

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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ISAAC W. CHOY
DIRECTOR OF TAXATION

To: The Honorable Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair;
and Members of the Senate Committee on Commerce and Consumer Protection

From: Isaac W. Choy, Director
Department of Taxation

Date: February 5, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 1232, Relating to Liquor

The Department of Taxation (Department) offers the following comments regarding S.B. 1232, for your consideration.

S.B. 1232 creates a three-year surcharge imposed in addition to the existing liquor tax under chapter 244D, Hawaii Revised Statutes (HRS). S.B. 1232's three-year surcharge is effective from July 1, 2021 to June 30, 2024.

The Department notes that the wording imposing this surcharge is unnecessarily complex as it creates a separate calculation and imposition. The Department suggests amending the bill to simply increase the per-gallon liquor tax rates currently found in section 244D-4, HRS, by the desired amount per wine gallon.

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

SB-1232

Submitted on: 2/4/2021 9:27:27 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cynthia Okazaki	Testifying for Hawaii Alcohol Policy Alliance	Support	No

Comments:

To: The Honorable Senator Rosalyn Baker, Chair

The Honorable Senator Stanley Chang, Vice Chair

Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Hrg: Friday, February 5, 2021 at 9:30am at Capitol Room 221

Position: **Support**

Good morning, Chair Baker, Vice Chair Chang, and members of the Senate Committee on Commerce and Consumer Protection. My name is Cynthia Okazaki, from Kaneohe. Thank you so much for the opportunity to submit testimony in SUPPORT of SB1232, Relating to Liquor,

As the Legislature looks for ways to fund the State Budget, an increase in the tax on alcohol at 10 cents per drink will provide additional revenue of approximately \$62 million plus dollars to the state. It has been 22 years since our state last raised the tax on alcohol. **This tax will be paid only by those who consume alcohol and not by the general public.**

1. ***Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic***

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41%.¹ The most common form of excessive alcohol use is binge drinking, which is defined as consuming four or more drinks during a single occasion for woman and five or more for men. Heavy drinking is defined as consuming eight or more drinks per week for women and fifteen or more for men.

1. ***Excessive alcohol consumption costs money and lives to our community***

Alcohol use does not pay for itself. According to the CDC, the consequences of excessive alcohol cost the State nearly one billion dollars per year. This equates to \$1.58 per drink.² Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, suicides, sexual assault, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

An increase of a dime a drink, ten cents, is a small down payment toward getting alcohol to pay for itself.

1. ***As the price increases, excessive adult consumption and underage drinking decrease***

Research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁵ The CDC recommends **alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive use in communities.**⁶

1. use costs the State at least \$937 million per year, **an increase of ten cents per drink would generate \$62 million plus dollars for the State revenues, help to reduce the excessive use of alcohol and its related consequences, and help prevent underage drinking. I urge you to support and amend this bill to include a ten cent per drink tax increase.**

Mahalo for the opportunity to submit testimony and provide comments.

Cynthia Okazaki



Date: February 3, 2021

To: The Honorable Senator Rosalyn Baker, Chair
The Honorable Senator Stanley Chang, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Hrg: Friday 4th, February, 2021 at 9:30am at Capitol Room 221

Position: Support

My name is Chelsea Gonzales, from Honolulu. I am the Alliance Coordinator with the Hawai'i Alcohol Policy Alliance, which is fiscally managed by Hawai'i Public Health Institute. I would like to provide testimony in SUPPORT of SB1232. I propose a bill amendment to include a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State.

1. The time is now to choose people over profit

Alcohol taxes save lives. It has been nearly 23 years since the State last raised the alcohol taxes. In the meantime, consequences due to excessive alcohol consumption cost our State nearly \$1 billion per year, according to the CDC.¹ Alcohol is no ordinary commodity and when used excessively, it causes serious harm to our communities. Alcohol does not pay for itself.

2. Excessive alcohol consumption costs money and lives to our community

Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.²

3. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

The COVID-19 pandemic has made alcohol consumption riskier in regards to domestic violence. There is a positively correlated relationship between visits to alcohol outlets and domestic violence.³

The Domestic Violence Action Center (DVAC) Helpline, which serves Hawai'i, reports a **46%** increase in contacts during the COVID-19 crisis, from the late March to October 2, 2020.⁴

4. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁵ Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers.⁶ The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁷ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁸

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

Mahalo for the opportunity to submit testimony and provide comments.

Questions? You may contact me at chelsea@hiphi.org

References:

[1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>

[2] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[3] Chalfin, A., Danagouliau, S., & Deza, M. (2020, November 16). COVID-19 Has Strengthened the Relationship Between Alcohol Consumption and Domestic Violence. Retrieved February 02, 2021.

[4]The Office of Hawaiian Affairs, Lili'uokalani Trust, & Kamehameha Schools. (2020, October 12). COVID-19 and Native Hawaiians - Intimate Partner Violence. Retrieved February 02, 2021, from <https://sites.google.com/ksbe.edu/nh-covid19/intimate-partner-violence>

[5] Grossman M, Chaloupka FJ, Saffer H, Laixuthai A. Effects of alcohol price policy on youth: a summary of economic research. *J Rese Adolesc.* 1994;4:347-364.

[6] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[7] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[8] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>



Date: February 3, 2021

To: The Honorable Senator Rosalyn Baker, Chair
The Honorable Senator Stanley Chang, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Hrg: Friday, February 4, 2021 at 9:30am at Capitol Room 221

Position: Support

The Alcohol Policy Alliance, which is fiscally managed by Hawai'i Public Health Institute, would like to provide testimony in **SUPPORT of SB1232**, which would establish a three-year surcharge on alcohol. We propose a bill amendment to set the surcharge at 10 cents per drink, which would provide approximately \$62,700,000 to the general fund for the State.

1. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

2. Excessive alcohol consumption costs money and lives to our community

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.³

3. As the price increases, excessive adult consumption and underage drinking decrease

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health

Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

We have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

We are in strong support of this measure and respectfully ask you to **pass SB1232** out of committee with the proposed amendment.

Mahalo,



Rick Collins, CPS
Project Director
Rick@hiphi.org

References:

[1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>

[2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>

[3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.

[5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.

[6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>



SB1232 Liquor Tax for 3 Years

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION:

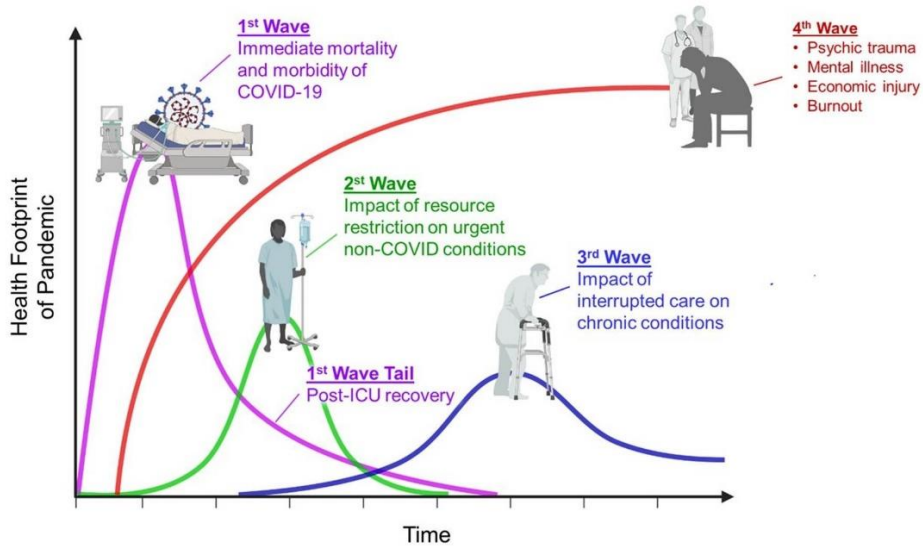
- Sen. Rosalyn Baker, Chair; Sen. Stanley Chang, Vice Chair
- Friday, Feb. 5, 2021: 9:30 am: Videoconference

Hawaii Substance Abuse Coalition Supports SB1232:

GOOD MORNING CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization of over 30 substance use disorder and co-occurring mental health disorder treatment and prevention agencies.

5 Reasons Why this Bill is a Good Idea:

1. Federal sources and Hawaii State Predict a 4th Wave of Behavioral Health Problems including Excess Use of Alcohol. A tax can slow down consumption and benefit both the people and Hawaii's Budget.



