.B. 1006, S.D.1, for the Committee's consideration.

S.B. 1006, S.D. 1, makes amendments to Hawaii Revised Statutes chapter 244D, which governs Hawaii's liquor tax law. Specifically, this measure:

- Eliminates the 93 cents per wine gallon rate for non-draft beer;
- Taxes all beer at a rate of 54 cents per wine gallon beginning on July 1, 2019;
- Deletes the definition of draft beer;
- Expands the definition of "cooler beverage" to include beverages with less than twelve percent of alcohol by volume that contain distilled spirits and added blending materials; and
- Has an effective date of January 1, 2020.

The Department notes that the Committee on Commerce, Consumer Protection, and Health amended the bill's effective date at the Department's request. The Department appreciates the consideration of its testimony and notes that it is able to administer the bill as currently drafted.

Thank you for the opportunity to provide comments on this measure.

Kauai Beer Company
Justin Guerber
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Lihue, HI 96766
(808) 245-2337
justin@kauaibeer.com



**SB1006 S.D. 1 Relating to Intoxicating Liquor: Tax Rate on Beer, Cooler Beverage Tax
Senate Committee on Ways and Means
Tuesday, February 19, 2019 at 9:30 a.m. Conference Room 211**

Position: **Support**

Chair Senator Donovan Dela Cruz, Vice Chair Senator Gilbert Keith-Agaran, and members of the Ways and Means Committee,

My name is Justin Guerber and I have been the head brewer at Kauai Beer Company since 2012. I support SB1006 S.D.1 because it simplifies the language of the laws as well as help promote new startup breweries.

We are members of the Hawaiian Craft Brewers Guild that seeks to promote production of craft beer in Hawaii. Kauai Beer Company is an independent craft brewery producing 100% of our beer in Hawaii. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. The Hawaiian Craft Brewers Guild represent the majority of craft beer producers in Hawaii.

Consolidate beer tax to one rate

SB1006 S.D.1 standardizes and simplifies the tax rate on beer. This bill minimizes confusing definitions. The definition of draft is not what we usually think of as draft beer from a tap. Instead Hawaii Revised Statutes Section 244D-4 refers to a size of container that the beer is dispensed from. Draft related to tax rates refers to a container of 7 gallons or more, which creates confusion in terminology.

I strongly support the repeal of the term "draft beer" to have one category, beer. This bill encourages compliance with laws by simplifying the definition of beer and making tax terminology less confusing.

Smaller craft breweries and those just starting out will often serve beer on draft, with their beer from 5 gallon or 2 gallon kegs. Under the draft beer definition, the beer served on tap from these smaller kegs is not in the draft category and taxed at a higher rate. SB1006 S.D.1 helps support new startup brewery businesses.

The number of craft breweries across Hawaii continues to increase and existing breweries continue to expand, creating jobs. The State of Hawaii receives increased tax revenue as our local breweries pay increasingly more state business taxes and as more employees pay income tax.

Hawaii has a high beer tax compared to other states and is ranked the 5th highest in the United States for beer tax rates. This bill helps even out the economics of production for Hawaii's breweries where cost of ingredients and production are high compared to other states. Higher tax rates present an additional economic challenge for Hawaii's craft beer producers.

Beer is the only beverage with this disparity in tax rates. Wine and spirits both have a uniform tax rate based on gallonage.

Many Hawaii breweries are now canning their beer or considering canning. Uniformity in the tax rate will make the economics of canning more feasible. As more breweries can and bottle their beer, this increased production generates more tax revenue back to the State of Hawaii.

Tax rate for distilled beverages containing spirits

We are experiencing an increase in the number of businesses producing locally distilled beverages. Production of distilled spirit beverages is a potential new source of tax revenue for the State of Hawaii. Companies on the mainland are already exporting small volumes of cocktails in cans or bottles to Hawaii.

The current tax for a distilled spirit cooler beverage is based on total volume of the beverage rather than just the amount of distilled spirit in the beverage, creating a high tax rate and disadvantage for Hawaii's producers.

Mahalo for consideration of this bill by the Senate Ways and Means Committee and opportunity to provide testimony in support. We urge you to pass SB1006 S.D.1.



Cindy Goldstein
Executive Director
Hawaiian Craft Brewers Guild
98-814 C Kaonohi Street
Aiea, HI 96701

SB1006 S.D. 1 Relating to Intoxicating Liquor: Tax Rate on Beer, Cooler Beverage Tax
Senate Committee on Ways and Means
Tuesday, February 19, 2019 at 9:30 a.m. Conference Room 211

Position: **Support**

Chair Senator Donovan Dela Cruz, Vice Chair Senator Gilbert Keith-Agaran, and members of the Ways and Means Committee,

The Hawaiian Craft Brewers Guild is a nonprofit trade organization representing the interests of small craft breweries across the State of Hawaii. Our members are independent craft breweries producing 100% of their beer in Hawaii and represent the majority of craft beer producers in Hawaii. Our members are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities.

