

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair;
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, February 2, 2022
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1618, Relating to Liquor

The Department of Taxation (Department) offers the following comments on H.B. 1618 for the committee's consideration.

H.B. 1618 amends the liquor tax law, governed by chapter 244D, Hawaii Revised Statutes (HRS), to add a new provision requiring every person subject to the liquor tax to pay a \$0.10 "per drink" surcharge on the liquor tax, with one drink equivalent to "1.50 ounces of distilled spirits; five ounces of sparkling wine or still wine; and twelve ounces of cooler beverages, beer other than draft beer, or draft beer." The surcharge takes effect on July 1, 2022.

The Department notes that "drink" is not a standard unit of measurement used in the liquor tax. The liquor tax measures alcohol quantity in "wine gallons," with one wine gallon equivalent to one hundred twenty-eight fluid ounces or 3.7854 liters. As such, the Department suggests amending this surcharge so that it is imposed per wine gallon. If this type of amendment is adopted, the Department is able to administer this surcharge beginning on January 1, 2023.

However, if the "per drink" surcharge is retained, the Department respectfully requests that the effective date be delayed until January 1, 2024. The surcharge in this form is akin to a new tax imposition. This will give the Department adequate time to make the necessary forms, instructions, and computer system changes.

Thank you for the opportunity to testify on this measure.



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

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Eddie Asato, Pint Size Hawaii, *Vice Chair*
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Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

TO: Committee on Economic Development
Rep. Sean Quinlan, Chair
Rep. Daniel Holt, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 2, 2022
TIME: 10am
PLACE: Via Videoconference

RE: HB1618 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.

This unnecessary surcharge on drinks would of course also adversely impact all our local brewers and distillers. This is an exciting growing industry in our state, and we believe our Legislature should be supporting new industries like this in an effort to diversify and strengthen our local economy. This measure will have the opposite effect.

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.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development
Wednesday, February 2, 2022, at 10:00 A.M.
Via Videoconference**

RE: HB 1618 Relating to Liquor

Chair Quinlan, Vice Chair Holt, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 1618 which beginning July 1, 2022, establishes a \$0.10 per drink surcharge in addition to the liquor tax.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Hawaii's economy and businesses have been hardest hit due to the COVID-19 pandemic and associated restrictions, proclamations and orders. As businesses in Hawaii adjust and pivot, most continue to struggle with loss of revenue and laying off employees, especially in the retail, service and hospitality industries.

The Chamber believes a liquor surcharge would hamper an already struggling economy that is trying to stay afloat. Rather than impose additional fees and taxes that exacerbate the economy, one of the primary discussions should be to stimulate economic investments, retain and improve the workforce, and increase Hawaii's recovery efforts.

We respectfully request that this Committee consider holding this measure so that Hawaii's economy can pivot back into economic recovery.

Thank you for the opportunity to testify.

HB-1618

Submitted on: 1/31/2022 2:56:39 PM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
JC Sterbentz	Livable Honolulu	Support	No

Comments:

Livable Honolulu supports this bill in order to reduce abuse of alcohol. 1 in 5 teen drivers involved in a fatal car crash has alcohol in their system ([reference](#)). Excessive alcohol use costs Hawai'i nearly \$1 billion per year ([reference](#)). Alcohol-impaired driving is the leading cause of death on U.S. roadways. These collisions cost Hawai'i \$164 million annually ([reference](#)).

We need to reduce these burdens on our loved ones, communities and health care systems.

Mahalo.

HB-1618

Submitted on: 1/31/2022 3:46:58 PM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Lori McCarney	Hawaii Bicycling League	Support	No

Comments:

Aloha Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development.

I'm writing in support of HB 1618 on behalf of the Hawaii Bicycling League.

Impaired driving causes crashes. And crashes between a motor vehicle and a bicyclist or pedestrian almost always results in injury and even death for these vulnerable road users. Legislation that will reduce alcohol consumption when operating a vehicle will save the lives of bicyclists and pedestrians.

We urge you to move HB 1618 forward.

Sincerely,

Lori McCarney

Executive Director, Hawaii Bicycling League

**HAWAII LIQUOR WHOLESALERS ASSOCIATION
FIVE WATERFRONT PLAZA
500 ALA MOANA BLVD STE 400
HONOLULU, Hawaii 96813**

February 1, 2022

House Committee on
Economic Development
Chair Sean Quinlan
Vice Chair Daniel Holt
Hawaii State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: HB 1618 Relating to Liquor
Hearing Date: Wednesday, February 2, 2022

Dear Chair Quinlan, Vice Chair Holt, and Committee Members:

The Hawaii Liquor Wholesalers Association respectfully submits the following written testimony in **opposition** to HB 1618 Relating to Liquor.

Section 2 (c) would amend HRS Chapter 244D-4 to require every person subject to the liquor tax to pay a \$0.10 per drink surcharge on the liquor tax under subsection (a). This is tantamount to a tax on a tax and will result in adverse consequences for the businesses and people of Hawaii.

This proposed surcharge will affect each wholesaler or importer of liquor and increase the cost of doing business. The increased costs will ultimately be passed on to retailers, restaurants, bars and to Hawaii consumers and sales will be effected.

Based on the above, we respectfully oppose HB 1618. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

By: 

Kenneth G. K. Hoo
Its Secretary

HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022

COMMITTEE ON ECONOMIC DEVELOPMENT

Rep. Sean Quinlan, Chair
Rep. Daniel Holt, Vice Chair

Rep. Della Au Belatti Rep. Jackson D. Sayama
Rep. Dale T. Kobayashi Rep. Gregg Takayama
Rep. Richard H.K. Onishi Rep. Val Okimoto

NOTICE OF HEARING

DATE: Wednesday, February 2, 2022
TIME: 10:00 AM
PLACE: VIA VIDEOCONFERENCE
 Conference Room 3121618
 State Capitol
 415 South Beretania Street

POSITION: **STRONG SUPPORT HB1618**

My name is Darlyn Chen Scovell, a volunteer advocate for families and children with FASD (Fetal Alcohol Spectrum Disorder) and the Hawaii FASD Action Group. Being the voice of children who have none and individuals with FASD who have been marginalized, unrecognized, and without help, attention, and services for many years. I am writing in **STRONG SUPPORT of HB 1618**

As the price increases, excessive consumption decreases (youth and adult)

a. 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. CDC's Guide to Community Preventive Services identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms.

b. Evidence suggests that an alcohol tax increase will lead to reductions in the quantity and frequency of drinking among "**childbearing youths**," who are among the most price-sensitive consumers.

PLEASE, we have to keep in mind that we have NOT Increased the Alcohol Tax for the past 23 years. Please, let us look at the Tobacco Tax progression in our State. In Hawaii, cigarettes are subject to a state excise tax of **\$3.20 per pack of 20**. Cigarettes are also subject to Hawaii sales tax of approximately \$0.35 per pack, which adds to a total tax per pack of \$3.55.