2. **Excessive alcohol use is responsible for more than 95,000 deaths in the United States each year, or 261 deaths per day.** Wow. We really need to slow it down. It is a leading



cause of preventable death in the United States.¹

3. **Treatment Funds are being slashed in Hawaii. We need the funds to help the economy recover** which will help people get the treatment they need instead of going to the emergency rooms.
4. **Taxes on Alcohol are behind for increasing compared to other commodities.** During the last 20 years (after years of high taxes), the taxes on beer, wine, and liquor have increased more slowly than the overall price level. The result has been a substantial reduction in the price of alcoholic beverages relative to other commodities. Federal and state alcohol tax policies during this period have thus had the effect of providing an economic incentive for increased drinking. Since alcohol consumption is a contributing factor in the etiology of highway accidents, violent crime, suicide, cirrhosis, and a number of other causes of injury and death, it is possible that the downward trend in the relative price of alcoholic beverages has had the effect of reducing Americans' life expectancies and increasing morbidity.²
5. **Increasing taxes on alcohol is one of the most cost-effective methods of reducing the harms caused by alcohol** consumption, according to research in the new issue of the *Journal of Studies on Alcohol and Drugs*.³ But increasing these rates is "an ambitious but feasible strategy," according to the study, and this change in public policy "would **bring excise taxes for alcoholic beverages more in line with those imposed on tobacco products.**"

We appreciate the opportunity to provide testimony and are available for questions.

¹ CDC Centers for Disease Control and Prevention: Excessive Use of Alcohol in the U.S.: <http://www.cdc.gov/NCCDPHP/dph/>

² National Research Council (US) Panel on Alternative Policies Affecting the Prevention of Alcohol Abuse and Alcoholism; Moore MH, Gerstein DR, editors. Alcohol and Public Policy: Beyond the Shadow of Prohibition. Washington (DC): National Academies Press (US); 1981. The Effect of Liquor Taxes on Drinking, Cirrhosis, and Auto Accidents. Available from: <https://www.ncbi.nlm.nih.gov/books/NBK216412/>

³ Journal of Studies on Alcohol and Drugs. "Higher alcohol taxes are cost-effective in reducing alcohol harms." ScienceDaily. ScienceDaily, 9 August 2018. <www.sciencedaily.com/releases/2018/08/180809093453.htm>.

SB-1232

Submitted on: 2/3/2021 10:55:49 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Vivian Aiona	Testifying for Hawaii Fetal Alcohol Spectrum Disorder (FASD) Action Group	Support	No

Comments:

As a board member of the *Hawaii Fetal Alcohol Spectrum Disorder (FASD) Action Group*, I strongly support **SB#1232**, to establish a three-year surcharge on the liquor tax.

Representative John Mizuno, estimates that the revenue of ten cents per drink, will profit the state approximately, sixty-three million dollars.

Curbing under-age drinking and drunk-driving, promoting public safety, and *detering pregnant women from consuming alcohol*, **should be the constant priority of our lawmakers.**

Personally, I would support that the surcharge continue BEYOND the proposed three years.

Testimony in Support of SB 1232 – Relating to Liquor

Hearing on February 5, 2021, 9:30 am

Conference Room 229 of the State Capitol

TO: Senate Committee on Commerce and Consumer Protection
Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair

FR: Alan Shinn
2869 Park Street
Honolulu, HI 96817
Ashinn575@gmail.com

Please accept my testimony in support of SB 1232 – Relating to Liquor, that will increase the surcharge on liquor products. It is not only to increase the State's General Fund, but to have an impact reducing the harms of excessive alcohol consumption. This would include health issues such as hypertension and liver disease, underage drinking, drunk driving, alcohol use dependence, and domestic violence among other issues.

I am a member of the Hawaii FASD Action Group, a not-for-profit organization, made up of volunteer parents, professionals and other community members formed in 2016 with a mission to raise awareness through education, advocacy, and research on the impact of Fetal Alcohol Spectrum Disorder (FASD) on individuals, their families, and the communities of Hawai'i. Prenatal alcohol exposure can lead to impaired babies affected by FASD. The effects are incurable, life-long brain disorders leading to physical, mental, behavioral and/or learning disabilities.

Increasing the liquor surcharge could be an important part of a multi-level, multi-faceted strategy to help reduce the harms of alcohol consumption. For example, numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers. 1 Evidence also suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-conscious consumers. 2

Thank you for the opportunity to submit testimony on SB 1232.

References:

1. The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>
2. Chaloupka FJ, Grossman M, Saffer H. Effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research and Health*. 2002;26(1):22-34.



Mothers Against Drunk Driving HAWAII
745 Fort Street, Suite 303
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Phone (808) 532-6232
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hi.state@madd.org

February 3, 2021

To: Senator Rosalyn Baker, Chair, Senate Committee on Commerce and Consumer Protection; Representative Stanley Chang, Vice Chair; and members of the Committee

From: Carol McNamee / Arkie Koehl, Public Policy Committee - MADD Hawaii

Re: Senate Bill 1232 – Relating to Liquor

I am Carol McNamee, offering testimony on behalf of the Hawaii Chapter of Mothers Against Drunk Driving in support of Senate Bill 1232– relating to Liquor.

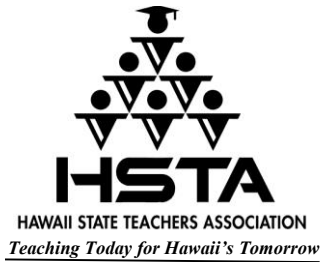
Alcohol-impaired driving is the leading killer on U.S. roadways. According to the National Highway Traffic Safety Administration (NHTSA), 12,389 people were killed in alcohol-impaired crashes in the United States in 2019. That same year there were 117 fatalities on Hawaii's roads and 38 percent (45) were alcohol-related (NHTSA). These crashes cost Hawaii taxpayers over \$575 million annually and many – if not all - could have been prevented!

No matter their age, drivers are now very aware that consuming alcohol can affect driving skills and can cause tragic crashes or collisions resulting in serious injury or death. Education of the public, together with stronger laws and prevention efforts, have clearly reduced the number of highway deaths both nationally and locally. However, the country and most states have come to an almost standstill in their ability to reduce serious crashes resulting in death and/or injury. Hawaii is one of the states which has made little progress over the past 10 years.

Many studies have shown that the cost of alcoholic beverages has an impact on how much alcohol a person will consume. MADD believes that increasing the cost of alcoholic beverages through increasing the tax will result in our seeing fewer people killed or seriously injured on Hawaii's roads.

Part of MADD's mission is: *to prevent underage drinking.* Hawaii's youth start experimenting with alcohol – especially beer – at a young age. Our fatality figures show that late teens and young adults are over-represented in highway crashes. We believe that young drinkers are especially sensitive to the cost of alcoholic beverages. An increase in the cost of their favorite drinks may decrease their involvement in crashes and decrease their highway death and injury rates.

MADD Hawaii asks the legislature to seriously consider the concept of an increase in alcohol beverage tax rates which would bring additional funds into the state's budget and an increase in safety on the state's roads. Please pass SB1212. Thank you for this opportunity to submit testimony.



Corey Rosenlee
President

Osa Tui, Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
COMMERCE & CONSUMER PROTECTION

RE: SB 1232 - RELATING TO LIQUOR

FRIDAY, FEBRUARY 5, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Baker and Members of the Committee:

The Hawaii State Teachers Association **supports** SB 1232, relating to liquor. This bill establishes a three-year surcharge on the liquor tax. Repeals 06/30/2024.

The Community Preventive Services Task Force recommends several effective strategies for preventing excessive drinking and one of these is increasing alcohol taxes. Price point matters.

Alcohol is the most commonly used substance among young people in the U.S. Data from several national surveys document the use of alcohol among young people. The 2019 [Youth Risk Behavior Survey](#) found that among high school students, during the past 30 days

- 29% drank alcohol.
- 14% binge drank.
- 5% of drivers drove after drinking alcohol.
- 17% rode with a driver who had been drinking alcohol.

Other national surveys find that

- 19% of young people aged 12 to 20 years reported drinking alcohol and 11% reported binge drinking in the past 30 days.⁴
- 8% of 8th grade students and 29% of 12th grade students drinking alcohol during the past 30 days, and 4% of 8th grade students and 14% of 12th grade students reported binge drinking during the past two weeks.⁷

Youth who drink alcohol are more likely to experience

- School problems, such as higher rates of absences or lower grades.
- Social problems, such as fighting or lack of participation in youth activities.
- Legal problems, such as arrest for driving or physically hurting someone while drunk.
- Physical problems, such as hangovers or illnesses.
- Unwanted, unplanned, and unprotected sexual activity.
- Disruption of normal growth or sexual development.
- Physical and sexual violence.
- Increased risk of suicide and homicide.
- Alcohol-related motor vehicle crashes and other unintentional injuries, such as burns, falls, or drowning.
- Memory problems.
- Misuse of other substances.
- Changes in brain development that may have life-long effects.
- Alcohol poisoning.

Early initiation of drinking is associated with development of an alcohol use disorder alcohol later in life.

The price point does matter. We respectfully ask you to **support** this bill.



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

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: Oppose

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang and members of the Committee on Commerce and Consumer Protection,

I am Steve Haumschild, CEO and founder of Lanikai Brewing Company located in Kailua Hawaii, with a second location being built in Haleiwa Hawaii. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities. I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

Our industry has been struggling for years due to high tax rates, increased costs for shipping and other various factors that impact manufacturing in Hawaii and creating truly authentic Hawaii products, provide living wage jobs and keep the spirit of manufacturing in Hawaii moving forward. Many of us took the call to action stepping up to assist our communities creating hand sanitizer when the state was in need and facilitating production and work to improve supply chain for the front line workers and schools. This very bill directly and negatively impacts us after we accepted that call to action as well as were forced to shut down our restaurants for months for the greater good. This is a critical time for survival for our industry.