Tax on Spirit Beverage Cooler

The Hawaiian Craft Brewers Guild is seeing an increase in the number of businesses that are making locally distilled spirits. More individuals are showing an interest in developing distillery businesses if the economics are favorable. The production of distilled spirit "cooler beverages" using alcohol produced in Hawaii is a potential new source of tax revenue for the State of Hawaii. Companies on the mainland are already exporting small volumes of spirit cooler beverages in cans, bottles and jugs to Hawaii. Local spirit distillers wanting to manufacture a spirit beverage are required to pay tax on the total volume of the beverage, rather than on just the amount of distilled spirit contained in the beverage.

Currently Hawaii law does have a "cooler beverage" category for Malt or Wine based versions, yet Spirits do not. This creates a significant disadvantage for a Hawaii producer and has discouraged local distilled spirit producers from developing these beverage products.

Development and production of spirit cooler beverages encourages additional use of Hawaii grown agricultural products used as ingredients, for example tropical fruits, coffee, ginger, lemon grass and other locally grown farm products. The Hawaiian Craft Brewers Guild supports the use of ingredients sourced from Hawaii farms.

Cooler beverages made in Hawaii with distilled spirits produced in Hawaii are a new potential product line. This would bring a stream of tax revenue that does not currently exist, as a newly created and defined category of product is created and offered to consumers. The passage of

SB1006 S.D.1 will also create parity between malt and wine based coolers and spirits based versions.

Tax Rate on Beer

SB1006 S.D.1 standardizes and simplifies the tax rate on beer, minimizing confusion about definitions. The definition of draft refers to the size of the container that beer is dispensed from. This is confusing since draft typically means beer that is poured from a tap.

HRS Section 244D-4 defines the term draft as a container of 7 gallons or more, which creates confusion in terminology for tax rates on draft beer. SB1006 S.D.1 seeks to simplify terminology and eliminate the vague definition "draft beer" by using the word beer and having only one tax rate, on beer.

Some breweries, especially smaller craft breweries and those just starting out will serve beer on draft from taps from five gallon or two gallon kegs. Under the draft beer definition, the beer they serve on tap is not in the draft category, and is taxed at a higher rate. This bill helps support new Hawaii startup brewery businesses.

Beer is the only beverage with this disparity in tax rates. Wine and spirits both have a uniform tax rate based on gallonage. With changes proposed in SB1006 S.D.1, beer would conform more closely with other alcoholic beverages, defined by a single and uniform term for tax rates based on gallonage.

SB1006 H.D.1 supports Hawaii's craft beer producers. According to recent figures from the Brewers Association, Hawaii had eight breweries in 2013 and we now have 20 that are in production or about to open in 2019. This increase in number of breweries provides new and increased tax revenue for the state. This economic sector continues to grow, with at least four breweries or brewpubs opening in 2019. As more breweries open in Hawaii and existing breweries expand and increase production, more jobs are created. The State of Hawaii receives increased tax revenue as our local breweries pay state business taxes and employees pay income tax.

As a growing business sector Hawaii's craft breweries contribute an increasingly greater amount of revenue to the state from liquor taxes, business income tax, GET and employees paying income tax. The amount of tax revenue increases with the expansion in both number of breweries and amount of production by each brewery.

Data compiled by the Alcohol and Tobacco Tax Trade Bureau shows a significant increase in beer production and taxable volume between 2007 and 2017 in Hawaii. The taxable volume for bottles and cans more than doubled from 2014 to 2016. The taxable volume of barrels and kegs nearly doubled as well. Making tax rates more uniform, with a single definition for beer, could stimulate increased production of cans and bottles. In some years we have seen a shift away from cans and bottles when the economics become more difficult.

Hawaii has a high beer tax rate compared to other states, in the top 10% for highest beer tax. A map of tax rates on beer across the United States shows Hawaii is ranked in the top 5 for highest beer tax rates in the nation. SB1006 S.D.1 helps even out the economics of production for Hawaii's breweries where cost of ingredients and production are high compared to other states. Higher tax rates present an additional economic challenge to the success of Hawaii's craft beer producers.

We urge the Senate Ways and Means Committee to pass this bill. Mahalo for considering our Hawaiian Craft Brewers Guild testimony in support of SB1006 S.D.1.