We are only asking 10 cents to fund and address all the alcohol-induced diseases and damages caused in our communities, people, and innocent babies born with FASD and their families.

Fetal Alcohol Spectrum Disorder (FASD) is associated with secrecy and shame, possibly due to its preventable nature and the stigma attached to it CAUSED by ALCOHOL CONSUMPTION during pregnancy. Alcohol is legally accessible in 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 the research study questions, "Is this shame the reason for the marginalization of the children and families with FASD? Or access to alcohol and low cost of alcohol? (Barker, Kulyk, Knorr, & Brenna, 2011). FASD diagnosis is neurological damage caused by alcohol, a processing disorder, learning disability, and attention-deficit/ hyperactivity disorders, almost the same as Autism Spectrum Disorders (Astley, 2010; Kodituwakku & Kodituwakku, 2014). **Somewhere between 1% and 4% of all children worldwide have FASD. The NEURODEVELOPMENTAL IMPAIRMENTS associated with FASD came WITH SIGNIFICANT SOCIAL COST ACROSS THE LIFESPAN in increased medical, educational, and vocational support 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. In my observations, FASD is a Developmental Disability that is equally 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. HB1618 is one of many solutions to this predicament. Please let us work together for our Tomorrow Today. Let us help these innocent children born in an impossible world impacted by alcohol. We must make their life and world possible for them as we made alcohol legal for public consumption. In hindsight, we will be able to save our children, women, and families of Hawaii and our tax dollars when HB1618 passes into law. The children with FASD are seen as children only with behavioral issues in our school system. They 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 in 2015, 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 in 2015. This cost doesn't include property damages, medical, and other costs 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 can become adult offenders can cost

Hawaii more than \$55,000.00 a year in incarceration cost and more economic challenges in societal, property damages, and tax dollars. **I beg you to support and consider passing HB1618 for safer and healthier children and the families of Hawaii.**

Mahalo Nui Loa, for your kind consideration and your unfailing support.

Always with Gratitude.

Respectfully yours,

Darlyn Chen Scovell MA, CSAC, CSACI, RBT

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)

Date: January 31st, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Frm: Ashlee Klemperer Chapman, MSW
Member, Hawaii Alcohol Policy Alliance
124 Namaau Place
Kihei HI
96753

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2nd, 2022 at 10am Conference Room 312

Position: Support

Good evening, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development.

I am Ashlee Klemperer Chapman, a social worker from Maui and a volunteer member of the Hawaii Alcohol Policy Alliance. As a prevention specialist, public health policy advocate, and community organizer I have seen the expansive damage of alcohol consumption and strongly support the passage of HB1618, Relating to Liquor.

The social impacts of alcohol consumption are known widely. What is not as known are the economic impacts that are also vast and harmful. According to the CDC, the consequences of excessive alcohol cost the State nearly 1 billion dollars per year. This equates to \$1.58 per drink.¹ In light of our uncertain times and extreme budget deficits I greatly urge you committee members to consider a great opportunity within this legislation. From a public health policy perspective we know from extensive research the benefits of increasing taxes on alcohol. Numerous research studies have established that when the price of alcohol increases, excessive alcohol consumption declines, even among heavy drinkers.² Alcohol-related harms decline as well. CDC's *Guide to Community Preventive Services* identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms.³

With bountiful evidence supporting the need for reducing alcohol consumption there is no better opportunity than passing this legislation. I greatly urge you all to vote in favor of HB771 for the health, wellness and economic safety of our state. Thank you.

Sincerely,

Ashlee Klemperer Chapman, MSW
Hawaii Alcohol Policy Alliance Member

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. Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., Toomey, T. L., Fielding, J. E., & Task Force on Community Preventive Services (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *American journal of preventive medicine*, 38(2), 217–229. <https://doi.org/10.1016/j.amepre.2009.11.005>

February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

Good morning, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development. My name is Cynthia Okazaki, from Kaneohe. Thank you so much for the opportunity to submit testimony on HB1618. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

1. 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. The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities. The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities. An increase of 10 cents per drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying nearly \$27 per year on these increased fees, non-excessive drinkers pay nearly \$5 per year, while those who do not purchase alcohol pay nothing,

2. 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.

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

According to the 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), sexual violence,

HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.

A tax increase of 10 cents per drink will bring additional funding to the state's general fund. This tax increase only affects those who drink alcohol. It has been 22 years since our state last raised the tax on alcohol. Alcohol does not pay for itself, and it's time to address the cost of *excessive* alcohol use in our state. I urge you to pass HB 1618 and on to the Committee on Consumer Protection and Commerce.

Mahalo for the opportunity to submit testimony on this measure.

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>
- [7][https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)

HB-1618

Submitted on: 2/1/2022 7:29:22 AM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Joe P. Lorenzen	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

HB1618 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 HB1618

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 HB1618.

Sincerely,

Joe P. Lorenzen



February 1, 2022

House Committee on Economic Development
HB1618 Relating to Intoxicating Liquor; Liquor Tax Surcharge
Weds, February 2nd, 2022 at 10am

Re: **STRONG OPPOSITION OF HB1618**

Aloha Chair Representative Quinlan, Vice Chair Representative Holt, 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 Hawaii, 19 other States, and 10 countries. We are a fairly large employer and contribute immensely to Hawaii and its people.

I am writing on behalf of myself and our local family-operated business in strong opposition of **HB1618** which will increase the taxes on beverage alcohol purchases. Hawai'i has the second highest tax rate in the country and is nearly FIVE times the median for the USA, .93/gallon versus .20/gallon. This surcharge would also catapult us from number 3 at \$.93/gallon to number 1 at \$2.00/gallon. On a case of beer that translates to \$2.09 currently and nearly \$4.50/gallon if this were to be enacted. Without an exclusion for small (or local producers) this is a very bad idea.

While we understand that the sponsors intention is for this tax increase to be levied at the point of purchase, we must educate the committee that there currently exists no system for compliance, administration, payment, oversight or even forms. DOTAX will likely weigh in as they did last year that this surcharge could only be implemented at the wholesaler level and folded into the existing liquor tax system. Due to the regressive nature of alcohol taxes my assertions as to the rising costs to the customer are accurate. 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 they move through the three-tier system, they usually more than double by the time they reach the consumer. For example, adding \$.10 to each drink as a surcharge translates to an increase in cost to the customer by \$.21.

There is no clear and decisive data that proves that higher costs on beer drive down drinking in heavy drinkers or alcohol abusers, and certainly not a decrease in drunk driving. The data at best is inconclusive and the studies I cite later will dispute the information you've been given in other testimony. This should not be an us vs them argument and we should instead work together to find solutions that offer real change without costing jobs and hurting our small producers.