The premise that a tax increase will slow irresponsible drinking habits has not proven, as other states that have the highest liquor taxes should have the least related alcohol issues- there is absolutely no correlation. In fact, as locally produced alcohol becomes more expensive, consumers will flock to cheaper, higher volume products that would be imported from the mainland therefore further damaging our industry and not solving the problem aimed to be solved.

The tax foundation already shows Hawaii as the 3rd highest tax rate in the nation. This is already crippling to our industry. Thanks for accepting our opposition to this bill

Steve Haumschild

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



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Executive Officers

Joe Carter, Coca-Cola Bottling of Hawaii, *Chair*
Charlie Gustafson, Tamura Super Market, *Vice Chair*
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Lauren Zirbel, HFIA, *Executive Director*
John Schlif, Rainbow Sales and Marketing, *Advisor*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 5, 2021
TIME: 9:30am
PLACE: Via Videoconference

RE: SB1232 Relating to Liquor

Position: Oppose

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.

Every facet of Hawaii's economy has been impacted by the economic crisis caused by the ongoing COVID-19 pandemic, our restaurants and bars and the businesses that supply them have been some of the hardest hit. This surcharge amounts to an extra tax on businesses that sell liquor, many of which are already struggling. A good portion of the text of this measure is devoted to discussing the problems of excessive alcohol consumption, but a connection between an added tax and excessive consumption is only tenuously made by citing a ten-year-old study. There is not an established nexus between increased taxes or surcharge on businesses and efforts to decrease instances of excessive alcohol consumption. This measure is not the right choice for our State, we ask that it be held, and we thank you for the opportunity to testify.



THE LEGISLATIVE CENTER

1188 BISHOP STREET, SUITE 1003
HONOLULU, HAWAII 96813-3304
PHONE: (808) 537-4308 • FAX: (808) 533-2739

TLC

February 5, 2021

Testimony To: Senate Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies

Subject: S.B. 1232 – RELATING TO LIQUOR

Chair Baker and Members of the Committee:

I am Tim Lyons, Legislative Liaison for Anheuser Busch Companies and we oppose this bill.

We understand that the state is in severe financial problems. We also understand that as legislators, you need to look for revenue sources wherever you can possibly find them. We also think however, that it is totally within your purview to take a look at the consequences of those tax increases.

In the case of liquor products, you are talking about products that are extremely price sensitive and have great elasticity. That is to say, the majority of people who consume our products are not alcoholics, but rather are casual drinkers. This means that they can do with or they can do without and as history has shown throughout the nation, as the price goes up, sales go down. As sales go down, unemployment goes up.

We also do not believe that you can tax people into drinking responsibly. People who drink in moderation do not have health problems...abusive drinkers will drink regardless of the cost.

We do not believe that in this COVID economy, although it seems a perfectly natural reaction to increase taxes, that you also do not want to do anything that will promote more people losing their jobs or having their hours cut back based on reduced sales. A liquor tax increase of almost any nature will do just that.

What is proposed in this bill is an unspecified tax on liquor products. With the lack of details it is difficult to project but by our calculations the increases on beer proposed in this bill will result in almost \$12 million less in retail sales resulting in almost 250 less jobs and \$10 million less in wages paid. In short, the liquor industry is not the "cash cow" it once was. Sales have plummeted since COVID. Although we are sometimes grouped under the heading of a "sin tax", we would like to remind this Committee that what we manufacture and sell is a legal product and it is not a sin to sit in your living room, watch the football game and , consume a beer.

While we know that everyone has to do their part in this kind of an economy, we are also of the belief that if you ask an industry to do too much from their part, jobs will suffer and all we will achieve is more unemployment and less personal income.

Based on the above, we are opposed to this bill.

Thank you.



Benjamin Kopf
Owner, Mahalo Aleworks
30 Kupaoa St. #101
Makawao, HI 96768

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Ben Kopf and I am the owner of Mahalo Aleworks craft brewery. We are an independent craft brewery that will be opening in a couple of months and will be producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

We have been designing, permitting and under construction of our brand new brewery and taproom located Upcountry Maui for just over two and a half years, and are only a few months away from finally opening. The timing of COVID-19 has unfortunately already slowed the construction progress due to materials shortages and manufacturing delays by many, many months, plus many building materials drastically increased in price due to the pandemic. As such, COVID-19 has already put a heavy strain on our finances even before we have been able to open, and when we finally do get to open the drastically reduced capacities and greatly lower tourist volume do not bode well for short-term revenue. Raising tax rates at this crucial time would have a crippling impact on our brewery, when we are already saddled with excess costs and delays from the pandemic. Other Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses as well.

I strongly feel that from a logical standpoint, the proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. People who drink excessively do not seem likely to stop drinking just because it costs more, they will simply find cheaper brands of alcohol which unfortunately are NOT made in Hawaii. Raising tax rates will drive consumers to substitute lower priced brands made on the mainland and overseas, further hurting Hawaii business and the economy. Hawaiian

made beer and alcohol companies provide many jobs to state residents, and contribute to the economy by buying local agricultural products, cans and other elements as well. Craft beer such as that made at Mahalo Aleworks tends to be more expensive compared to large, mass-produced brands due to the increased costs of doing business in Hawaii. The proposed increased tax rate will result in an even higher price point for small craft producers like us, giving shoppers and customers a reason to just switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

According to the Tax Foundation, Hawaii is already ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive especially in the middle of a financially crippling pandemic.

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.



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

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

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. The Hawaiian Craft Brewers Guild represents 18 small craft brewery businesses from across the state, almost all of the craft beer producers in Hawaii. Our members are united in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

The Hawaiian Craft Brewers Guild and our member breweries embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have a crippling impact at a time when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers that will give shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a

surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes them even less competitive.

Now is not the time to impose an additional tax burden on small independent craft beer businesses struggling to survive. Mahalo for considering our Hawaiian Craft Brewers Guild testimony opposed to SB1232.

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February 4, 2021

Senate Committee on Commerce and Consumer Protection
SB65 Relating to Intoxicating Liquor; Liquor Tax Surcharge
Friday, February 5th, 2021 at 9:30am

Re: **STRONG OPPOSITION OF SB1232**

Aloha Chair Senator Baker, Vice Chair Senator Chang, and members of the Committee,

My name is Garrett W. Marrero, I live in Kihei, HI. Maui Brewing Co. has locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 19 other States, and 10 countries. We began in 2005 with 26 team members and have added more than 700 to our team pre-COVID of course. I was selected as the National Small Business-Person of the year in 2017 for my work at Maui Brewing Co.

I am writing on behalf of myself and our local family-operated business in opposition of **SB1232** which will increase the taxes on beverage alcohol purchases. Hawai'i actually has the second highest tax rate in the country and is nearly FIVE times the median for the USA, .93/gallon versus .20/gallon.

I am the President of the Hawaiian Craft Brewers Guild. Our brewery along with the other HCBG member breweries embrace the responsible consumption of alcohol but are adamantly against increasing the taxes at a time when we're all just fighting to survive with no clear connection that raising taxes will decrease consumption. In fact increasing taxes will serve to shift consumption to cheaper products and away from those produced by local brewers costing jobs and overall tax revenues of all kinds (UI, Payroll, Insurance etc etc).

Alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes. Hawaii residents already struggle with unemployment, high housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming beer and other locally produced beverages.

Excise taxes are far reaching because they are levied at each transactional level. Since the taxes are marked up twice more by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.

Studies tend to show that beer excise tax increases:

1. Have the least effect on beer consumption versus other commodities;
2. Do little to affect drinking by the heaviest drinkers;
3. Have a smaller effect on large supplier products, which are more frequently consumed by the heaviest drinkers; and
4. Would have the greatest impact on (higher-priced) craft brewer products.

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

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have a crippling impact on our brewery, at the same time Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses. Raising costs and decreasing sales would force us to seek production and sales outside of the State, laying off more teammates in pursuit of automation.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

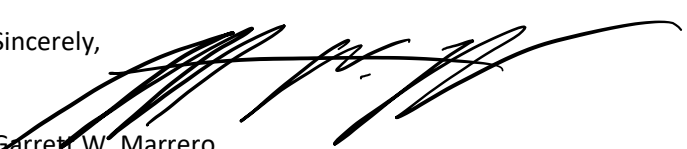
According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. Currently the Highest taxes on beer are Tennessee at 1.29/gallon, Alaska at 1.07/gallon and Hawai'i at .93/gallon. For this comparison the Hawai'i package rate is used to keep consistent. Hawai'i actually takes the #2 spot in that Alaska actually has a reduced rate for small producers of .35/gallon. Both Alaska and Tennessee have far lower median home prices (265k and 164k vs 830k), far lower labor and insurance costs, very low ingredient and other shipping costs, as well as low utility costs. All the while Hawaii has the HIGHEST of all these same categories. This all leads to far lower overall costs to produce in Hawai'i. In summary, the highest taxed states generally have the lowest costs of production and costs of living. We in Hawai'i are the highest all around.