February 16, 2019

SB1006 S.D. 1 Relating to Intoxicating Liquor: Tax Rate on Beer , Cooler Beverage Tax
Senate Committee on Ways and Means
Tuesday, February 19, 2019 at 9:30 a.m. Conference Room 211

Position: **Support**

Chair Senator Donovan Dela Cruz, Vice Chair Senator Gilbert Keith-Agaran, and members of the Ways and Means Committee,

My name is Geoffrey Seideman, I live in Hawaii Kai, Oahu, and I am the Owner and Brewer of **Honolulu BeerWorks** brewery in Kaka’ako. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. I am writing on behalf of our local family-operated business, Honolulu Beerworks, in support of **SB1006 S.D. 1**. Our Brewery began business in 2014 with 18 initial employees. We now provide 36 jobs in Hawaii with plans for more job opportunities in the near future.

Consolidate beer tax to one rate

SB1006 S.D. 1 standardizes and simplifies the tax rate on beer. This bill minimizes confusing definitions. The definition of draft is not what we usually think of as draft beer from a tap, it refers to a size of container that the beer is dispensed from. Draft related to tax rates refers to a container of 7 gallons or more, which creates confusion in terminology. This bill encourages compliance with laws by simplifying and making tax terminology less confusing.

Smaller craft breweries and those just starting out will often serve beer on draft from taps from 5 gallon or 2 gallon kegs. Under the draft beer definition the beer served on tap is not in the draft category and taxed at a higher rate. The bill helps support new startup brewery businesses.

Honolulu Beerworks
328 Cooke St, Honolulu HI. 93813
808-589-2337

Hawaii has a high beer tax compared to other states and is in the top 10% for highest beer tax rates. This bill helps even out the economics of production for Hawaii's breweries where cost of ingredients and production are high compared to other states. Higher tax rates present an additional economic challenge for Hawaii's craft beer producers.

Many of Hawaii's small craft breweries self-distribute which increases their work load and cost of operation. This bill helps to reduce the tax burden on smaller breweries. We have and are currently self-distributing on Oahu. This in itself is a hard and expensive, any kind of relief would allow us to hire more drivers and sales to help get our product to more consumers.

The higher tax rate of 93 cents is considered a package tax. Many local breweries are going to canning which supports another local Oahu business. By having a lower tax rate, this encourages breweries to increase production and manufacturing using cans, which supports the local Ball plant in Kapolei, currently not running at full production. As part of our expansion we have already added a canning line to our production facility, and are currently distributing our cans on Oahu.

Tax rate for distilled beverages containing spirits

We are experiencing an increase in the number of businesses producing locally distilled beverages. Companies on the mainland are already exporting small volumes of cocktails in cans or bottles to Hawaii. The current tax for a distilled spirit cooler beverage is based on total volume of the beverage rather than just the amount of distilled spirit in the beverage, creating a high tax rate and disadvantage for Hawaii's producers. Beer is the only beverage with this disparity in tax rates. Wine and spirits both have a uniform tax rate based on gallonage.

We are looking at distilling as part of our future plans for expansion, and this bill will make it easier for us to invest back into the company with machinery and employees to make this a reality.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of SB1006 S.D. 1

Sincerely,

Geoffrey Seideman

Owner/Brewer

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February 16, 2019

SB1006 S.D. 1 Relating to Intoxicating Liquor: Tax Rate on Beer , Cooler Beverage Tax
Senate Committee on Ways and Means
Tuesday, February 19, 2019 at 9:30 a.m. Conference Room 211

Position: **Support**

Chair Senator Donovan Dela Cruz, Vice Chair Senator Gilbert Keith-Agaran, and members of the Ways and Means Committee,

I'm writing on behalf of our small, local family-operated business, REAL gastropub / Bent Tail Brewing Company in Kakaako on Oahu. We support **SB1006 S.D.1** which includes redefining distilled beverages containing spirits and added blending materials that contain less than twelve per cent of alcohol by volume in the cooler beverage definition. Deletes definition of draft beer. Applies the tax rate on draft beer to all beer.

These measures can help authentic Hawaiian Craft Breweries continue to grow local manufacturing creating an incentive to grow and reinvest in equipment and employees.

A passage of this bill will help create more jobs, help pay more wages, to create new products, and allow breweries to grow not only in numbers but in volume, and ultimately reinvest in our communities growing the overall industry of locally made beverages.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

REAL gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keauhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who

support issues which enable local manufacturers and businesses to thrive in Hawaii.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of **SB1006 S.D.1**.

Sincerely,

Troy Terorotua

Troy Terorotua

Founder & Owner

REAL a gastropub / Bent Tail Brewing Co

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Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

1/31/19

RE: SB1006 Relating to Intoxicating Liquor. Tax Rate on beer and cooler beverage tax.

Aloha Chair , Vice Chair and Committee members,

Lanikai Brewing Company is a locally owned and operated Craft Brewery here in Kailua, Oahu and we are in support of SB1006 SD1

SB1006 SD1 Standardizes and simplifies the tax rate on beer. This bill reduces confusing definitions of the concept of "Draft". Normally, we consider draft to be whatever flows out of the tap, however as the law stands now, its actually on its container size where draft is 7 gallons or more per container. Modern brewing and kegging has draft sizes down to just a few gallons as vendors lack space in their establishments for larger kegs. Since many brewers do not even know about this disparity, this bill simplifies the code and makes it less confusing and more real-world.