I am a member of the Hawaiian Craft Brewers Guild. Our brewery along with all 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). Bottom line this will cost local jobs and hurt local business, exactly the opposite of what this committee seeks to accomplish.

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

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 local beer and other locally produced beverages.

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.

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. If this tax is levied it would make us the highest Liquor tax in the country at 4.49/case of beer (assuming .10 cents) versus 2.09 a case now. This is more than a 115% increase.

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.

Thank you for the opportunity to offer these comments in opposition to **HB1618**, 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.

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 **HB1618**.

Sincerely,


Garrett W. Marrero

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

CEO/Founder

Information for your reading:

On excise taxes, Wagenaar et al. (2009) review 112 studies totaling 1003 estimates of alcohol price and tax levels and drinking. They find that beer has a lower correlation between price and consumption than either wine or spirits and that a mean of these studies produces an elasticity of -0.46 (versus -0.80 for spirits, which is much closer to the 0.88 estimate used). These findings largely relate to aggregate-level studies, with even weaker findings at an individual level.

Looking at cases, we see evidence for this from Finland, which in March of 2004 reduced its excise duty on alcohol by 32%. This caused a decrease in off-premise prices of beer of 13%. Despite this large drop in price, beer sales only increased 5%. This decrease did come in conjunction with other cuts, including a slightly larger cut on vodka and other distilled spirits, so shifting consumer purchases may explain some of this disconnect. Nevertheless, prices decreased less than the model predicts and the tax elasticity was much lower. So raising taxes wouldn't shift consumption that much, and in turn might hurt economic growth, which could cause additional problems.

*These types of arguments may be magnified when looking at craft vs. mass-produced beer, and there's plenty of reason to believe that craft demand probably has a different tax elasticity than overall beer. Manning et al. (1995) find that both light and heavy drinkers are much less price elastic than moderate drinkers. In fact, they cannot reject the hypothesis that the very heaviest drinkers have perfectly price inelastic demands – i.e. the heaviest drinkers are going to drink regardless of price. **This is a key point – the basic argument here is that raising taxes doesn't really deter heavy drinkers – it just punishes responsible ones with higher prices.***

And, heavy drinkers are much more likely to drink beer from the big guys. Mintel (November, 2012) finds that domestic beer drinkers (eg, Bud, Miller, etc.) are much more likely to be heavy drinkers (10+ drinks per month) versus "microbrew" drinkers (31% vs. 17%). In addition, they have plenty of evidence that price is a significant impediment to more consumers drinking craft. 43% of respondents (who drink microbrew beer) state that "microbrew beer is too expensive to buy regularly" and 39% say "it is expensive; therefore I only drink it as a treat". This means that you'd probably be hurting craft as much/more than the big guys with an excise tax increase – which makes zero sense from a public health perspective, since that's the category least likely to be abused (at least from a price perspective).



February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

Good morning, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development. My name is [Your name], from [Your town]. Thank you so much for the opportunity to submit testimony on HB1618. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

1. 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 An increase of 10 cents per drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying nearly \$27 per year on these increased fees, non excessive drinkers pay nearly \$5 per year, while those who abstain from alcohol pay nothing⁷

2. 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

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

Alcohol does not pay for itself. According to the 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), sexual 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 the tax on alcohol. Alcohol does not pay for itself, and it's about to address the cost of *excessive* alcohol use in our state.

Mahalo for the opportunity to submit testimony and provide comments.

Sincerely,

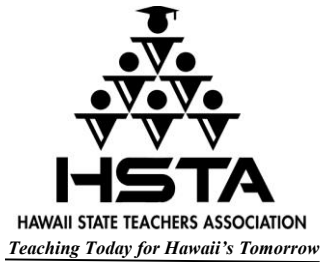
Michael Sparks

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>
- [7][https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)



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TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT

RE: HB 1618 - RELATING TO LIQUOR

WEDNESDAY, FEBRUARY 2, 2022

OSA TUI, JR., PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Quinlan and Members of the Committee:

The Hawaii State Teachers Association **supports** **HB 1618**, relating to liquor. This bill, beginning July 1, 2022, establishes a \$0.10 per drink surcharge in addition to the liquor tax.

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. *As the price increases, excessive consumption decreases (youth and adult)*

- a. 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. CDC's *Guide to Community Preventive Services* identified and summarized findings from 78 high-quality studies to assess the impact of increasing alcohol excise taxes on excessive alcohol consumption and related harms⁹
- b. 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.

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.
- 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.

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. Collecting more liquor taxes will also by contributing to the state general funds, will also help with ensuring the state is able to continue to provide social services and support for the people of Hawaii to prevent problems associated with excessive consumption of alcohol.

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



Geoffrey Seideman
Owner/ Honolulu Beerworks

HB-1618 Relating to Liquor: SURCHARGE TAX INCREASE
House Committee on Economic Development
Wednesday, February 2, 2022 at 10:0 a.m. Conf room 312

Position: **OPPOSE**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the House committee on Economic Development,

Aloha my name is Geoffrey Seideman and I am the Owner and Brewer of Honolulu Beerworks. 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.

Additional Surcharge of .10\$

We have suffered economic challenges throughout the COVID-19 pandemic along with other craft beer manufacturers across the State of Hawaii, with reduced sales and income. We along with other Hawaiian Craft Brewers Guild members are **OPPOSED to HB-1618** for any increase of taxes, for which we pay some of the highest amounts in the country already. We have not yet seen the end of the effects of the pandemic, where tourism has not recovered as expected yet, and with the new variants' locals are still hesitant to venture out to pre pandemic levels. Adding another tax will not only hurt our business in house, but also on the shelves where we must stay competitive in our pricing with mainland brands that are able to keep their prices reasonable. This tax will further hurt struggling LOCAL businesses that really can't afford it at this time.

We request the House Committee on Economic Development **Oppose** this bill. Mahalo for considering our testimony today in **Opposition of HB-1618**
Aloha



February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

Good morning, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development. My name is [Your name], from [Your town]. Thank you so much for the opportunity to submit testimony on HB1618. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

1. 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 An increase of 10 cents per drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying nearly \$27 per year on these increased fees, non excessive drinkers pay nearly \$5 per year, while those who abstain from alcohol pay nothing⁷

2. 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

3. Excessive alcohol consumption costs money and lives to our community
Alcohol does not pay for itself. According to the 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), sexual 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 the tax on alcohol. Alcohol does not pay for itself, and it's about to address the cost of *excessive* alcohol use in our state.

Mahalo for the opportunity to submit testimony .