This legislation calling for further tax increases, even a surcharge for 3 years on each 12-ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive. The idea that this is a temporary surcharge leaves us feeling more than uneasy about its actual eventual repeal.

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.

Thank you for the opportunity to offer these comments in opposition to **SB1232**, this bill has too many negatives for small local businesses and the unintended consequences will be extremely detrimental to the craft beverage industry in Hawai'i.

Sincerely,


Garrett W. Marrero
CEO/Founder

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



KAUAI ISLAND BREWING CO.

PORT ALLEN, HAWAII

February 4, 2021

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang and members of the Committee on Commerce and Consumer Protection,

My name is Bret Larson, I am the owner, Kauai Island Brewing Company. We are located on the west side of Kauai in Eleele/Port Allen. We currently provide 11 (31 pre-Covid19) full and part time jobs in Hawaii.

We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Our sales on Kauai have been reduced by 90% of what they were precovid-19! And the legislature is talking about raising taxes! Raising tax rates at this crucial time would have a crippling impact on our brewery, at the same time Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses. We have been doing everything we can to stay in business. Frankly, I am shocked that this bill is even being considered. When the companies are down because of the economic hardship do to the global pandemic you don't kick them harder by adding a tax increase on our products. This is ludicrous. You should be looking at tax relief opportunities.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

Brewery Location: 4350 Waialo Rd, Port Allen, HI 96705

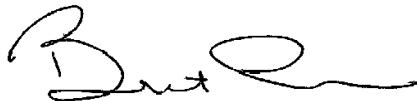
Mailing Address: PO Box 215, Eleele, HI 96705

www.kauaiislandbrewing.com

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive.

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive.

Mahalo for considering our testimony opposed to SB1232.

A handwritten signature in black ink, appearing to read "Bret Larson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Bret Larson
Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com



Katie Jacoy
Western Counsel
Wine Institute
kjacoy@wineinstitute.org
360-790-5729

THE SENATE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2021

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
February 5, 2021

Testimony in Opposition to SB 1232

Chair Baker, Vice-Chair Chang, and Members of the Committee:

Thank you for the opportunity to provide testimony on SB 1232 RELATING TO LIQUOR. Wine Institute, a public policy association representing 1,000 California wineries of all sizes and associate members, submits the following comments in opposition to SB 1232.

Hawaii has been especially hard hit by the Global pandemic. The \$1.8 billion budget shortfall is a daunting amount; however, placing additional taxes on certain industries or products would have detrimental and unintended consequences that could only further exacerbate Hawaii's fiscal challenges. SB 1232 proposes a surcharge of an undetermined amount per drink of alcohol beverages for three years beginning July 1, 2021. This approach to filling the budget deficit unfairly burdens responsible Hawaii wine consumers and the hospitality industry, already in distress.

We empathize with the pain and challenges facing our Hawaii partners in the restaurant and bar industry as COVID-19 restrictions and shutdowns continue. Wineries have been hard hit by the loss of sales both in their own tasting rooms and to their on-premises licensees. Though direct-to-consumer shipment has increased during the pandemic, it has not come close to compensating for the loss of wine sales by restaurants and bars. In addition, wineries have been battered by a perfect storm - COVID-19 related tasting room restrictions and closures, unprecedented wildfires and tariffs. The losses to the US wine industry due to COVID in 2020 are estimated to be \$1.4 billion with an additional \$3.7 billion, including lost future sales, due to the devastating wildfires.

In the ongoing pandemic, none of the tiers - winery, distributor, or retailer/restaurant - are in the position to absorb any additional cost, so any increased tax will be passed onto the Hawaii consumers already suffering in so many ways.

Any increase in the liquor tax on wine unfairly harms the wine consumer in Hawaii:

- Hawaii wine consumers already pay a disproportionate share of taxes through the existing liquor tax imposed on wine. Hawaii's liquor tax on wine of \$1.38 per gallon is already high and almost double the US median of \$0.73. Hawaii wine consumers also pay one of the highest prices in the United States for their wine, given Hawaii's general excise tax of 4% or 4.5% and the higher transportation costs to ship wine to Hawaii.

- Alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes. Hawaii residents already struggle with unemployment, high housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming wine.
- Excise taxes are far reaching because they are levied at each transactional level. Since the taxes are marked up twice more by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.

We urge you to hold this liquor tax surcharge. Thank you for the opportunity to testify.

Joshua Kopp
Hana Koa Brewing Co.
962 Kawaiahao Street
Honolulu, HI 96814

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Joshua Kopp and I am the Head Brewer and Owner at Hana Koa Brewing Co. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have a crippling impact on our brewery, when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses. Our operating expense alone during this time of restrictions has made it near impossible to break even.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Our beer is normally purchased as single 16 oz cans or 16oz 4 packs. The price of these 4 packs ranges from \$13 to as high as \$24. These are not beers meant for excessive consumption such as cheaper products sold at a fraction of the price in packs of 30. This product also has a tie in to our local community which has benefited from our establishment as well as other craft producers via philanthropy and comradery in our love for this traditional beverage.

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive. Larger breweries from the mainland can afford to pay these taxes as their economies of scale give them a competitive advantage. This would make it even more difficult for us small breweries to recover and might cause us to have to close down as a result. We provide numerous jobs for Hawaii and that additional tax revenue would go away if we cannot stay afloat.

I understand the concern of excessive consumption of alcohol and alcohol related deaths. This is something that we take into consideration with our serving in the taproom as well as our product sold to go.

It would be beneficial to those who feel that alcohol as a whole plays a part in excessive consumption, alcoholism, or alcohol related deaths, to conduct a study that would confirm which product types, brands, or socioeconomic factors contribute to such behavior as we feel that our brands do not make a significant contribution. We are committed to being a positive establishment within the community. We welcome people of all walks of life, ethnicity, religion, and residence. We stand to break barriers and create a bridge for those who may not have been able to connect before. Please do not pass this bill. It would severely damage all the work that we have put in during these hard times.

Mahalo for considering our testimony opposed to SB1232.

Kauai Beer Company
Justin Guerber
Head Brewer
4265 Rice St
Lihue, HI 96766
justin@kauaibeer.com



SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Justin Guerber and I am the Head Brewer of Kauai Beer Company. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely impacted our business, and we are struggling to survive. A tax surcharge on liquor would directly drive customers from our products to other, cheaper products made by large manufacturers that import to the state and that can absorb such costs. We believe in responsible consumption of alcohol, and if customers no longer buy our products face-to-face, but instead purchase larger volumes cheaper at the store, we believe ultimately irresponsible consumption will actually increase.

Ultimately we know that the state needs to generate revenue to make up the budget shortfall, but if we have learned anything from this, it is that we should be charging more for the large corporations to ship their products to the state, and help support more local businesses in order to drive our own local economy. The more we can drive customers to local products, the more we can create local jobs, and keep our dollars in the state. By increasing the tax rates across the board with no consideration to small local businesses, we are tilting the tables the wrong direction.

According to the Tax Foundation, Hawaii is already ranked 3rd for highest excise tax rate for beer in the US. Now is not the time to impose an additional tax burden on our independent craft

beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.

SB-1232

Submitted on: 2/2/2021 11:10:42 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
J Naehalani Breeland	Testifying for Ola Brew Co	Oppose	No

Comments:

Aloha and thank you for your time.

While I appreciate the intent of your bill I do have some concerns related to the impact it will have here on our Hawaii small craft producers and the implications it may have on the livelihood of these businesses and our employees. 2020 has been a difficult year for all of us as individuals and businesses alike. Many businesses have shuttered and with the implementation of these taxes there is potential for sales to the surviving businesses to drop dramatically leaving these businesses in a bad position.

As far as a plan for alcohol cessation, it is hard to believe that raising taxes will bring down the percentage of drinking, but rather drive our local communities to cheaper products that will most likely be imported products, leaving our local producers at a disadvantage.

I would like to propose an alternative and take a note from our Federal Liquor taxes, in which they implemented a tiered tax system based on the amount of barrelage produced per year.

Alternative proposal – Tiered tax rate with exemption or lower rate for small craft breweries

1. Alternative 1 – exempt small craft breweries manufacturing less than 60,000 barrels in 2019

Small craft breweries producing under 60,000 barrels of beer per year, based on 2019 production numbers, are exempt from this legislation. This would exempt most of Hawaii's

independent small craft breweries and a small number of brands manufactured in one of the

49 other states. Approximately 15 to 20 small craft brands distributed in Hawaii are manufactured by out of state breweries producing less than 60,000 barrels in 2019. This represents a very small amount of the beer sold in Hawaii.

2. Alternative 2 – small craft breweries pay 10% of the tax rate paid by breweries that made over 60,000 barrels in 2019.

Small craft breweries producing under 60,000 barrels of beer per year, based on 2019

production numbers, are subject to payment of 10% of the tax rate levied on beer manufactured by breweries making more than 70,000 barrels of beer in 2019. This would exempt most of Hawaii's independent small craft breweries and a small number, approx. 15 to 20 brands manufactured in one of the 49 other states. The small craft breweries from out of state manufacturing less than 60,000 barrels sell very little product in Hawaii.