The number of craft breweries continues to increase and we continue to sell more product, pay more taxes, hire more people who in turn pay more taxes also. Hawaii's existing tax on beer is in the top 10% of the nation of the highest, which is prohibitory to the rapid expansion of the industry. Our costs of business being geographically isolated continue to slow the manufacturing sector, so this correction in tax will help build a stronger industry more favorable to new entrants.

As it pertains to distilled beverages containing spirits, right now if my company produces 1 oz of rum with 11 oz of soda, we are taxed as it was 12 oz of rum at almost \$6/gallon. As such, we cannot produce local cooler beverages. By taxing only the distilled spirit in the beverage, it opens up an entirely new category of products for us to manufacture here locally, sell locally as well as pay our local taxes.

Thank you for the opportunity to send testimony. This bill will absolutely create new jobs here in Hawaii, strengthen our Made in Hawaii brand value for locals and visitors, as well as allow the industry to flourish and expand. Further, due to the costs of manufacturing here locally, this would allow us small business owners to be more competitive on the national scale furthering growth of jobs here in Hawaii.

Lanikai Brewing Company is an Island Inspired® authentic Hawaiian craft beer company making 100% of our brews here in Hawaii. We take our cues from premium, local, rare, and exotic ingredients grown by local farmers and foraged across the Pacific to bring you bold and flavorful beers that you will find nowhere else utilizing Hawaiian terroir. **Please note that variances in growing season conditions can impact batch-to-batch flavor and aroma profiles.

‘Ōkole Maluna,

Steven R Haumschild

Steve Haumschild, MBA
CEO & Brewmaster
Certified Cicerone®
Lanikai Brewing Company, Island Inspired™ Craft Beer

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 M-F 4p-10p, S-S 11a-10p
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing



February 17, 2019

Senate Committee on Ways and Means
SB 1006 SD1: Relating to Intoxicating Liquor: Tax Rate on Beer and Cooler Beverage Tax
Tuesday, February 19, 2019 at 9:30 a.m. Conference Room 211

Re: **IN SUPPORT OF SB1006 SD1**

Aloha Chair Senator Donovan Dela Cruz, Vice Chair Senator Gilbert Keith-Agaran, and members of the Ways and Means Committee,

My name is Garrett W. Marrero, I live in Kula, HI. We have locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 23 other States, and 13 countries. We began in 2005 with 26 team members and have added more than 500 to our team. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **SB1006 SD1** which creates a new category of cooler beverages made from Spirits, as well as consolidates the two different tax rates on beer into one.

Consolidate beer tax to one rate

SB1006 standardizes and simplifies the tax rate on beer. HRS 244D dealing with Liquor Tax has two separate rates for beer. This is the only beverage that has a disparity in tax rates. Wine and spirits both enjoy a uniform tax rate based on gallonage. Beer however is subject to a confusing burdensome set of accounting for tax. There is "Draft Beer" and "Beer", you would think that draft means anything served on draft as in from a keg and everything else (i.e. cans, bottles etc.) would be "beer". This is not the case. "Draft beer" is defined as an "individual container of 7 gallons or more"; many of us serve "Draft" from 5 gallon or even 2 gallon kegs in some instances. The draft beer rate is currently \$0.54/gallon. We refer to the "beer" definition as the "package tax" as it at least should relate to individual packages. The "package" rate is \$0.93/gallon. I would argue that most breweries both Hawaii-based and importers do not know that there is such an odd definition to draft. This bill encourages compliance with laws by simplifying and making tax terminology less confusing and results in a significant boost to the industry growth.

The bill helps support new startup brewery businesses. Hawaii has a high beer tax compared to other States and is in the top 10% for highest beer tax rates. This bill helps even out the economics of production for Hawaii's breweries where cost of ingredients and production are among the highest compared to other States. Higher tax rates present an additional economic disincentive for Hawaii's craft beer producers to manufacture and grow locally.

The higher tax rate of 93 cents is often considered a package tax. Many local breweries are going to canning which supports another local Oahu business. By having a lower tax rate, this encourages breweries to increase production and manufacturing using cans, which supports the local Ball plant in Kapolei, currently

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

not running at full production. Also, many breweries purchase their cardboard from a plant in Kapolei. The higher tax rate on package is a disincentive to local packaging which decreases the purchases from other local manufacturers (cans, cardboard, etc.)

It is important to note that this change does not directly impact Maui Brewing Co. and supports the smaller breweries the most. We believe it is the right move for the industry.