Chelsea Gonzales
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] 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>
- [7][https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)



info@beerlabhi.com
www.beerlabhi.com

Nicolas Wong

President
3266 Kalua PL
Honolulu, HI 96816

HB1618 – Establishes a \$0.10 per drink surcharge on the liquor
House Committee on Economic Development
Wednesday, February 2, 2022 at 10:00a.m Conference Rm 312

Chair Representative Sean Quilan, Vice Chair Representative Daniel Holt, and members of the House Committee on Consumer Protection and Commerce,

OPPOSE

My name is Nicolas Wong and I am the owner 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.

Surcharge Tax on Liquor

The bar and restaurant industry has been decimated by the pandemic and the restrictions put on our industry. We have seen many of our colleagues close and shutdown and strongly oppose this tax which would further tax an already hurting industry. As a manufacturer in Hawaii it would raise our price for a case of beer \$2.40 and further push our customers to purchase cheaper mainland products of which we cannot compete with.

This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufactures and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 3 years, will create hardship for this small business sector. It is already difficult for small



info@beerlabhi.com
www.beerlabhi.com

independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers. 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.



Hawaii House of Representatives
Committee on Economic Development
Representative Sean Quinlan, Chair

Opposition to HB 1618 (Johanson)

Dear Representative Quinlan,

I submit this letter respectfully in opposition to HB 1618 on behalf of the Distilled Spirits Council of the United States (DISCUS), the national trade association representing the leading producers and marketers of distilled spirits in the United States. We also represent Koloa Rum in the state. HB 1618 would impose a new tax on spirits, wine and beer purchased in Hawaii. While the bill calls for a “surcharge” on each drink purchased in Hawaii, the surcharge is really just a tax that will more than double the excise tax rate on distilled spirits. Unfortunately, higher taxes lead to lost sales and employment. Over 1,000 Hawaiian’s are projected to lose their jobs if the surcharge is enacted.

Proposal would increase excise tax on spirits by over 140%

- HB 1618 calls for a new surcharge on spirits, wine and beer purchased in Hawaii. However, a surcharge is just another name for a tax. At \$5.98/gallon, Hawaii’s spirits excise tax rate is already above the national average of \$5.52.
- An additional 10 cents per drink would increase the current spirits excise tax rate by over 140% to \$14.51 per gallon.
- The rates on beer and wine would go up as well; wine from \$1.38/gallon to \$3.94 and beer from \$0.93 per gallon to \$2.00.
- The proposed tax increase comes even though distilled spirits are already overtaxed in Hawaii. On a typical bottle of distilled spirits sold in Hawaii nearly 50% of the bottle price is accounted for by a tax of some kind.

Surcharge projected to cost 1000 Hawaiians their jobs.

- Higher taxes are always passed along to consumers in the form of higher prices. The proposed surcharge is projected to increase the price of a typical bottle of spirits by over 15%. Beer and wine prices would also go up. Unfortunately, higher prices lead to reduced sales.



- Hawaiian restaurants and package stores are projected to see a decline in sales of nearly \$85 million, resulting in over 1,000 lost jobs.
- Now is not the time to impose higher taxes or fees on the struggling hospitality industry, where employment is still down by 30,000 jobs since Covid-19 related quarantining began.

Beverage alcohol taxes do not act as a deterrent to abusive drinking, population level policies ineffective.

- Raising taxes on beverage alcohol only serves to penalize responsible beverage alcohol consumers and does not deter abusers for whom taxes are of little concern. A 2011 study funded by the National Institute for Alcohol and Alcohol Abuse (“Does the response to alcohol taxes differ across racial/ethnic groups? Some evidence from 1984-2009 Behavioral Risk Factor Surveillance System,” *Journal of Mental Health Policy Economics*, April, 2011) reviewed 26 years of detailed data and noted:

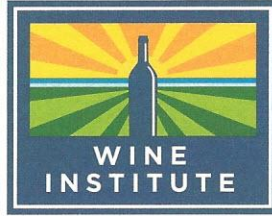
“Tax policies aimed to reduce alcohol-related health and social problems should consider whether they target the most harmful drinking behaviors ... Tax increases also appear to be less effective among the heaviest consumers who are associated with the highest risk.”

- The National Institute on Alcohol Abuse and Alcoholism (NIAAA), the government’s lead agency on alcohol issues, reported in its January 2001 issue of Alcohol Alert that research suggests the heaviest-drinking 5 percent of drinkers do not reduce their consumption significantly in response to price increases, unlike drinkers who consume alcohol at lower levels.
- Another 2009 study published by the National Bureau of Economic Research and conducted by researchers at the Yale School of Public Health showed that heavy drinkers were not at all responsive to higher prices. Thus, the study concluded that higher alcohol taxes could not be justified based upon a public health or economic justification.

For the above reasons DISCUS is respectfully opposed to HB 1618. DISCUS encourages responsible consumption by adult consumers who choose to drink alcohol. We are committed to ending driving under the influence of alcohol and or drugs. I am happy to discuss this issue further with you or your staff.

Best regards

Adam Smith
Vice President
Distilled Spirits Council
(916) 833-5112



Sally H. Jefferson,
Director, Western States
sjefferson@wineinstitute.org

THE HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022

COMMITTEE ON ECONOMIC DEVELOPMENT
February 2, 2022

Testimony in Opposition to HB 1618

Chair Quinlan, Vice Chair Holt and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 1618 RELATING TO LIQUOR. Wine Institute, a public policy association representing more than 1,000 California wineries of all sizes and associate members, submits the following comments in opposition to HB 1618.

HB 1618 proposes a surcharge of 10 cents per 5 ounces of wine beginning on July 1, 2022. This proposed tax to increase general government revenues not only unfairly burdens responsible Hawaii wine consumers but the hospitality industry which is already in distress.

Hawaii has been especially hard hit by the Global pandemic. 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 also been hard hit by the loss of sales both in their own tasting rooms and to their on-premises licensees. Though direct-to-consumer shipments have increased during the pandemic, it has not come close to compensating for the loss of wine sales suffered by restaurants and bars. Wineries have been battered by COVID-19 related restrictions and closures, unprecedented wildfires and trade tariffs. The losses to the US wine industry due to COVID in 2020 are estimated to be \$5.9 billion with an additional \$3.7 billion, including lost future sales, due to the devastating wildfires.

With the ongoing pandemic, none of the tiers – wineries, distributors or retailers/restaurants - are in the position to absorb any additional costs, so any increase alcohol beverage taxes will be passed onto 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 \$1.39 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 wine, given Hawaii's general excise tax of 4% or 4.5% and the higher transportation costs to ship wine to Hawaii. The proposed new tax would add another \$3.07 per gallon in additional taxes, bringing the total gallonage tax to \$4.35 per gallon, just under six times the national median wine tax rate. Hawaii's tax rate on wine would then be by far the highest in the nation.
- 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.