Messaging

1. A two-tiered system of taxation based on production output recognizes that some beer manufacturers have taken a much harder hit than other businesses during the pandemic.

Liquor sales and volume of beer sales from large US manufacturers have shown overall increases during the pandemic. This is not the case for many of Hawaii's small independent craft breweries. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers.

2. COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have crippling

January 31, 2021

impact at a time when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses.

3. Members of the Hawaiian Craft Brewers Guild understand there is a substantial need to generate tax revenue for the State of Hawaii to make up revenue shortfalls brought on by

COVID-19. Increasing the tax rate on beer manufactured by large producers making more than 60,000 barrels per year in 2019 shifts the tax burden in this proposed legislation to manufacturers that have not been as hard hit during the pandemic.

4. It is already difficult for Hawaii's small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers bringing beer into Hawaii. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

5. According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US.

SB-1232

Submitted on: 2/4/2021 8:25:01 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joe P. Lorenzen	Testifying for Waikiki Brewing Company	Oppose	No

Comments:

WAIKIKI BREWING COMPANY

Joe P. Lorenzen, Partner/Brewmaster

831 Queen St.

Honolulu, HI 96813

808-591-0387

brewmaster@waikikibrewing.com

SB1232 RELATING TO LIQUOR.

Position: Oppose

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki, Kaka'ako, and on Front Street in Lahaina, on Maui. Our brewery began with 15 employees in 2015, and now employs over 60 people.

We are strongly in opposition to SB1232

We fully support responsible consumption of alcohol, but raising taxes on alcoholic beverages does not achieve these ends. If it did, one would expect that the states with the highest tax rates on alcohol would also have the lowest number of alcohol related deaths. Comparing death rates by state as reported by the CDC with Tax Foundation data on state excise taxes on beer we find that there seems to be no correlation. Some states with the highest tax rates still have the highest numbers of alcohol related deaths (such as Alaska, which has the second highest rank in both categories) while some

states with the lowest tax rates have the lowest numbers of deaths (New York has the 39th lowest tax rate and the absolute lowest alcohol related death rate). Clearly, taxes are not what is saving lives.

This bill allocates taxes raised into the general fund. If the purpose is to support public health and reduce costs associated with treatment of alcohol related health issues, as is implied in the language of the bill, should not the funds raised be allocated to alcohol treatment and disease prevention? Per the language of the bill, it would seem prudent to try to reduce those costs by allocating funds to programs which might serve to provide help to those in need.

If it is deemed necessary to raise these funds, which by all conventional wisdom, should not be placed in the general fund, a tax on large producers or a tiered tax, vs a blanket, per beverage tax would do much more, and allow the state to help support small local businesses. A tax on beverages produced by breweries which brew in excess of 70,000 barrels per year would accomplish this. Large, macro breweries account for the majority of the beer consumed in the state and taxing them alone, or at a higher tier, will serve to raise these funds. All breweries in Hawaii are under this threshold and thus will be spared as we continue to try to rebuild our fragile manufacturing businesses amidst the ongoing pandemic. The brewing industry in Hawaii has been one of the only industries to grow manufacturing jobs in Hawaii in recent years and has been hit hard by Covid-19 related emergency shutdowns and our fragile economy. As we talk of attempting to decrease our reliance on tourism in our economy, we must not injure one of the few industries to diversify our economy as of late.

Thank you for the opportunity to provide testimony in opposition of SB 1232.

Sincerely,

Joe P. Lorenzen

LATE



info@beerlabhi.com
www.beerlabhi.com

Nicolas Wong
President
3266 Kalua PL
Honolulu, HI 96816

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang and members of the Committee on Commerce and Consumer Protection,

My name is Nicolas Wong and I am the President of Beer Lab HI. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID -19 has decimated local businesses and even greater the service industry of Hawaii. Raising the tax rate on businesses that have been hit the hardest will further decimate the industry and impact us as local manufacturers.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive.



info@beerlabhi.com
www.beerlabhi.com

Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304

LATE

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The Hawaii Senate 2021 Regular Session

Committee Commerce and Consumer Protection

Date of Hearing: February 5, 2021

Chair Baker, Vice-Chair Chang and Members of the Committee:

RE: Testimony in Opposition to SB 1232

Thank you for the opportunity to submit Testimony on SB 1232. As the president of Maui Wine, Ltd. for the last 30 years, I am strongly opposed to any new taxation that will inhibit our ability to get back on course as a viable business, grower and producer in Maui County. Maui Wine has been hit especially hard by the pandemic, as have all our Maui partners in the hospitality industry.

No matter how little the amount may seem, every bit of new taxation is multiplied throughout our business and to our wholesale and retail customers. Now, more than ever, every dime does matter to keep employees on payroll, pay overhead responsibilities and start the process of manufacturing again. The cashflow needed to restart manufacturing is going to be a hurdle for Maui Wine, as the margins of profitability have been severely decreased due to increased material costs, higher overhead, and reduced production capacity and demand.

The taxation on wine in Hawaii has been one of the highest in the US for decades. The Hawaii consumer already pays a disproportionate share of taxes through the existing state liquor taxes. An increase in any excise tax that will inhibit business growth and sales within the state should be avoided at this time.

As a small craft producer in Hawaii, thank you for the opportunity to provide testimony. Please consider holding this liquor tax surcharge so that we can increase tax revenue by increasing sales and growth in 2021.

Paula J. Hegele



LATE

64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
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BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB1232 Relating to Intoxicating Liquor: Liquor tax surcharge
Senate Committee on Commerce and Consumer Protection
Friday February 5, 2021 at 9:30 a.m. Conference Room 229

Position: **Oppose**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Thomas Kerns and I am the owner and brewmaster for Big Island Brewhaus. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Liquor Tax Surcharge

COVID-19 has severely challenged the economic viability of Hawaii's small independent craft brewery businesses. Raising tax rates at this crucial time would have a crippling impact on our brewery, when Hawaii craft beer manufacturers are trying to find ways to be proactive to stay in business and recover from COVID related revenue losses.

The proposed tax surcharge on liquor will unfortunately not stop excessive consumption by the heaviest drinkers. Raising tax rates will drive consumers to substitute lower priced beer brands and less expensive alcohol. Craft beer tends to be more expensive compared to large, mass-produced brands. The increased tax rate will result in a higher price point for small craft producers, giving shoppers and customers a reason to switch to less expensive options rather than reducing the amount of alcohol purchased and consumed.

According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. This legislation calling for further tax increases, even a surcharge for 3 years on each 12 ounce serving of beer, hurts small craft beer manufacturers and makes us even less competitive.

Please consider the actual impacts on small businesses such as ours with raising taxes at this point in time. Now is not the time to impose an additional tax burden on our independent craft beer business as we are struggling to survive. Mahalo for considering our testimony opposed to SB1232.

Sincerely, *Thomas Kerns*

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

LATE

SB-1232

Submitted on: 2/4/2021 1:52:06 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan	Testifying for Maui Brewing Co.	Oppose	No

Comments:

We are already struggling to keep the doors open. This would crush our pub and could effect the lives of all of our employees. Customers already complain about our prices being too high when everyone is hurting for cash.

LATE

SB-1232

Submitted on: 2/4/2021 12:19:56 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Marsha Hansen	Testifying for Maui Brewing Company craft beverages	Oppose	No

Comments:

This a tremendously hurtful bill to local craft brewers and will gravely effect the local economy.

SB-1232

Submitted on: 2/4/2021 6:58:17 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Darlyn Chen Scovell	Individual	Support	No

Comments:

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair

Senator Stanley Chang, Vice Chair

DATE: Friday, February 5, 2021

TIME: 9:30AM

PLACE:Conference Room 229

POSITION: **STRONG SUPPORT SB 1232**

My name is Darlyn Chen Scovell. Being the voices of children who have none, and individuals who have FASD whom for many years have been marginalized, unrecognized and without appropriate attention and services. I am writing in **STRONG SUPPORT of SB 1232. This Bill is not Anti Business. This Bill is About Saving Children with FASD and families of Hawaii impacted by alcohol consumption.** Alcohol is the **third leading preventable cause of death** in the United States behind tobacco and poor diet/physical inactivity. 95,000 people die every year from alcohol attributable causes and an average 29 people die in motor vehicle crashes that involve an alcohol impaired driver. Excessive alcohol use costs the United States a total of 249 Billion in 2010, which is equivalent to \$2.05 for each alcoholic beverage, or \$807.00 per person.

FASD is associated with secrecy and shame, quite possibly due to its preventable nature and the stigma attached to it CAUSED by ALCOHOL CONSUMPTION during pregnancy. Alcohol is legally accessible, available in the community stores often left in unlocked cabinets in many homes, therefore, it is not surprising that the research stated that **1 in 20 first graders do have FASD.** According to a research study questions, "Is this shame the reason for the marginalization of the children and families with FASD in general? (Barker, Kulyk, Knorr, & Brenna, 2011).