Tax rate for distilled beverages containing spirits

HRS 244D has a “cooler beverage” tax rate for beverages that are either wine or beer based. This makes sense as the coolers are a mixed beverage with only a portion being liquor while the rest is juice, water, soda etc (a mixer). Currently the rules do not allow for a spirits-based beverage. This means that a local distiller that wishes to make a ready to drink “cooler beverage” is taxed as if the entire contents are alcohol. As a result, a 12oz can with 1oz of spirit and 11oz of ginger beer is taxed as if it is 12oz of spirits. This makes no sense. We believe that this is the primary reason there are zero locally produced ready to drink spirits-based beverages despite the growing number of local distilleries. There are several companies on the mainland exporting small volumes of cocktails in cans or bottles but no local option.

Simply put, by creating a spirits cooler beverage category the State will give birth to an entire industry primed for growth in Hawaii. A locally produced alternative for ready to drink cocktails makes sense versus imported beverages when we aim to deliver an authentic Hawaiian experience to our visitor industry.

This year Maui Brewing Co. will begin adding natural craft sodas, distilled spirits, cider and canned cocktails to our distributed lineup. These additional local beverage lines will add to not only our employment base but that of our wholesaler partners. Additional wages and taxes will be paid based on growth. It is imperative to have the support of the State when working to increase manufacturing within the State.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of **SB1006 SD1**.

Mahalo,



Garrett W. Marrero
CEO/Founder

LATE

SB1006

Relating to Intoxicating Liquor
Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

Senate Committee on Way and Means
02-19-19 at 9:30am, Conference Room 211

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran, and Committee Members J. Kalani English, Sharon Y. Moriwaki, Breene Harimoto, Gil Rivier, Lorraine R. Inouye, Maile S.L. Shimabukuro, Kaiali'i Kahele, Brian T. Taniguchi, Dru Mamo Kanuha, Kurt Fevella and Michelle N. Kidani

Position: **Oppose**

My name is Ashlee Chapman, I live in Kihei, Maui and I am an individual submitting testimony on behalf of SB1006. Mahalo for the opportunity to submit testimony as I am unable to be there in-person at this time. I strongly **oppose SB1006** for the following reasons:

1. Decreasing Alcohol Taxes Increases Underage Drinking Rates

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide¹. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to alcohol excise taxes**, and this bill that proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits **WILL likely increase underage drinking rates in our state, which will lead to increased alcohol-related harms for our youth**².

2. "Spirit Cooler Beverages" are High Risk Products for Youth

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and sodas consumed by young people. This makes "spirit cooler beverages" especially attractive and easily consumable by youth.

¹ World Health Organization : Resource Tool on Alcohol Taxation and Pricing Policies, <http://apps.who.int/iris/bitstream/10665/255795/1/9789241512701-eng.pdf>

² Centers for Disease Control Community Guide: Alcohol – Excessive Consumption: Increasing Alcohol Taxes, <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>

3. Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates

This bill proposal is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their “price elasticity” findings for distilled spirits show that **a 10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%**³. Your proposal of moving “spirit beverage coolers” containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on “spirit beverage cooler” tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

4. Losses in Tax Revenue

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai’i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and permitting fees totaled \$51.1 million⁴. A state alcohol excise decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

I implore you to **oppose SB1006** for the benefit of the people of Hawai’i. To concede your vote to the wishes of the commercial interests will only be to the detriment of your constituents. You do not want to be responsible for a bill that would see more alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities.

Mahalo for your time and attention to this urgent matter.

Sincerely,

Ashlee Chapman, MSW
851 S Kihei Road
Apt O103
Kihei, HI 96753

³ Center for Disease Control: Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms, <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

⁴ State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>

LATE



SB1006 SD1 Relating to Intoxicating Liquor

Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

The Hawaii Partnership to Prevent Underage Drinking (HPPUD) was created to address the problem of underage drinking in the State of Hawaii. The members of the coalition represent county and state agencies, non-profit organizations, private businesses, youth and community residents concerned with the health of Hawaii's youth. **HPPUD opposes SB 1006 SD 1** for the following reasons:

1. Decreasing Alcohol Taxes Increases Underage Drinking Rates

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide¹. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to price**, SB 1006 proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits. This action **WILL likely increase underage drinking rates in our state and lead to increased alcohol-related harms for our youth**².

2. "Spirit Cooler Beverages" are High Risk Products for Youth

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and

¹ World Health Organization : Resource Tool on Alcohol Taxation and Pricing Policies, <http://apps.who.int/iris/bitstream/10665/255795/1/9789241512701-eng.pdf>

² Centers for Disease Control Community Guide: Alcohol – Excessive Consumption: Increasing Alcohol Taxes, <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>

sodas consumed by young people. This makes “spirit cooler beverages” especially attractive and easily consumable by youth.

3. Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates

This bill as proposed is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their “price elasticity” findings for distilled spirits show that **a 10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%³**. Your proposal of moving “spirit beverage coolers” containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on “spirit beverage cooler” tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

4. Losses in Tax Revenue

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai’i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and permitting fees totaled \$51.1 million⁴. A state alcohol excise decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

We urge you to **oppose SB1006 SD 1** for the benefit of the people of Hawai’i. This bill would increase alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities and an increase in underage consumption.

Mahalo for your time and attention to this urgent matter.

Sincerely,
Cynthia Okazaki
Co-Chair

³ Center for Disease Control: Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms, <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

⁴ State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>



February 18, 2019

To: The Honorable Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Senate Committee on Ways & Means

From: Kona Brewing Company
Mary Rait; Director, Regulatory Compliance and Government Relations

RE: SB1006 SD1; Relating to Intoxicating Liquor; **In Support**
February 19, 2019; Conference Room 211

Kona Brewing Co. **supports** SB1006 SD1, which proposes to standardize the beer excise tax by eliminating the separate tax on draught beer and consolidating into one rate. Hawaii currently has one of the highest excise tax rates on packaged beer in the United States. This tax, in conjunction with the higher costs associated with beer production in Hawaii as compared to other states, creates economic challenges for craft beer producers. Standardizing the tax into one rate would promote increased growth of the craft brewing industry, maintain and create jobs, and support Hawaii's economy.

Kona Brewing Co. runs our flagship brewery out of Kailua-Kona, Hawaii and currently produces more than 12,000 barrels of beer per year on island. The company was started by a father and son team in 1994 who had a dream to create fresh, local island brews made with spirit, passion, and quality. Kona Brewing Co. is currently in the process of expanding our pub and brewery operations in Hawaii to include a new state-of-the-art, 30,000 square-foot facility to support the anticipated demand for Kona Brewing beer sold in Hawaii. In addition to creating more local jobs, over time this expansion will increase our annual local production capacity from 12,000 to 100,000+ barrels of malt beverages, all of which will be sold in Hawaii.

For 25 years Kona Brewing Co. has proudly invested in the future of Hawaii, and therefore feels passionate about promoting the growth of the craft beer industry, advocating for environmental responsibility, community wellness, and sustainability. Mahalo for the opportunity to provide testimony on SB1006 SD1.

Sincerely,

Mary Rait
Kona Brewing Company

SB1006

Relating to Intoxicating Liquor
Cooler Beverages; Draft Beer; Distilled Spirits; Liquor TaxSenate Committee on Way and Means
02-19-19 at 9:30am, Conference Room 211

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran, and Committee Members J. Kalani English, Sharon Y. Moriwaki, Breene Harimoto, Gil Rivier, Lorraine R. Inouye, Maile S.L. Shimabukuro, Kaiali'i Kahele, Brian T. Taniguchi, Dru Mamo Kanuha, Kurt Fevella and Michelle N. Kidani

Position: Oppose

My name is Michael Sparks I live in Kihei and I am an individual submitting testimony on SB1006. I strongly **oppose SB1006**. This is a very bad bill that will have significant public health consequences on the community. You are giving a corporation a tax break at the expense of public health. In Hawaii we should not prioritize corporations over the health of our families and youth.

1. Decreasing Alcohol Taxes Increases Underage Drinking Rates

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide¹. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to alcohol excise taxes**, and this bill that proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits **WILL likely increase underage drinking rates in our state, which will lead to increased alcohol-related harms for our youth**².

2. "Spirit Cooler Beverages" are High Risk Products for Youth

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and

¹ World Health Organization : Resource Tool on Alcohol Taxation and Pricing Policies, <http://apps.who.int/iris/bitstream/10665/255795/1/9789241512701-eng.pdf>

² Centers for Disease Control Community Guide: Alcohol – Excessive Consumption: Increasing Alcohol Taxes, <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>

sodas consumed by young people. This makes “spirit cooler beverages” especially attractive and easily consumable by youth.

3. Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates

This bill proposal is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their “price elasticity” findings for distilled spirits show that **a 10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%**³. Your proposal of moving “spirit beverage coolers” containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on “spirit beverage cooler” tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

4. Losses in Tax Revenue

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai’i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and permitting fees totaled \$51.1 million⁴. A state alcohol excise decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

I implore you to **oppose SB1006** for the benefit of the people of Hawai’i. To concede your vote to the wishes of the commercial interests will only be to the detriment of your constituents. I’m sure you do not want to be responsible for a bill that would increase underage drinking, see more alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities.

Mahalo for your time and attention to this urgent matter.