HB-1618

Submitted on: 2/1/2022 9:17:19 AM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Daniel R. Coronado	Lokahi Brewing Company LLC	Oppose	No

Comments:

We oppose this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Per-Drink Surcharge

BILL NUMBER: HB 1618, SB 2441

INTRODUCED BY: HB by JOHANSON, MIZUNO, SB by BAKER, CHANG, Acasio, Gabbard, Kim

EXECUTIVE SUMMARY: Establishes a \$0.10 per drink surcharge in addition to the liquor tax. We are concerned that a tax increase at this time is inappropriate given our current fragile economic situation.

SYNOPSIS: Amends section 244D-4, HRS, to provide that every person subject to the liquor tax shall pay a \$0.10 per drink surcharge based on a drink equaling 1.50 ounces of distilled spirits; five ounces of sparkling wine or still wine; and twelve ounces of cooler beverages, beer other than draft beer, or draft beer. The proceeds from the surcharge shall be deposited into the general fund.

EFFECTIVE DATE: July 1, 2022

STAFF COMMENTS: A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

We understand that restaurants and bars were affected very strongly by the COVID-19 pandemic, as was reported in media such as Hawaii News Now. <https://www.hawaii-newsnow.com/2021/10/10/oahu-bars-restaurants-hope-new-guidelines-alcohol-curfew-large-events-boost-revenue/> Caution should be exercised before enacting yet another hurdle to business.

Digested: 1/31/2022



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

HB1618 Relating to Intoxicating Liquor: Liquor tax surcharge
House Committee on Economic Development
Wednesday 2/2/2022 10am

Position: **STRONGLY Oppose**
Chair Quinlan, Vice Chair Holt and members of the
EDC

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. Taxing alcohol to attempt to stop problems related to alcohol is fundamentally no different then taxing fast food to fight obesity and health related problems. Alcohol beverage tax is regressive, impacting lower income individuals significantly more.

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

Unfortunately, this tax will not stop or slow irresponsible consumption, it will simply drive those to purchase large brands not produced in Hawaii. For example, since this tax is at the transactional level, that would make Hawaii the HIGHEST tax in the nation at \$4.49/case after the additional multipliers from Distribution and retail are correlated in compared to \$2.09/case where it is currently. That \$0.10 increase gets multiplied down the chain and results in over 100% increase on those taxes.

Thank you for considering our testimony on HB1618 in OPPOSITION, as you can see this will disproportionately damage the local industry, local jobs and not aim to solve the problem it is intended.

Steven R Haumschild
Steve Haumschild

HB-1618

Submitted on: 2/1/2022 9:52:14 AM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
John Erickson	Paradise Beverages	Oppose	Yes

Comments:

As a concerned citizen and business leader of Paradise Beverages, I strongly oppose this bill for a number of reasons.

It places an undue burden on a small portion of the Hawaii business community engaged in alcoholic beverage sales and distribution. Hawaii carries the 3rd highest per gallon tax on Beer in the US at \$0.93 per gallon. This surcharge would add \$1.07 and move us to highest at almost double the rate of the #2 state and more than 10x the average rate of \$0.20 per gallon in the US. On a percentage basis the tax would have a larger impact on lower priced alcohol (beer) and have a minimal impact on the higher priced luxury items in the spirits and wine categories.

The impact on Paradise Beverages would be to increase prices by approximately ten percent on approximately 90% of our portfolio, and the resulting volume loss would most likely result in 8-10 full time jobs being lost. There are only a handful of beverage alcohol distributors in the state of Hawaii, and all of them will feel similar effects. Across the retail and on premise landscape there is no telling how many more jobs will be lost. This will bleed over into other consumer categories, as most distributors balance complex portfolios across multiple categories other than beverage alcohol. All of the impacted businesses were severely hit by Covid-19 and the loss of tourism related spending, and now this will significantly increase the burden to distributors, retail operators, and bars and restaurants alike.

Local craft breweries will be significantly impacted with the prospect of a \$2.88 per case price increase, leading to more job losses in a fragile local manufacturing environment. Ultimately, the impact on the beer category will probably result in a shift to lower priced options that are only available from large scale leveraged mainland producers.

The majority of revenues come from retail purchases by local consumers. This tax burden is clearly being levied on a portion of the alcohol drinking population, and only businesses that engage in alcohol sales. That equates to putting the burden only on consumers, a handful of distributors, and the approximately 2,000 accounts that have survived Covid-19 thus far. I am afraid of how many locally owned businesses and jobs will be lost by the new challenge not from a pandemic, but from our own legislators.



**HAWAI'I ALCOHOL POLICY
ALLIANCE**

February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

The Alcohol Policy Alliance, which is fiscally managed by Hawai'i Public Health Institute, would like to provide testimony in **SUPPORT of HB1618**, which would increase the alcohol tax by 10 cents per drink. A 10 cents-per-drink surcharge would reduce alcohol related-harms in the community, reduce the financial and social burdens of alcohol to our state, and generate an estimated \$58,000,000 in additional revenue for the State.

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

Alcohol does not pay for itself. According to the 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), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.

2. 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. The World Health Organization calls alcohol tax increases one of the top-3 “best-buys” for reducing alcohol related harms in communities. The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities. An increase of 10 cents per-drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying nearly \$27 per year on these increased fees,

non-excessive drinkers pay nearly \$5 per year, while those who abstain from alcohol pay nothing.

3. ***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 pre-pandemic year of 2019. Heavy drinking by women is up 41% during the pandemic.

A tax increase of 10 cents per drink will bring additional funding to the state's general fund. This tax increase will only affect those who purchase alcohol. It has been 23 years since our state last raised the tax on alcohol. Alcohol does not pay for itself, and it's time to address the cost of excessive alcohol use in our state. I urge you to pass House Bill 1618.

We are in strong support of this measure and respectfully ask you to **PASS HB1618**.

Mahalo for the opportunity to submit testimony .

Rick Collins
Director
rick@hiphi.org

Sources for studies and findings can be provided upon request.

HB-1618

Submitted on: 2/1/2022 1:40:46 PM

Testimony for ECD on 2/2/2022 10:00:00 AM

LATE

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Jones	Gyotaku Japanese Restaurants	Oppose	No

Comments:

Date: February 1, 2022

To: Chair Representative Sean Quinlan

Vice Chair Representative Daniel Holt

Members of the House Economic Development Committee

From: Thomas Jones – Gyotaku Japanese Restaurants

Subj: HB1618 Relating to Alcohol Tax

The last thing we need is one more increase in our expenses during the pandemic. We are barley hanging on a this point. Now is not the time to increase the cost of alcoholic beverages to those who drink responsibly and the hospitality industry during the most challenging economic conditions in decades due to the Covid Pandemic.

