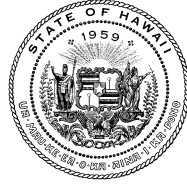


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To: The Honorable Clift Tsuji, Chair
and Members of the House Committee on Economic Development and Business

Date: Tuesday, February 5, 2013

Time: 9:00 a.m.

Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1123 Relating to Liquor Tax Law

The Department appreciates the intent of H.B.1123 and provides the following information and comments for your consideration.

H.B. 1123 applies a reduced gallonage tax on the first 60,000 gallons of beer brewed per year by a small brewery.

The bill will impose additional administration costs on the Department. The modified treatment will require the Department to distinguish between small and large brewers, to track amounts brewed very closely, and to apply two rates of tax to some brewers. This will place additional strain on limited Department resources and add significant complication to an otherwise straightforward tax.

Thank you for the opportunity to provide comments.

edbtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 04, 2013 10:14 AM
To: edbtestimony
Cc: tina500@juno.com
Subject: Submitted testimony for HB1123 on Feb 5, 2013 09:00AM
Attachments: hb1123-13.pdf

HB1123

Submitted on: 2/4/2013

Testimony for EDB on Feb 5, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Lowell Kalapa	Tax Foundation of Hawaii	Comments Only	No

Comments: Here is the Tax Foundation of Hawaii testimony on HB 1123.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Small breweries and brewpubs

BILL NUMBER: SB 1261; HB 1123 (Identical)

INTRODUCED BY: SB by Baker, Keith-Agaran, Ruderman and 2 Democrats; HB by McKelvey, Brower, Evans, Kawakami and 2 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 244D to provide that a small brewery or brewpub that produces beer in the state shall be subject to a gallonage tax of \$0.23 per gallon of beer on the first 60,000 barrels of beer brewed or produced during a taxable year. Beer produced after the first 60,000 barrels shall be taxed under HRS 244D-4(a).

Defines “small brewery or brewpub” as a brewery or brewpub that brews or produces not more than two million barrels of beer per taxable year.

EFFECTIVE DATE: Tax years beginning after December 31, 2013

STAFF COMMENTS: Currently, beer is subject to a state tax of \$0.93 cents per wine gallon while draft beer is subject to a tax of \$0.54. At the federal level, beer is subject to a tax of \$18 per barrel. Brewers who produce less than two million barrels are subject to a tax of \$7 on the first 60,000 barrels and \$18 after the first 60,000 barrels.

While the proposed measure would establish a reduced rate of \$0.23 per gallon for the first 60,000 barrels of beer brewed or produced in the state by a small brewery or brewpub annually, it would grant a preferential reduced rate for beer produced locally as compared to beer that is imported. If nothing else, lawmakers should secure a legal opinion as to the constitutionality of conferring a preferential rate for brewers located “in the state.”

Digested 2/4/12