FASD diagnosis is a processing disorder, learning disability, and attention -deficit/ hyperactivity disorders almost the same with Autism Spectrum Disorders (Astley, 2010; Kodituwakku & Kodituwakku, 2014). **Somewhere between 1% and 4% of all children**

worldwide are reported to have an FASD. The NEURODEVELOPMENTAL IMPAIRMENTS associated with FASD came WITH SIGNIFICANT SOCIAL COST ACROSS THE LIFESPAN in the form of increased medical, educational, and vocational support and lost productivity (Lupton, Burd, & Harwood, 2004; Popova, Lange, Burd, & Rehm, 2015). I have worked with children with Autism as a Registered Behavioral Therapist under ABA Guidelines, and in my observations, FASD is a Developmental Disability is equally as severe as Autism.

If the national data states that 1 in 20 first graders have FASD, we can make it 1 in 1,000 - 1 in 10,000, 100,000 even in 1 in a million because FASD is COMPLETELY PREVENTABLE BY CEASING ALCOHOL USE during pregnancy. SB1232 is one of many solution to this predicament. **Please let us work together to save Our Tomorrow, Today.** Let us help these innocent children born in an impossible world impacted by alcohol. We have the obligations to make their life and world possible for them as we made alcohol legal for public consumption. Hindsight, we will be able to save our children, women, and families of Hawaii, and also our tax dollars when you support this SB1232. Often, these children with FASD are seen with as children only with behavioral issues in our school system, get kicked out and eventually these children without no support will join into crime committing and delinquent groups who end up in our prison systems as juveniles and eventually as adult offenders. This cost our State \$55,000.00 a year per inmate, not to mention that our prison system is overpopulated and we ship our State Inmates to other States which cost us \$35,000.00 a year per inmate. This cost doesn't include property damages, medical and another cost to our tax dollars.

Mental Health Problems - 60% of children with FASD have ADDH and most individuals have clinical depression as adults; 23% of the adults had attempted suicide, and 43% had threatened to commit suicide. • Disrupted School Experience - 43% experienced suspension or expulsion or drop out; • Trouble with the Law - 42% had involvement with police, charged or convicted of a crime; • Confinement – 60% of these children age 12 and over experienced inpatient treatment for mental health, alcohol/drug problems, or incarceration for a crime. • Inappropriate Sexual Behavior – Reported in 45% of those aged 12 and over, and 65% of adult males with FAE. • Alcohol/Drug Problems – Of the adults with FAS, 53% of males and 70% of females experienced substance abuse problems. These children who have the potentials to become adult offenders can cost Hawaii \$55,000.00 a year in incarceration cost, and more economic challenges in societal, property damages and tax dollars. **I do beg of you to support and consider passing SB 1232 for the children and the families of Hawaii.**

Thank you for your kind consideration. Always with Gratitude.

Respectfully yours,

Darlyn Chen Scovell

Reference

Astley, S. J. (2010). Profile of the first 1,400 patients receiving diagnostic evaluations for fetal alcohol spectrum disorder at the Washington State Fetal Alcohol Syndrome Diagnostic & Prevention Network. *Canadian Journal of Clinical Pharmacology*, 17(1), e132–e164.

Barker, C., Kulyk, J., Knorr, L., & Brenna, B. (2011). Open Inclusion or Shameful Secret: A Comparison of Characters with Fetal Alcohol Spectrum Disorders (FASD) and Characters with Autism Spectrum Disorders (ASD) in a North American Sample of Books for Children and Young Adults. *International Journal of Special Education*, 26(3), 171–180. Retrieved from <http://search.ebscohost.com.libproxy.edmc.edu/login.aspx?direct=true&db=Eric&AN=EJ959010&site=eds-live>

Kodituwakku, P., & Kodituwakku, E. (2014). Cognitive and behavioral profiles of children with fetal alcohol spectrum disorders. *Current Developmental Disorders Reports*, 1(3), 149–160. <https://doi.org/10.1007/s40474-014-0022-6>

Thorne, J. C. 1. jct6@uw. ed. (2017). Accentuate the Negative: Grammatical Errors During Narrative Production as a Clinical Marker of Central Nervous System Abnormality in School-Aged Children With Fetal Alcohol Spectrum Disorders. *Journal of Speech, Language & Hearing Research*, 60(12), 3523–3537. [https://doi-org.libproxy.edmc.edu/10.1044/2017pass:\[_\]JSLHR-L-17-0128](https://doi-org.libproxy.edmc.edu/10.1044/2017pass:[_]JSLHR-L-17-0128)

Dear Madam Chairperson, Senator Baker, and Committee Members,

Thank you for hearing this critical bill. I am writing in support of this bill primarily because it can help our economy recover from the COVID pandemic and address the public health issues associated with alcohol. It may reduce the risks for alcohol harm such as unintended injuries, violence, liver disease, stroke, dementia, hypertension, several types of cancer, sexual assault, fetal alcohol spectrum disorders, and alcohol use disorders. It may impact the rate of and harm of underage drinking.ⁱ

As a psychologist and family therapist, I want to decrease the number of children born with fetal alcohol spectrum disorders. I have held the hands of parents and children affected by the brain damage resulting from inadvertent drinking while pregnant and try to problem solve through education and awareness of the accommodations these individuals need for the rest of their lives. I witness the struggle of individuals with FASD trying to adjust to a world that is difficult to comprehend. We cannot appreciate the number of children/individuals affected by fetal alcohol spectrum disorders (FASD) as it is consistently underdiagnosed and misdiagnosed. Research in 2018 reports that one in 20 first grade children are affected by FASD.ⁱⁱ

The bill will not prevent drinking, but it may help reduce and provide revenue to avoid and treat the harms of drinking.

Mahalo, for all the work you do,

Ann S. Yabusaki, Ph.D., MFT
Kaneohe, Hawaii

ⁱ Nami, T.S., Daley, J.I., Xuan, Z., Blanchette, J.G., Chaloupka, F.J. & Jernigan, D.H. (2016) "Who would pay for state alcohol tax increases in the United States?" www.cdc.gov/pcd/issues/2016/15_0450.htm. DOI: <http://dx.doi.org/10.58888/pcd13.I50450>.

ⁱⁱ May, P.A., Chambers, C.D., Kalberg, W.O, Zellner, J., Feldman, H., et al. (2018). Prevalence of Fetal Alcohol Spectrum Disorders in 4 US Communities, 319(5):474-482. doi:10.1001/jama.2017.21896

Dear Madame Chair, Senator Baker, and Committee Members,

Thank you for hearing the critical Bill SB1232. I am strongly in favor of the proposed ten (10) cent surcharge on liquor/alcoholic beverage sales as described in SB1232 which affects monetarily those that consume the above. The consumption of alcohol has both responsible and irresponsible components. To this end, the proposed tax will help Hawaii economically recover from the devastating impact of the COVID-19 pandemic (pandemic). However, with increase in store purchases of alcoholic beverages from the pandemic, harm from increased risk to society from a constellation of categories are alarming. One area I am disturbed by is the rate of underage drinking, binge drinking among women, and unintended pregnancies to name a few that will increase the number of individuals afflicted with Fetal Alcohol Spectrum Disorders (FASD), a permanent brain condition when a fetus is exposed to the metabolites of alcohol during pregnancy.

As a retired biochemist, and having researched FASD, those afflicted with FASD are born into an impossible world and impact every sector of our society. Thus, in a society where consumption of alcohol is a living issue, it is our responsibility to help make the world one of “possibilities” for those afflicted with FASD. This includes those who are their caregivers as FASD is a life-long condition. My hope is the revenue generated by the proposed liquor surcharge will in part help provide future funding to educate, prevent, and provide FASD informed services. We cannot prevent FASD in a society that consumes alcohol, but we can decrease the number of those with FASD.

Mahalo nui for all your efforts,

Kenichi K. Yabusaki, Ph.D.
Kaneohe, Hawaii

SB-1232

Submitted on: 2/3/2021 9:58:25 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gigi V Davidson	Individual	Support	No

Comments:

Dear Chairperson, and Committee Members,

Thank you for hearing this critical bill. I am writing in support of this bill primarily because it can help our economy recover from the COVID pandemic and address the public health issues associated with alcohol. It may reduce the risks for alcohol harm such as unintended injuries, violence, liver disease, stroke, dementia, hypertension, several types of cancer, sexual assault, fetal alcohol spectrum disorders, and alcohol use disorders. It may impact the rate of and harm of underage drinking. [\[1\]](#)

As a parent of a now young adult with fetal alcohol spectrum disorder (FASD) I want to decrease the number of children born with fetal alcohol spectrum disorders. I constantly support parents and children affected by the brain damage resulting from inadvertent drinking while pregnant and try to problem solve through education and awareness of the accommodations these individuals need for the rest of their lives. I live with and witness the struggle of individuals with FASD and their families trying to adjust to a world that is difficult to comprehend. Society is generally unaware of this lifelong disability which afflicts 1 in 20 children/individuals as it is consistently underdiagnosed and misdiagnosed. Those with an FASD and their families/caregivers desperately need and deserve help as others with disabilities receive.

The bill will not prevent drinking, but it may help reduce and provide revenue to avoid and treat the harms of drinking.