Raising the price of alcohol by this amount will not contribute to reducing alcohol abuse in any meaningful way.

Thank you for the opportunity to share our view on this bill.

Sincerely,

Thomas Jones

President & CO-Owner

Gyotaku Japanese Restaurants



LATE

To: COMMITTEE ON ECONOMIC DEVELOPMENT

Rep. Sean Quinlan, Chair

Rep. Daniel Holt, Vice Chair

Rep. Della Au Belatti

Rep. Jackson D. Sayama

Rep. Dale T. Kobayashi

Rep. Gregg Takayama

Rep. Richard H.K. Onishi

Rep. Val Okimoto

From: Michael Miller, Tiki's Grill & Bar

Date: February 1, 2022

Tiki's testimony HB 1618 - RELATING TO LIQUOR. Report Title- Liquor Tax Surcharge

We, at Tiki's Grill & Bar, hereby oppose HB 1618 - RELATING TO LIQUOR. Report Title- Liquor Tax Surcharge. This is legislation targeted again at restaurants and bars that will push already struggling restaurants one step closer to failing.

Please say, "no!" We don't need new taxes, things already cost too much.

Don't forget to add on the administrative time we will need to spend accounting for yet another regulation. This legislation proposes new taxes that will also have to pay for additional bureaucracy and policing of restaurants to ensure policy to collect more taxes, targeted once again at the already hurting, low margin restaurant industry. Taxpayers will have to pay for another state office and all of its expenses; with employees entitled to full state benefits, furniture, computers, networking, office space, enforcement training, new policies and procedures, and hiring of legal staff. As a state law, this would include setting up offices on the neighbor islands and budgeting of travel for state workers to go back and forth.

Locals and visitors alike are already complaining that things are not the same, including: reduced hours and/or operations, limited staff, less service, limited products and smaller menus, and increasing mandated regulations. **Local restaurants and related businesses have had to bear the majority of impact** of the State and County restrictive policies over the last two years, resulting in many closures, scaling back and many small businesses still at risk of shutting down. Recovery has been difficult, inconsistent, and slow for most.

Prices have been raised to cover the higher costs for products and services, as well as to comply with the new government rules. These are not discretionary costs, these are costs that restaurant operators have to pay just to stay in business. Restaurants already have low margins, especially in Hawaii, where the cost of food, beverage, supplies and labor are **much higher than in almost all other states**.

Restaurants historically carry slim profit margins, and this is even more challenging in Hawaii, with its existing regulations and high cost of living.

We urge you **kill this bill** and say, "Mahalo" for considering our point of view. Mahalo,

Michael Miller / Director of Operations / michaelm@tikisgrill.com

ATTACHMENT: Partial list of restaurants that have closed since COVID

Closed Restaurants Since COVID 19 Hit Hawaii

Ahi Assassins
Alan Wong's Restaurant
Aloha Gelato- Ala Moana 3rd floor
Arancino on Beachwalk
Art Cafe Hemingway
Artizen by MW
Beijing Garden
Bob's Sports Bar Kailua
Bongo Ben's Island Cafe
Brewseum
Captain Cook Baking
Cheeseburger Waikiki (Prime)
Cheeseburger Waikiki Beach Walk
Chinatown neighborhood eatery and bar
Smith & Kings
Chuck's Cellar
Da Kitchen Kahului
Da Kitchen Kihei
Dillingham Saimin
Fish Honolulu
Formaggio Honolulu
Harpo's Pizza and Pasta
Holuakoa Gardens & Cafe
House of Pure Aloha Ala Moana
Hyung Jae Restaurant
Islands Fine Burgers
Italica Cafe
Izakaya Kei
Jimbo Restaurant
Jini's Curry – Fiji Indian Food
Kailua Candy Company
Kaka'ako Kitchen
Kalaheo Steakhouse
Kaneohe restaraunt/ maples.
Kapiolani Spaghetti House
Kawailoa Tavern
Kobe Japanese Steak House
Like Like Drive In
Limon Rotisserie (Kapolei)
Malee Thai Restaurant
Mi's Waterfront Bistro
Mehe's Ka'u Bar and Grill
Mexico Fiesta Hawaii Kai
Miyako Japanese Restaurant
Monterey Bay Cannery
Moon and Turtle
Nobu Honolulu
Otoro Hawaii Fusion
Phoenix Chinese Restaurant
Plantation Tavern Kapolei
Pomaikai Ballrooms
Real Gastropub
Restaurant Epic
Rock & Brews Paia
Ruth's Chris Kauai
Ruth's Chris Lahaina
Smith & Kings
Tempura Kaneko Hannosuke
The Brewseum
The Street Food Hall by Michael Mina
Top of Waikiki
Tokyo Noodle House
Town Kaimuki
Two Scoops
Uncle's Fish Market at Pier 38
Viaggio
Yamagen Restaurant
Zippy's Pearlridge
Bubba Gump
Kabuki - Kapiolani
P & L in Kaneohe
Meg's Drive In
Outback Waikiki



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
F 808-885-0653
BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com



Thomas Kerns
President / Brewmaster
Big Island Brewhaus

HB 1618

Report Title: Liquor Tax; Surcharge
Description: Beginning July 1, 2022, establishes a \$0.10 per drink surcharge in addition to the liquor tax.

The committee(s) on CPN has scheduled a public hearing on 02-04-22 9:30AM; Conference Room 229 & Via Videoconference.

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the House Committee on Economic Development.

STRONGLY OPPOSE

I am Thomas Kerns, owner and brewmaster at Big Island Brewhaus. We are an independent craft brewery producing 100% of our beer in Hawaii. Big Island Brewhaus is 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.

This proposed tax surcharge hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax surcharge on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer

manufacturers and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Raising tax rates will encourage consumers to choose 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 that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 2 years, will create hardship for this small business sector. It is already difficult for small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers and imported products. 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.

We support programs that treat excessive drinking and we support education to reduce heavy drinking, but do not believe this legislation to place a surcharge on liquor will have the intended result.

Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business and recover from COVID related revenue losses.

Some pertinent information below regarding the intentions of this bill:

1. Excessive consumption of liquor is not reduced by increased tax rates. 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 states with the highest tax rates on alcohol would also have the lowest number of alcohol related deaths. This is not the case and no correlation is found. Comparing death rates by state as reported by the CDC with Tax Foundation data on state excise taxes on beer shows 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).
2. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices. Manning et al. (1995) find that both light and heavy drinkers are much

less price elastic than moderate drinkers. In fact, their studies show the heaviest drinkers are going to drink regardless of price.

