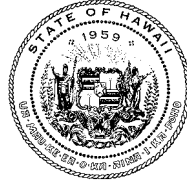


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



LATE

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DEPARTMENT OF TAXATION
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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, February 22, 2013

Time: 9:00 a.m.

Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1261 S.D.1 Relating to Liquor Tax Law

The Department appreciates the intent of S.B.1261 S.D.1 and provides the following information and comments for your consideration.

S.B. 1261 S.D.1 applies a reduced liquor tax rate upon all beer brewed by small brewers and defines small brewers as those that brew not more than 60,000 barrels of beer per year. The reduced rate will only apply to small brewers; a brewer brewing more than 60,000 barrels per year will pay the standard liquor tax on all beer produced.

The Department believes that it can make the necessary form, form instruction, and system changes necessary as this measure applies to taxable years beginning after December 31, 2013.

The Department estimates this measure will result in an annual revenue loss of \$1 million.

Thank you for the opportunity to provide comments.

LATE



Aloha Legislators,

We are writing in strong support of SB 1261 a Small Brewers Tax Reduction. Also in support of a beer excise tax reduction in SB 645 which is being looked at in WAM committee.

Understanding how small brewers of craft beer in Hawaii. This reduction could help small brewers of craft beer in Hawaii grow their businesses brewing beer in the State of Hawaii. Right now Hawaii has the 4th highest excise tax on beer at .92 and .54 cents per gallon for bottles and draft respectively.

We started our restaurant a few years ago. A small but good Mexican restaurant with hopes to evolve into a brewpub. 2012 was our 1st full year of production. Our brewpub produced 550 barrels (17,050 gallons). We plan on adding bottling to our venture to help us reach a larger consumer market throughout Hawaii. We predict our production to at least triple in 2013 and grow the same in years to come as our bottling is embraced in Hawaii. We had 7 employees in 2008 and now employ 17 with an eye on expansion. Having a decrease on the tax burden to under .25 cents a gallon could greatly assist us to grow our business, add employees and add to the overall tax base as a larger business. Typical tax rates around the country range from .08 cents to .65 cents a gallon. Bringing our tax rate closer to a median of national rates per gallon could be very helpful to businesses like ours trying thrive. Our focus is a high quality specialty product that appeals to a growing number of craft beer aficionados. Our product is priced accordingly and is generally not considered an alcohol risk like cheaper national brands. Our growing consumer base is considered more affluent and responsible than consumers of cheaper alcoholic beverages. This equates to responsible appreciation and growth of a value added product made in Hawaii supporting many local businesses, farmers, fishermen, and ranchers.

Please help support the small brewers of Hawaii and their employees and their families by supporting a reduction in excise tax for small brewers. Please help support this bill as well as its intentions within and regarding SB 645 as this bill looks to set new tax rates for various types of alcoholic beverages.

Thank-you for your support,
Sincerely,

Thomas Kerns
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