A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that a report by Cook and Tauchen (1982) analyzed annual state-level cirrhosis mortality rates for states that licensed the sale of alcoholic beverages from 1962 through 1977. The investigators concluded that increases in the excise taxes on distilled spirits would significantly reduce deaths from liver cirrhosis. For example, a $1 increase in the distilled spirits tax was estimated to lower cirrhosis death rates by 5.4 to 10.8 per cent. Thus, the study contradicted the then-conventional wisdom that heavy, addictive alcohol consumption was unresponsive to price.

The legislature also finds that the conclusion reached in 1982 by Cook and Tauchen was confirmed by Grossman (1993) using the Becker-Murphy model of addiction to heavy alcohol consumption as reflected by the cirrhosis mortality rate. Using data for all states for the period from 1961 through 1984, Grossman concluded that long-term heavy consumption is responsive to price. For example, it was estimated that a 10 per cent increase in the price of alcohol would reduce cirrhosis
mortality by 8.3 to 12.8 per cent after the levels of heavy
drinking have fully adjusted to the price change in future
years. This adjustment would extend over many years because due
to the addictive nature of heavy drinking, and a price increase
in one year would reduce drinking not only in that year of
enactment but also in all future years.

Chesson and colleagues (2000) focused on sexually
transmitted disease rates in an analysis of all states for the
years 1981 to 1995. After controlling for state and year
effects, the investigators concluded that a $1 increase in the
per-gallon liquor tax can reduce gonorrhea rates by 2.1 per
cent; furthermore, a beer tax increase of 20 cents per six-pack
can reduce gonorrhea rates by 8.9 per cent. Similar or even
somewhat larger effects of liquor and beer taxes were found for
syphilis rates.

Higher state tax rates on beer, the most popular alcoholic
beverage among youths and young adults, are associated with
lower gonorrhea incidence rates for males ages fifteen to
twenty-four. These higher taxes are also associated with lower
rates of acquired immune deficiency syndrome for males ages
twenty to twenty-nine. Zero tolerance laws, which typically set
the maximum blood alcohol percentage at 0.02 for underage
drinkers, reduce gonorrhea rates among fifteen- to nineteen-year-old boys.

The purpose of this Act is to:

1. Repeal the excise tax exclusion for dealers who hold a permit to sell liquor;
2. Repeal the use tax exclusion on intoxicating liquor;
3. Increase the gallonage liquor taxes and designate revenues from those taxes to be paid to the community health centers special fund established under section 321-1.65, Hawaii Revised Statutes, the trauma system special fund established under section 321-22.5, Hawaii Revised Statutes, and the John A. Burns school of medicine medical loan forgiveness program special fund established by this Act.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§304A- John A. Burns school of medicine medical loan forgiveness program special fund. (a) There is established the

John A. Burns school of medicine medical loan forgiveness
program special fund, to be administered and expended by the University of Hawaii.

(b) The following shall be deposited into the special fund:

1. Appropriations by the legislature;
2. Cigarette tax revenues pursuant to section 245-15(6) as enacted by Act ___, Session Laws of Hawaii 2012;
3. Sugar-sweetened beverages tax revenues pursuant to section -14(3) as enacted by Act ___, Session Laws of Hawaii 2012;
4. Liquor tax revenues pursuant to section 244D-17(3);
5. Grants, donations, gifts, or other income received for the purposes of the special fund; and
6. Interest earned or accrued on moneys in the special fund.

(c) Moneys in the special fund shall be used to support the John A. Burns school of medicine medical loan forgiveness program for medical students graduating after May 1, 2013.

(d) The John A. Burns school of medicine shall submit an annual report to the governor and the legislature accounting for the income, expenditures, and fund balance of the John A. Burns
school of medicine medical loan forgiveness program special fund."

SECTION 3. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:

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

(1) Amounts received under life insurance policies and contracts paid by reason of the death of the insured;

(2) Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;

(3) Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;
(4) The value of all property of every kind and sort acquired by gift, bequest, or devise, and the value of all property acquired by descent or inheritance;

(5) Amounts received by any person as compensatory damages for any tort injury to the person, or to the person's character reputation, or received as compensatory damages for any tort injury to or destruction of property, whether as the result of action or by private agreement between the parties (provided that amounts received as punitive damages for tort injury or breach of contract injury shall be included in gross income);

(6) Amounts received as salaries or wages for services rendered by an employee to an employer;

(7) Amounts received as alimony and other similar payments and settlements;