Mahalo for all the work you do,

Sincerely

Gigi Davidson

Parent Advocate for FASD

Date: February 3, 2021
To: The Honorable Senator Baker, Chair
The Honorable Senator Chang, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection
Re: Strong Support of SB1232, Relating to Liquor
Hrg: Friday, February, 2021 at 9:30am at Capitol Room 221

Position: Support

Good morning, Chair Baker, Vice Chair Chang, and members of the Senate Committee on Commerce and Consumer Protection. My name is Ashlee Klemperer Chapman, from Kihei, Maui. Thank you so much for the opportunity to submit testimony in SUPPORT of SB1232.

I am a volunteer member of the As a social worker and prevention specialist working to advocate for public health policies in Hawaii for the past 3 years I firmly believe and support the passage of SB1232. In public health we know how policy creates the most long lasting and impactful outcomes for our community. Within that research taxation policies on alcohol and other luxury commodities has proven to be an excellent source of revenue for struggling budget deficits as well as over time reducing the amount of alcohol consumed in our communities.

Under these uncertain times I urge all esteemed members of this committee to seriously consider supporting SB1232 as a alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic. A new US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹

Excessive alcohol consumption costs money and lives to our community. Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³. I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

As the price increases, excessive adult consumption and underage drinking decrease. Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 "best-buys" for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶

In public health we know how policy creates the most long lasting and impactful outcomes for our community. Within that research taxation policies on alcohol and other luxury commodities has proven to be an excellent source of revenue for struggling budget deficits as well as over time reducing the amount of alcohol consumed in our communities.

I propose a bill amendment to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Thank you for your time and consideration,

Ashlee Klemperer Chapman, MSW
Hawaii Alcohol Policy Alliance Member
124 Namau‘u Place
Kihei, Hawaii
96753
ashlee.klemperer.ak@gmail.com

References:

- [1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>
- [2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>
- [3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.
- [5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

SB-1232

Submitted on: 2/3/2021 5:08:37 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Snow	Individual	Support	No

Comments:

Date: February 3, 2021

To: The Honorable Senator Baker, Chair

The Honorable Senator Chang, Vice Chair

Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Hrg: Friday, February 5, 2021 at 9:30am at Capitol Room 221

Position: Support

My name is Andrea Snow and I live in Waikapu on Maui. I support increasing the surcharge on alcohol to 10 cents per drink. First, because alcohol does not pay for itself - it costs us big time. Second, because has been 22 years since our state has last raised alcohol taxes.

According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink. [1] It is well past time to raise the tax on this expensive, harmful product. A dime a drink is a small down payment toward getting alcohol to pay for itself.

This is a policy decision that can help fill a budget deficit AND save lives. My brother died driving home after drinking at a friend's house. The one-vehicle crash killed the two other passengers as well - his friends. He had just celebrated his 2-year-old daughter's birthday. Increase taxes, decrease consumption.

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers. Alcohol-related harms decline as well. [2]

Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers. [3-5]

A 10 cent surcharge would result in projected revenues of \$62,700,000. Despite these projected revenues, a 10 cent per drink surcharge would only nominally increase costs for most individuals. A non—excessive drinker would pay less than \$5 per year. An

individual who excessively consumes alcohol would pay \$27 per year as a result of the 10 cent surcharge.

I support a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo,

Andrea Snow, Waikapu, Maui

snowandrea4@gmail.com

References:

[1] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>

[2] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

[3] Chaloupka FJ, Grossman M, Saffer H. Effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research and Health*. 2002;26(1):22-34.

[4] Grossman M, Chaloupka FJ, Saffer H, Laixuthai A. Effects of alcohol price policy on youth: a summary of economic research. *J Rese Adolesc*. 1994;4:347-364.

[5] Cook PJ. *Paying the Tab: The Costs and Benefits of Alcohol Control*. Princeton: Princeton University Press; 2007.

Date: February 3, 2021

To: The Honorable Senator Baker, Chair
The Honorable Senator Chang, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Position: Support

My name is Kristin Mills, I live in Pukalani (on Maui), am a parent, a health educator, co-chair of the Prevent Suicide Maui County Task Force, and a two-time survivor of car crashes where the other drivers were drunk. Thank you so much for the opportunity to submit testimony in SUPPORT of SB1232. I support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic. As unemployment rates increase, so do rates of substance use and abuse. As stated by a lieutenant with the MPD, habitual DUIs are up 500% from a year ago.
2. Excessive alcohol consumption costs money and lives to our community. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink. A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders. All of which cost the state funds in excess services.
3. As I mentioned above, I am a two-time survivor of car crashed where the person who crashed into me was drunk. I am lucky! But we shouldn't need to depend on luck. By raising the cost of alcoholic drinks, we can reduce the rate of excessive drinking and driving under the influence.

I will continue to support evidence-based policies that will reduce excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Sincerely,
Kristin Mills

Date: February 3, 2021

To: The Honorable Senator Baker, Chair
The Honorable Senator Chang, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Re: Strong Support of SB1232, Relating to Liquor

Hrg: Friday, February, 2021 at 9:30am at Capitol Room 221

Position: Support

Good morning, Chair Baker, Vice Chair Chang, and members of the Senate Committee on Commerce and Consumer Protection. My name is Michael Sparks, and I live in Kihei Maui. Thank you for the opportunity to submit testimony in SUPPORT of SB1232. I strongly support increasing the surcharge on alcohol to 10 cents per drink because of the following:

1. *Excessive alcohol consumption costs money and lives in our community*

Alcohol does not pay for itself. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.² A dime a drink is a small down payment toward getting alcohol to pay for the societal costs it creates. Costs we all pay. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), interpersonal violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

2. *We all are impacted by alcohol-related problems*

As most of us can attest, alcohol impacts many American families. As a child of an alcoholic, I have experienced the pain and havoc that alcohol can cause in not only the drinker's life but also those around them. I have been witness to drunk driving, fights, assaults and many other alcohol-related consequences within my own family. I am 69 years old, and the rates of problems are only increasing. Here in Hawaii, it is time to implement strategies that can reduce the problems I experienced throughout much of my life.

3. *As the price increases, excessive adult consumption and underage drinking decrease*

Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.⁴ The World Health Organization calls alcohol tax increases one of the top-3 "best-buys" for reducing alcohol related harms in communities.⁵ The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage and adult excessive drinking in communities.⁶

4. *Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic*

New US study shows alcohol consumption for adults is up 14% during the pandemic as compared to the previous year (2019). Heavy drinking by women is up 41% during the pandemic.¹ As a result of the increased consumption a host of alcohol-related problems are on the increase.

I have worked all my adult life as a public health professional supporting evidence-based policies that will reduce youth use and adult excessive consumption of alcohol in our communities. It has been 22 years since Hawaii has last raised alcohol taxes. Alcohol does not pay for itself. It's about time that we make a change to address that.

I propose a bill amendment to SB 1232 for 10 cents per drink surcharge which will generate approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo for the opportunity to submit testimony.

Sincerely,
Michael Sparks
President- SparksInitiatives
Maui, HI

References:

- [1] Michael S. Pollard, P. (2020, September 29). Changes in ADULT alcohol use and consequences during the Covid-19 pandemic in the US. Retrieved February 03, 2021, from <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2770975>
- [2] Excessive drinking is draining the U.S. Economy. (2019, December 30). Retrieved February 03, 2021, from <https://www.cdc.gov/alcohol/features/excessive-drinking.html>
- [3] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [4] National Research Council (US) and Institute of Medicine (US) Committee on Developing a Strategy to Reduce and Prevent Underage Drinking; Bonnie RJ, O'Connell ME, editors. *Reducing Underage Drinking: A Collective Responsibility*. Washington (DC): National Academies Press (US); 2004. 9, The Effects of Price on Alcohol Use, Abuse, and Their Consequences.
- [5] World Health Organization. *Global Status Report on Alcohol and Health—2018* external icon Geneva, Switzerland: World Health Organization; 2018.
- [6] The Department of Health and Human Services. (2018, August 15). Task force Recommends increasing alcohol taxes to prevent excessive alcohol use and other harms. Retrieved February 03, 2021, from <https://www.thecommunityguide.org/content/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms>

SB-1232

Submitted on: 2/4/2021 7:27:09 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ray Ogai	Individual	Support	No

Comments:

Aloha Chair, Vice Chair, and members of the Senate Committee on Commerce and Consumer Protection.

I support the proposed increase in surcharge of alcohol. I believe purchase of alcohol is perceived to be "cheap" compared and contrast to cost of other beverages. It is my hope that the surcharge will decrease overall purchase as well as decrease accessibility of alcohol beverages to of age and underage persons.

Thank you for the opportunity to submit testimony in support of SB1232.

SB-1232

Submitted on: 2/4/2021 8:53:03 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cynthia Au	Individual	Support	No

Comments:

LATE

SB-1232

Submitted on: 2/4/2021 10:40:36 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Colleen Fox	Individual	Support	No

Comments:

Committee Members,

Thank you so much for the opportunity to submit testimony in SUPPORT of SB1232. I support increasing the surcharge on alcohol to 10 cents per drink. According to CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. Underage youth who binge drink are at additional risk of poor school performance and interrupted brain development. Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among youth, who are among the most price-sensitive consumers.