Sincerely,

Michael Sparks
Kihe
707-280-3451

³ Center for Disease Control: Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms, <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

⁴ State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>

LATE

SB-1006-SD-1

Submitted on: 2/19/2019 12:11:00 AM

Testimony for WAM on 2/19/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jan Shishido	Individual	Oppose	No

Comments:

SB1006

Relating to Intoxicating Liquor

Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

Senate Committee on Way and Means

02-19-19 at 9:30am, Conference Room 211

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran, and Committee Members J. Kalani English, Sharon Y. Moriwaki, Breene Harimoto, Gil Rivier, Lorraine R. Inouye, Maile S.L. Shimabukuro, Kaiali'i Kahele, Brian T. Taniguchi, Dru Mamo Kanuha, Kurt Fevella and Michelle N. Kidani

Position: **Oppose**

My name is Jan Shishido I live in Kahului, Maui and I am an individual submitting testimony on behalf of SB1006. Mahalo for the opportunity to submit testimony as I am unable to be there in-person at this time. I strongly **oppose SB1006** for the following reasons:

1. **Decreasing Alcohol Taxes Increases Underage Drinking Rates**

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide[1]. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to alcohol excise taxes**, and this bill that proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits **WILL likely increase underage drinking rates in our state, which will lead to increased alcohol-related harms for our youth**[2].

1. "Spirit Cooler Beverages" are High Risk Products for Youth

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and sodas consumed by young people. This makes "spirit cooler beverages" especially attractive and easily consumable by youth.

1. Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates

This bill proposal is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their "price elasticity" findings for distilled spirits show that **a 10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%**[3]. Your proposal of moving "spirit beverage coolers" containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on "spirit beverage cooler" tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

1. Losses in Tax Revenue

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai'i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and permitting fees totaled \$51.1 million[4]. A state alcohol excise

decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

I implore you to **oppose SB1006** for the benefit of the people of Hawai'i. To concede your vote to the wishes of the commercial interests will only be to the detriment of your constituents. You do not want to be responsible for a bill that would see more alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities.

Mahalo for your time and attention to this urgent matter.

Sincerely,

Jan Shishido

[1] World Health Organization : Resource Tool on Alcohol Taxation and Pricing Policies, <http://apps.who.int/iris/bitstream/10665/255795/1/9789241512701-eng.pdf>

[2] Centers for Disease Control Community Guide: Alcohol – Excessive Consumption: Increasing Alcohol Taxes, <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>

[3] Center for Disease Control: Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms, <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

[4] State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>



SB1006

Relating to Intoxicating Liquor
Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

Senate Committee on Way and Means
02-19-19 at 9:30am, Conference Room 211

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran, and Committee Members J. Kalani English, Sharon Y. Moriwaki, Breene Harimoto, Gil Rivier, Lorraine R. Inouye, Maile S.L. Shimabukuro, Kaiali'i Kahele, Brian T. Taniguchi, Dru Mamo Kanuha, Kurt Fevella and Michelle N. Kidani

Position: **Oppose**

My name is Ann Collins, I live in Kula, HI and I am an individual submitting testimony on behalf of SB1006. Mahalo for the opportunity to submit testimony as I am unable to be there in-person at this time. I strongly **oppose SB1006** for the following reasons:

1. Decreasing Alcohol Taxes Increases Underage Drinking Rates

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide¹. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to alcohol excise taxes**, and this bill that proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits **WILL likely increase underage drinking rates in our state, which will lead to increased alcohol-related harms for our youth**².

2. "Spirit Cooler Beverages" are High Risk Products for Youth

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and sodas consumed by young people. This makes "spirit cooler beverages" especially attractive and easily consumable by youth.

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² Centers for Disease Control Community Guide: Alcohol – Excessive Consumption: Increasing Alcohol Taxes, <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>

3. Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates

This bill proposal is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their “price elasticity” findings for distilled spirits show that **a 10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%³**. Your proposal of moving “spirit beverage coolers” containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on “spirit beverage cooler” tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

4. Losses in Tax Revenue

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai'i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and permitting fees totaled \$51.1 million⁴. A state alcohol excise decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

I implore you to **oppose SB1006** for the benefit of the people of Hawai'i. To concede your vote to the wishes of the commercial interests will only be to the detriment of your constituents. You do not want to be responsible for a bill that would see more alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities.

Mahalo for your time and attention to this urgent matter.