(8) Amounts collected by distributors as fuel taxes on "liquid fuel" imposed by chapter 243, and the amounts collected by such distributors as a fuel tax imposed by any Act of the Congress of the United States;

(9) Taxes on liquor imposed by chapter 244D on dealers holding permits under that chapter;
(9) The amounts of taxes on cigarettes and tobacco products imposed by chapter 245 on wholesalers or dealers holding licenses under that chapter and selling the products at wholesale;

(10) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(11) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(12) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;
(13) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:

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

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

(C) The producer's gross proceeds of sales are dependent upon the actual value of the products manufactured therefrom or the average value of all similar products manufactured by the manufacturer; and

(D) The producer's gross proceeds of sales are reduced by reason of the tax on the value or sale of the manufactured products;
Money paid by the State or eleemosynary child-
placing organizations to foster parents for their care
of children in foster homes;

Amounts received by a cooperative housing
corporation from its shareholders in reimbursement of
funds paid by the corporation for lease rental, real
property taxes, and other expenses of operating and
maintaining the cooperative land and improvements;
provided that the cooperative corporation is a
corporation:

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

(B) Each of the stockholders of which is entitled
solely by reason of the stockholder's ownership
of stock in the corporation, to occupy for
dwelling purposes a house, or an apartment in a
building owned or leased by the corporation; and

(C) No stockholder of which is entitled (either
conditionally or unconditionally) to receive any
distribution not out of earnings and profits of
the corporation except in a complete or partial
liquidation of the corporation; and
Amounts received by a managed care support contractor of the TRICARE program that is established under Title 10 United States Code chapter 55, as amended, for the actual cost or advancement to third party health care providers pursuant to a contract with the United States.'

SECTION 4. Section 238-3, Hawaii Revised Statutes, is amended by amending subsection (9) to read as follows:

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

SECTION 5. Section 244D-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

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

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

1) $5.92 per wine gallon on distilled spirits;
2) $2.09 per wine gallon on sparkling wine;
3) $1.36 per wine gallon on still wine;
4) $0.84 per wine gallon on cooler beverages;
5) $0.92 per wine gallon on beer other than draft beer;
6) $0.53 per wine gallon on draft beer;

For the period July 1, 1998, and thereafter, the tax rate shall be:

1) $5.98 per wine gallon on distilled spirits;
2) $2.12 per wine gallon on sparkling wine;
3) $1.38 per wine gallon on still wine;
4) $0.85 per wine gallon on cooler beverages;
5) $0.93 per wine gallon on beer other than draft beer;
6) $0.54 per wine gallon on draft beer;

On July 1, 2012, and thereafter, the tax rate shall be:

1) $_____ per wine gallon on distilled spirits;
2) $_____ per wine gallon on sparkling wine;
3) $_____ per wine gallon on still wine;
(4) $____ per wine gallon on cooler beverages;
(5) $____ per wine gallon on beer other than draft beer;
(6) $____ per wine gallon on draft beer;
and at a proportionate rate for any other quantity so sold or
used."

SECTION 6. Section 244D-17, Hawaii Revised Statutes, is
amended to read as follows:

"[4]§244D-17[[]] Disposition of revenues. All moneys
collected pursuant to this chapter shall be distributed as
follows, with the excess revenues paid into the state treasury
as state realizations, to be kept and accounted for as provided
by law[-]; provided that:

(1) _____ per cent of the revenues collected under this
chapter shall be deposited into the community health
centers special fund established under section
321-1.65;
(2) _____ per cent of the revenues collected under this
chapter shall be deposited into the trauma system
special fund established under section 321-22.5; and
(3) _____ per cent of the revenues collected under this
chapter shall be deposited into the John A. Burns
school of medicine medical loan forgiveness program
special fund established under section 2 of this Act."

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

SECTION 8. This Act shall take effect on July 1, 2012;
provided that the amendments made by section 3 of this Act to
section 237-24, Hawaii Revised Statutes, shall not be repealed
when section 237-24, Hawaii Revised Statutes, is reenacted on
December 31, 2013, pursuant to section 4 of Act 70, Session Laws
of Hawaii 2009.

INTRODUCED BY:  

[Signatures]

[Signature]

[Signature]
Report Title:
Liquor Tax; Medical Loan Forgiveness; Cigarette Tax; Sweetened Beverages Tax

Description:
Establishes the John A. Burns school of medicine medical loan forgiveness program special fund to be funded through an increase in liquor taxes as well as through the excise tax on cigarettes and sugar-sweetened beverages; amends liquor tax rates. Repeals excise and use tax exemptions on the sale of liquor.

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