I have, and will continue to support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. It has been 22 years since our state has last raised alcohol taxes. Alcohol does not pay for itself, and it's about time that we make a small change to address that.

I propose a bill amendment that to a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State. I urge you to amend this bill and pass it out of committee.

Mahalo,

Dr. Colleen Fox

SB-1232

Submitted on: 2/3/2021 2:38:04 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Russell Adkins	Individual	Oppose	No

Comments:

This is a horrible bill aimed to increase tax revenue. We are aware that cigarette taxes largely have not curbed cigarette use. The reality is that alcohol sales and manufacturing are on the of the viable options for diversifying our economy, and really shouldn't be the focus of such an arbitrary revenue raiser. We already have some of the highest alcohol taxes in the country.

Please oppose this bill.

Sincerely,

Russell Adkins

SB-1232

Submitted on: 2/3/2021 11:44:36 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Alex Segovia	Individual	Oppose	No

Comments:

I oppose this bill, because it seems that the casual drinker is being penalized for those that drink in excess. That is my opinion.

LATE

SB-1232

Submitted on: 2/4/2021 11:03:16 AM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Anson Sylva	Individual	Oppose	No

Comments:

Raising taxes in the middle of a pandemic is simply outrageous and stupid. Killing businesses, homegrown local families, and making it impossible for businesses to hold onto what we have is not why you have been selected to represent the people of Hawaii. Tax the visitors coming into the state that bring COVID with them and infect our residents.

More taxes on alcohol will never work to decrease consumption. Start focusing on bringing us back out of the pandemic and let us get caught up before you start taxing us to hell and back. Take out your taxing frustrations on visitors not residents.

LATE

SB-1232

Submitted on: 2/4/2021 12:22:24 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lilah Inaba	Individual	Oppose	No

Comments:

This bill will impact local craft brewers in a extremely negative way especially during a time when they are already dealing with the loss of revenue due to Covid-19. Many craft brewers are just barely able to keep their doors open and this bill could be the tipping point for some.

LATE

SB-1232

Submitted on: 2/4/2021 1:03:26 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Therese Burch	Individual	Oppose	No

Comments:

Raising taxes would increase costs, which would decrease sales. As we are all trying to make a living during Covid, this would not be part of the solution.

LATE

SB-1232

Submitted on: 2/4/2021 2:58:49 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Patrick Meyer	Individual	Oppose	No

Comments:

Subject: SB1232 Relating to Liquor Tax Increase

Testimony

To the Honorable:

Sen. Rosalyn H. Baker-Chair

Sen. Stanley Chang-Vice Chair

Sen. Bennette E. Misalucha- Committee Member

Sen. Joy A. San Buenaventura- Committee Member

Sen. Clarence K. Nishihara- Committee Member

Sen. Kurt Fevella- Committee Member

Sen Gil Riviere- Committee Member,

Thank you for taking the time to consider my opposition to the above bill.

SB1232 is written in such a way as to obscure its true effect.

I believe that some quick math is in order. SB1232 seeks to impose a surcharge (tax) of one cent per drink. For example, a spirit drink serving is 1.5 oz of liquor. There are 128 ounces in a gallon so the per gallon tax increase for spirits would be \$0.85. The proposed \$0.85 tax represents a 15% increase over the existing \$5.98/gallon tax. The text of the bill is written to obscure that simple mathematical fact. It's a very substantial increase on the existing tax.

This increased tax burden would fall directly on the already hard-hit hospitality and retail industry which is desperately fighting to emerge from the pandemic. Taxing struggling

small businesses and under-employed bartenders and servers is only going to exacerbate our economic problems rather than cure our social ills.

Again, thank you for your time and thought,

Patrick Meyer

44-374 Olina Street #2

Kaneohe, HI 96744

LATE

SB-1232

Submitted on: 2/4/2021 4:05:31 PM

Testimony for CPN on 2/5/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Katherine von Thelen	Individual	Oppose	No

Comments:

February 4, 2021

Chair Senator Baker
Chair Senator Chang
Senate Committee on Commerce and Consumer Protection

SB1232 Relating to Liquor; Liquor Tax Surcharge

Friday, February 5th, 2021 at 9:30am

Re: **STRONG OPPOSITION OF SB1232**

My name is Katherine von Thelen and am I resident on Oahu. I am testifying in opposition of SB1232 which will increase taxes on alcohol purchases. The proposed tax surcharge will not lower the consumption of alcohol, but rather will encourage people to choose lower-priced, mass-produced brands. In doing so, this shift in consumer purchases would hurt the businesses of, and those employed by, local craft beverage producers. This proposed tax surcharge would be a devastating blow to local businesses at a time when so many are working tirelessly just to stay afloat. Mahalo for the opportunity to submit comments in opposition of SB1232.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 229
FRIDAY, FEBRUARY 5, 2021 AT 9:30 A.M.**

To The Honorable Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair; and
Members of the Committee on Commerce and Consumer Protection,

OPPOSE SB1232 RELATING TO LIQUOR

My name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing to share our opposition to SB1232.

We oppose this bill as it would disproportionately disadvantage local alcohol manufacturers. Local alcohol manufacturers already face hurdles in Hawaii such as the high price of goods, services and land, and the inability to direct ship their products (which can be fixed by SB65). Therefore, local products are often priced higher than the big mainland producers. Given this, even a small tax increasing prices can put local manufacturers at a disadvantage and push consumers to buy mainland products.

Mahalo for the opportunity to provide testimony and we ask that this bill be deferred.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

Position: Support

State of Hawai'i Organization of Police Officers (SHOPO) would like to provide testimony in **SUPPORT of SB1232**, relating to liquor.

We support a bill amendment to include a 10 cents per drink surcharge which would provide approximately \$62,700,000 to the general fund for the State.

Alcohol tax increase will reduce alcohol-impaired driving

In 2016, nearly 11,000 people died in an alcohol impaired motor vehicle crash. This accounts for more than 25% of all traffic deaths in the country.¹ Data shows that 1 in 5 high school students reported having ridden in a car with a driver who had been drinking alcohol in the past year.² Every year, the U.S. spends more than \$44 billion on alcohol related crashes.³

An alcohol excise tax increase will support law enforcement and first responders

As first responders, we see first-hand the destructive consequences excessive alcohol use causes in our communities. Alcohol-related calls for service place a heavy resource burden on law enforcement, and we consistently respond to emergency situations where alcohol-related harms and deaths occur. These situations can also create traumatic-stress for our officers and others involved. An alcohol tax will help to reduce the incidences of excessive drinking and ultimately reduce alcohol-related calls for service. This will reduce the resource drain on the department in responding to such calls in the community. Additionally, this tax will generate the necessary revenue to continue to properly fund law enforcement in our State.

Mahalo for the opportunity to submit testimony and provide comments.

Michael C. McCutcheon
SHOPO Maui Chapter Chair
mmcutcheon@shopohawaii.org
808 658 9973

Questions

References:

[1] National Highway Traffic Safety Administration. Traffic Safety Facts 2016 data: alcohol-impaired driving. U.S. Department of Transportation, Washington, DC; 2017 Available at: <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/812450> Accessed 16 April 2018.

[2] Kann L, McManus T, Harris WA, et al. Youth Risk Behavior Surveillance — United States, 2015. MMWR Surveill Summ 2016;65(No. SS-6):1–174.

[3] Blincoe LJ, Miller TR, Zaloshnja E, Lawrence BA. National Highway Traffic Safety Administration. The economic and societal impact of motor vehicle crashes, 2010. (Revised). U.S. Department of Transportation, Washington, DC; 2015. Available at: <http://www-nrd.nhtsa.dot.gov/pubs/812013.pdf>. Accessed 16 April 2018.

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TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 5, 2021

Re: SB 1232 Relating to Liquor

Good morning Chair Baker and members of the Senate Committee on Commerce and Consumer Protection. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains and everyone in between.

We **OPPOSE SB 1232** Relating to Liquor. This measure establishes a three-year surcharge on the liquor tax. Repeals 06/30/2024.

We recognize that the state is seeking money to offset the deficit, raising the tax on liquor should not be the option. Hawaii is already the 2nd highest taxed state just under California. Businesses and industries alone are not able to pay off the states deficit and survive.

A standard bottle (a fifth) holds 25.4 oz. A litter holds 33.8 oz. A bottle of sparkling or still wine holds 25 oz. If we multiply this by the surcharge on a 1.5 oz of distilled spirits, 5 oz of sparkling wine, 12 oz of cooler beverage the cost would be high and people may not purchase a drink as frequently. Or as we have seen in the past, people having their friends and family purchase these items at a military facility where there is no tax; and we will see more organized crime stealing alcohol products from our stores as it will be more lucrative on Hawaii's Black Market. Either way, local businesses would be hurt from the lack of sale and the state would not be able to collect the taxes.

Retailers like many businesses are struggling to survive and to keep their employees employed. We can't afford any additional taxes.

Mahalo again for this opportunity to testify.