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. HB1618 / SB2441 are meant to address excessive and irresponsible consumption of alcohol. Research disputes that higher prices for alcohol will reduce consumption by heavy drinkers.
 4. There is a low correlation between beer price and consumption.
Wagenaar et al. (2009) reviewed 112 studies totaling 1003 estimates of alcohol price and tax levels and drinking. They find a low correlation between the price levels for beer and consumer consumption as the price of beer increases these studies show the sensitivity to change in price relative to changes in consumer demand is low with a mean elasticity of -0.46 for beer..
-
1. Now is not the time to impose taxes on businesses struggling to survive. According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 2 years, will create hardship for this small business sector.
 2. Small craft beer manufacturers have taken a much harder hit than other businesses during the pandemic. 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 that have more options for greater revenue.
 3. 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 impacts 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.
 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.

Sincerely, Thomas Kerns

Thomas Kerns

President / Brewmaster
Big Island Brewhaus



LATE

LATE

Greg Maples, Chairman – Polynesian Cultural Center **Ryan Tanaka, Incoming Chair**- Giovanni P

Ave Kwok, Vice Chair- Jade Dynasty **Tambara Garrick, Secretary** – Hawaii Farm Proj

Kahili Soon, Treasurer – Hukilau Marketplace **Tom Jones, Past Chair** – Gyotaku

Sheryl Matsuoka, Executive Director **Chivon Garcia, Executive Assistant** **Holly Kessler, Director of Membership Relations**

Date: February 2, 2022

To: Chair Sean Quinlan
Vice Chair Daniel Holt
Members of the House Economic Development Committee

From: Thomas Jones – HRA Legislative Committee Member

Subj: HB1618 Relating to Alcohol Tax

The Hawaii Restaurant Association representing 3,400 restaurants in Hawaii opposes HB 1618.

The 10 cents “per drink” tax on alcohol represents an approximate 200% increase in the current Wine Gallon alcohol tax, which will only add to the surging inflation we are seeing across the nation.

Additionally, the taxes collected will be directed to the General fund and not to address the specific health and public safety issues which it is directed at impacting in HB1618’s opening paragraph.

Unfortunately, simply raising the price of alcohol by this amount will not contribute to reducing alcohol abuse in any meaningful way.

Now is not the time to increase the cost of alcoholic beverages to those who drink responsibly and the hospitality industry during the most challenging economic conditions in decades due to the Covid Pandemic.

The HRA feels the State Legislature would be most effective in improving our communal health and safety by focusing on making Hawai’i a more affordable place to live, work and do business.

We appreciate the opportunity to share our views on this bill with the House Economic Development Committee.

Sincerely,

Thomas Jones
HRA Legislative Committee



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HB-1618

Submitted on: 2/2/2022 3:34:
Testimony for ECD on 2/2/2022 10:00:00 AM

LATE

LATE

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Nicholas Krau	State of Hawaii Organization of Police Officers (SHOPO)	Support	No

Comments:

The State of Hawai‘i Organization of Police Officers (SHOPO) SUPPORTS (HB1618), which will establish a temporary, nominal, per-drink tax on alcohol to reduce alcohol-related harms on our community.

Excessive Alcohol Consumption Has a Negative Impact on Public Health & Safety

As first responders, we experience first-hand the destructive consequences that excessive alcohol consumption causes in our communities. The scourge of excessive alcohol consumption is the third-leading cause of preventable death in the United States¹ This scourge is particularly damaging to Hawaiians. Only nine other states have higher levels of binge drinking than Hawai‘i, where 19.8% of adults reported engaging in binge drinking.² In Hawai‘i, 31.2% of traffic fatalities are alcohol-related, more than 15% higher than the national average.³ In Maui County, 49% of all traffic-related deaths are alcohol related.⁴

Alcohol-related calls for emergency service place a heavy burden on already overextended police resources. Alcohol fuels violent assaults and domestic violence as well as drunk-driving crashes. SHOPO officers respond to these calls for service daily see up close the victimization caused by these alcohol induced incidents. Officers are also traumatized by these alcohol related calls for service. From responding to numerous DUI crashes, including those with fatalities, to responding to violent domestic violence calls, officers must carry what they see with them for the length of their careers and through retirement.

A Nominal Alcohol Consumption Tax Can Reduce Alcohol-Related Incidents

According to the Center for Disease Control, two of the most effective strategies to reduce or prevent alcohol-impaired driving are “high-visibility saturation patrols” of police officers and sobriety checkpoints.⁵

HB1618 provides an opportunity for the State to ensure local law enforcement agencies have the necessary funding to reduce alcohol related accidents and fatalities. Additionally, HB1618 will provide resources for other services to address the ongoing negative social, economic and health impacts caused by excessive alcohol consumption.

Thank you for your consideration of our position.

Nicholas Krau

SHOPO Maui Chapter Chair

HB-1618

Submitted on: 1/31/2022 12:27:33 PM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kristin Mills	Individual	Support	No

Comments:

Date: January 31, 2022

Strong Support of HB1618, 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 HB1618. I support increasing the surcharge on alcohol to 10 cents per drink, in addition to the liquor tax, because of the following:

1. Alcohol consumption and heavy drinking has increased during the pandemic and will likely remain high post-pandemic. As stated by a lieutenant with the Maui Police Department, habitual DUIs continue to rise. They are up over 500% as compared to pre-pandemic.
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.
3. 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.
4. As I mentioned above, I am a two-time survivor of car crashes 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 23 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 support HB1618 to add a \$0.10 per drink tax in addition to the liquor tax.

Sincerely,

Kristin Mills

Aloha Chair Quinlan, Vice Chair Hold, and and Honorable Members of the Committee on Economic Development,

My name is Katie Folio and I am writing in strong support of HB1618, Relating to Liquor.

I was a coordinator for the Coalition for a Tobacco-Free Hawai'i for almost five years, so I understand tobacco control and how important and effective it can be. I don't smoke, but I do drink occasionally, so I haven't been as passionate about alcohol control because the issue wasn't as clear to me. However, we have had so many deaths due to drunk driving in Maui County over the past few years that it has gotten harder and harder to ignore.

In fact, alcohol's annual death toll is higher than deaths due to guns, cars, drug overdoses, or HIV/AIDS in a single year in America. While I don't propose going back to Prohibition to solve these problems, evidence shows that an alcohol tax would go a long way.

We haven't passed a raise in alcohol taxes in Hawai'i in decades, which when you account for inflation means that alcohol is cheaper, but more of our people are dying and suffering as a result.

Taxes on alcohol influence how much people buy and how much people drink, and that has a ripple effect that reduces alcohol-related disease, death, and crime. Decades of research have shown that a higher alcohol tax would reduce drinking, particularly excessive drinking, and result in saving of thousands of lives, while also helping to prevent crime and other public health problems.