Sincerely,

Ann Collins

³ Center for Disease Control: Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms, <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

⁴ State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>



LATE

Richard Collins
Chair
Hawai'i Alcohol Policy Alliance
Kula, HI
(808)728-4656

Relating to Intoxicating Liquor

Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

Senate Committee on Ways and Means

02-19-19 at 9:30am, Conference Room 211

February 18, 2019

Position: OPPOSE

Chair Donovan M. Dela Cruz, Vice-Chair Gilbert S.C. Keith-Agaran, and Committee Members J. Kalani English, Sharon Y. Moriwaki, Breene Harimoto, Gil Rivier, Lorraine R. Inouye, Maile S.L. Shimabukuro, Kaiali'i Kahele, Brian T. Taniguchi, Dru Mamo Kanuha, Kurt Fevella and Michelle N. Kidani

The Hawai'i Alcohol Policy Alliance (Alliance) is opposed to SB1006. The United States is experiencing a trend toward increased alcohol affordability, accessibility and marketing. There is growing pressure toward decreases in taxation so that alcohol can be consumed like any other consumer product, with few restrictions and at more affordable prices. Alcohol is no ordinary commodity. The push toward deregulation of alcohol is a national trend and is meant to increase profits at the expense of public health.

The Hawai'i Alcohol Policy Alliance is a volunteer-based organization of private citizens made up of members from all four counties within the State. Our mission is to advocate for research-based responsible alcohol policies that are in the best interest of the people of Hawai'i, and that reduce alcohol-related harms in our communities. Our vision is a Hawai'i free of alcohol-related injuries, disease, and death.

I strongly **oppose SB1006** for the following reasons:



1. **Decreasing Alcohol Taxes Increases Underage Drinking Rates**

The Center for Disease Control (CDC) and World Health Organization (WHO), two of the strongest nationally and internationally recognized research-based organizations who shape our world's public health interests both recognize alcohol excise tax increases as one of the strongest prevention strategies to reduce underage drinking, worldwide¹. This current bill proposal directly opposes the science of prevention and will lead to increased population-level alcohol consumption, especially underage drinking. **Young people are especially sensitive to alcohol excise taxes**, and this bill that proposes a reduction from \$5.98 to \$.85 per wine gallon on juice-infused distilled spirits **WILL likely increase underage drinking rates in our state, which will lead to increased alcohol-related harms for our youth**².

2. **"Spirit Cooler Beverages" are High Risk Products for Youth**

Research from the Johns Hopkins Center on Alcohol Marketing and Youth (CAMY) shows that fruit-infused alcoholic beverages, referred to as "spirit cooler beverages" in this bill, are consumed by youth at higher rates than nearly all other alcoholic beverages on the market. Much of this can be attributed to the sweet, sugary flavors of these alcoholic products that are similar to the favors of many non-alcohol fruit juices and sodas consumed by young people. This makes "spirit cooler beverages" especially attractive and easily consumable by youth.

3. **Lowering Alcohol Taxes Increases Violence and Drunk-Driving Rates**

This bill proposal is counter to the research of the Centers for Disease Control 2007 Task Force findings that finds evidence that alcohol tax increases reduce alcohol-impaired motor vehicle crashes, non-motor-vehicle mortality rates, and overall violence rates. Moreover, their "price elasticity" findings for distilled spirits show that a **10% price decrease in distilled spirits taxes increased distilled spirits consumption rates within the community by 7.9%**³. Your proposal of moving "spirit beverage coolers" containing distilled spirits out of the distilled spirits category **will be a tax decrease of approximately 700% on "spirit beverage cooler" tax rates**. Given the information above, this tax decrease has a strong likelihood of **increasing alcohol-related harms and violence in our community and state**, as a whole.

4. **Losses in Tax Revenue**

Alcohol taxes and permit fees are a significant source of revenue for the State of Hawai'i and a growing area of opportunity for potential budget deficits. In 2016 alone, alcohol taxes and

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permitting fees totaled \$51.1 million⁴. A state alcohol excise decrease by such drastic measures for both spirit cooler beverages and non-draft beer would have significant decreases to those revenues currently generated.

I implore you to **oppose SB1006** for the benefit of the people of Hawai'i. To concede your vote to the wishes of the commercial interests will only be to the detriment of your constituents. You do not want to be responsible for a bill that would see more alcohol-impaired motor-vehicle crashes, more violence, and other alcohol-related harms in our communities.

Mahalo for your time and attention to this urgent matter.

Sincerely,

Richard Collins

Chair

Hawai'i Alcohol Policy Alliance

(808) 728-4656

⁴ State of Hawaii Department of Taxation, <http://files.hawaii.gov/tax/stats/monthly/2017cy-liqtob.pdf>

LATE

SB-1006-SD-1

Submitted on: 2/19/2019 7:34:14 AM

Testimony for WAM on 2/19/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan Samonte	Individual	Oppose	No

Comments:

Decreasing alcohol taxes increases underage drinking rates.

Fruit-infused beverages, i.e. "spirit cooler beverages" as described in this bill, are high risk products for youth. Lowering their price point will make them more accessible to youth.

Lowering alcohol taxes would likely increase drunk-driving and violence rates in our communities.

Loss of Tax Revenue - Alcohol taxes brought in \$51.1 million in 2017. This proposed tax reduction would create significant tax revenue losses for our state.