While I am someone who enjoys a glass of wine with dinner, I recognize that excessive alcohol consumption is a major public health issue that needs to be addressed. I am willing to pay a small amount more for the occasional drink I purchase if it means that it might reduce the excessive drinking of someone else.

Moderate or occasional drinkers, like myself, wouldn't feel the burden of a tax increase much, since casual drinkers don't spend enough on alcohol for it to impact them greatly. A higher tax would likely impact heavy drinkers the most. Studies show that, just like with cigarettes, if the price of alcohol increases, excessive alcohol consumption decreases.

An alcohol tax utilizes the infrastructure already in place in our tax code - it doesn't require setting up new agencies or facilities to enforce the law. It's a simple, cheap, proven method to help improve the health of our people.

Opponents may argue that a tax will hit low-income people more, but it would also benefit them more too. They are likely to see the positive effects of an alcohol tax with better health, lower crime, and fewer car crashes. I would also hope that revenue raised by this tax would go to programs that also benefit lower-income populations.

While I personally don't believe tobacco products should even be allowed to exist anymore, I recognize that we can have alcohol and use it in moderation, but the industry and our consumption rates do need to be controlled to some degree, for the sake of our communities and the health of our people.

Mahalo nui loa for your time,

Katie Folio
Kula, Maui, HI

February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

Good morning, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development. My name is Charity Kaiwi Hartman, from Kahului, Maui. Thank you so much for the opportunity to submit testimony on HB1618. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

1. 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 An increase of 10 cents per drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying nearly \$27 per year on these increased fees, non-excessive drinkers pay nearly \$5 per year, while those who abstain from alcohol pay nothing⁷

2. 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

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

Alcohol does not pay for itself. According to the 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), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

4. Alcohol misuse and excessive consumption hurts everyone.

As a survivor of domestic and sexual abuse, I've experienced first-hand the negative and harmful effects of excessive alcohol consumption. I have witnessed reasonable men when sober, turn violent towards the very loved ones they are meant to protect due to alcohol. I understand that not all who consume alcohol are abusive. But, the amount of alcohol one consumes will have an impact on one's right-minded thinking. Alcohol is also a depressant, which when depressed, individuals treat with more alcohol. It hurts all parties involved. Please help diminish the cycle on insanity and harm.

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 the tax on alcohol. Alcohol does not pay for itself, and it's about to address the cost of excessive alcohol use in our state.

Mahalo for the opportunity to submit testimony and provide comments.

Charity Kaiwi Hartman

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>
- [7][https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)

HB-1618

Submitted on: 1/31/2022 9:44:08 PM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kenichi Yabusaki	Individual	Support	No

Comments:

Dear Representative Quinlan and Members of the Economic Development Committee:

I am in full support of HB 1618 (Relating to Alcohol). The State of Hawaii has not increased a tax on alcohol in over twenty years. In a society and culture in which the consumption of alcohol is a living issue, the alcohol industry (includes those that manufacture, serve, and sell alcohol), has a responsibility to ensure the manifestations from the consumption of alcohol that either directly or indirectly contribute to alcoholism, domestic violence, vehicular manslaughter, fetal alcohol spectrum disorders, violence in all its forms, and the like have funds available to help address them. This is a cultural and societal concern. A \$0.10 surcharge per alcoholic beverage is a small sacrifice to those the consume alcoholic beverages. Such monies can help tremendously to fund programs for the prevention and treatment of those affected by the tragic consequences of irresponsible drinking. Since the COVID-19 pandemic, the sales of alcohol have boomed with more underage drinking, the potential risk of fetal alcohol spectrum disorders, which can lead to incarcerations, homelessness, and mental health disorders, draining our State's resources. Please consider the passage of HB 1618. Respectfully,

Kenichi Yabusaki, Ph.D.

February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

Good morning, Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development. My name Ann S. Yabusaki from Kaneohe, HI. Thank you for the opportunity to submit testimony on HB1618. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

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

The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking in communities.⁶ An increase of 10 cents per drink creates a nominal increase in costs to individual consumers.

2. 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

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

Alcohol does not pay for itself. According to the 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), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

4. I am a psychologist who has treated many youths and families affected by Fetal Alcohol Spectrum Disorders, brain damage caused by alcohol consumption during pregnancy. Hawaii does not have the resources or infrastructure to address

the many needs of these individuals. A 2018 national study found one in 20 first graders are affected by an FASD and many are undiagnosed or misdiagnosed because of lack of assessment centers. These individuals fall through the cracks and many end up homeless, in the criminal justice system, substance abuse and mental health systems. An increase in tax on alcohol will have an impact on reducing drinking and provide funds to develop resources and help these children and adults with their lifelong needs.

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 the tax on alcohol. Alcohol does not pay for itself, and it's about to address the cost of *excessive* alcohol use in our state.

Mahalo for the opportunity to submit testimony and provide comments.

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>
- [7] [https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)

February 1, 2022

To: The Honorable Representative Sean Quinlan, Chair
The Honorable Representative Daniel Holt, Vice Chair
Members of the House Committee on Economic Development

Re: Strong Support of HB1618, Relating to Liquor

Hrg: Wednesday, February 2, 2022 at 10:00am at Capitol Room 312

Position: Support

My name is Andrea Snow, and I live in Wailuku. I support evidence-based policies that will reduce youth use and excessive consumption of alcohol in our communities. Alcohol does not pay for itself, and it's time to address the cost of *excessive* alcohol use in our state. I support increasing the surcharge on alcohol to 10 cents per drink because of the following reasons:

1. ***Excessive alcohol use needs to be discouraged***

I lost my older brother at 22 in a single-vehicle car crash after he was drinking at a friend's house. He was driving two friends home; all three lost their lives. They were all under the age of 25, and left behind devastated families who will never be the same. Cheap alcohol makes it easy for young people, and anyone, to drink to excess. Raising the price of alcohol through taxes is one of the most effective ways to decrease over-consumption and stop alcohol-related death and injury.

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

The cheaper the alcohol, the more people drink. 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 An increase of 10 cents per drink creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying less than \$27 per year on these increased fees, non-excessive drinkers pay less than \$5 per year, while those who abstain from alcohol will pay nothing.⁷

3. ***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

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

Alcohol does not pay for itself. According to the 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), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders³.

Mahalo for your time and for considering my testimony on HB1618.

Andrea Snow, MPH

86 Nokekula Loop,
Wailuku, HI 96793

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>
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- [7][https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=\\$0.10](https://wwwapp.bumc.bu.edu/BEDAC_Camy/ResearchToPractice/Price/AlcoholTaxToolOutput?stateId=11&taxStr=$0.10)

HB-1618

Submitted on: 2/1/2022 9:00:14 AM

Testimony for ECD on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Chrissie Pinney	Individual	Oppose	No

Comments: