



From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: g@mauibrewingco.com
Subject: Submitted testimony for SB3041 on Feb 26, 2014 10:30AM
Date: Tuesday, February 25, 2014 3:30:25 PM

SB3041

Submitted on: 2/25/2014

Testimony for WAM on Feb 26, 2014 10:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Garrett W. Marrero	Hawaiian Craft Brewers Guild	Support	No

Comments: Aloha, I am the Vice President of the Hawaiian Craft Brewers Guild. We support this measure as it will serve to create jobs, bolster reinvestment in our communities, and allow local small brewers to be competitive with large breweries from the mainland where costs of production can be almost half as much. Mahalo, Garrett W. Marrero, VP HCBG

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MAUI BREWING CO.

LATE

February 24, 2014

State of Hawaii
Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Re: Testimony in Strong Support of SB3041

Aloha Ladies and Gentlemen of the Committee:

I am writing to you in strong support of SB3041. This bill will serve to support and promote the burgeoning Craft Brewing industry in Hawaii, currently there are 10 operational breweries with 8 more "breweries in planning". These business will create jobs and promote Hawaii.

I support this measure as it allows for the creation of a Small Brewers Tax provision which exists currently under federal law. The passage of this provision will allow for job creation, reinvestment in our communities, and allow us to be competitive with large breweries from the mainland where costs of production can be almost half as much.

I would like to be involved in further discussions as it pertains to rate and implementation as I have good experience with these matters.

In the committee report it states "It is your Committee's understanding that the federal government provides a lower tax rate for small breweries and brewpubs, although the federal rate is not as low as the rate proposed by this measure." This is not accurate. the Federal rate for all brewers, large and small, for the first 60,000 barrels the rate is marginally LESS than was proposed. The Federal Rate is Seven Dollars per barrel or 22.5 cents per gallon of beer. there is no federal distinction of packaged versus draft. The national average tax rate is currently 20 cents per gallon, less than half of what is now being proposed. Attached a list of tax rates to this testimony so you have the facts regarding state by state costs.

Collectively, Hawaii's local brewers account for less than 2% of beer sold in Hawaii, approximately 20,000 barrels versus the 1,000,000 barrels imported into the State. The tax provision as proposed results in a very small, almost insignificant decrease in the amount collected by State taxes. We need to view this as an investment in job creation and supporting Hawaii manufacturing. At the same time, the resulting increases in production volume and removing burden from unemployment will result in a net gain to the State.

Maui Brewing Co. is Hawaii's largest craft brewery, we are also the only brewery canning our beer in the State. In 2005 when I started Maui Brewing Co. I did so with the vision of producing the highest quality ales and lagers available in the State, and doing so with a strong commitment to always brewing in Hawaii. At that time most so-called "Hawaiian" beers were being brewed in the mainland and shipped to Hawaii; it was my goal to bring truth and authenticity to Hawaiian Beer. We have stayed true to our vision and have brought attention to craft beer in Hawaii for the first time in history. It has become increasingly difficult to grow and remain competitive with the extremely high cost of production in Hawaii relative to our mainland counterparts, this compiled with the highest taxes in the Nation result in a disincentive to manufacturing in the State and a complete lack of competitive capability. One look at the store shelves will show you that our true Hawaiian beers are the most expensive beers on the shelf. Unfortunately this keeps them out of the reach of the average hawaiian family. This is a sad state of affairs.

This disincentive to local sales has encouraged an outward migration of jobs, taxes, and manufacturing. We want to be encouraged to sell and brew our products in Hawaii, and the support of our government officials with a

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decrease in tax for in-state produced product is the only way. We are not asking to pay the lowest tax, but a tax comparable to the national average and to other States. It is time to create a small brewers tax provision that will allow us to bring back and create more jobs through growth. We believe in a strong Hawaii, this starts with small businesses which are the backbone of any strong community.

Maui Brewing Co. currently employs 67 employees in the State. These employees live in Hawaii, raise their children here, pay taxes, and contribute to the community. Forty-one employees are full-time employees with family-level wages, insurance benefits including health (medical, drug, dental, vision and preventative care), life insurance, and 401(k). We currently match contributions to 401(k), and we have implemented a profit sharing plan as we believe in employee appreciation; we simply would not be where we are without our staff.

We need to create a Small Brewers classification in order to support the growing craft beverage industry in Hawaii. In speaking with others in our local industry, we collectively agree that the small brewers tax provision we are seeking would be utilized by us all to invest in new equipment and people in order to continue growing our companies locally. This would serve to bring local jobs to market and help get workers looking for jobs off unemployment and government assistance. Our growth would allow us to actually pay more in taxes as a result of increasing sales.

The Craft Brewing industry has proven a direct correlation of lower taxation and an increase in jobs and economic activity. Take note of the many States, CA, CO, WA, OR, AK that have thriving craft beverage industry, even Federally a bill is in progress to support a Small Brewers Tax Provision and stimulate the industry. You can look at the brewing industry by State relative to the tax rates charged and will see the direct positive impact. Growth of our industry in Hawaii means more jobs and more diversification in job opportunities. This legislation provides a way to immediately support the industry.

I'd like to point out that American Craft Brewers collectively employ approximately 108,000 people and represent only 6.5% of beer sold in the country. By comparison, large brewers produce far more beer with far less people. For example, AB Inbev (Bud) has approximately 14,000 employees in the US and accounts for over 49% of the beer sold in America. This illustrates the important power of this legislation in supporting the growth of small brewers and in turn job creation.

Lastly, the opposition would have you believe that there is a "50% tax break from the federal government", this is an outright lie. We are a small producer in the eyes of the Fed. ALL breweries pay \$7 per barrel of beer on "the first 60,000 barrels". AB InBev enjoys the same structure. This bill does not create any further competitive advantage or "discriminatory rate" and certainly not an "unfair advantage".

The small brewers tax provision proposed under this bill helps put Hawaii on a solid foundation and on track to a healthy and prosperous future. I respectfully request your support of SB3041 in the creation of a Small Brewers Tax provision to decrease the tax for small brewers 60,000 barrels and under.

Thank your for your time, please feel free to call me with any questions.

Mahalo,



Garrett W. Marrero
808.661.6205 office
808.280.4687 cell
G@MauiBrewingCo.com

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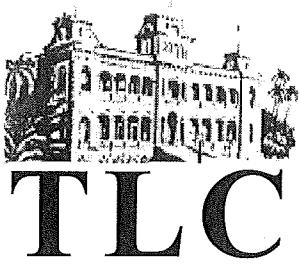
STATE TAX RATES ON BEER

(January 1, 2014)

	EXCISE TAX RATES (\$ per gallon)	GENERAL SALES TAX APPLIES	OTHER TAXES
Alabama	\$0.53	Yes	\$0.52/gallon local tax statewide
Alaska	1.07	n.a.	Alaska has a small brewers provision, rate drops to
Arizona	0.16	Yes	35cents per gallon for brewers 60,000 and under.
Arkansas	0.23	Yes	3% off- 10% on-premise tax
California	0.20	Yes	
Colorado	0.08	Yes	
Connecticut	0.24	Yes	
Delaware	0.16	n.a.	
Florida	0.48	Yes	
Georgia	0.32	Yes	\$0.53/gallon local tax
Hawaii	0.93	Yes	\$0.54/gallon draft beer
Idaho	0.15	Yes	over 4% - \$0.45/gallon
Illinois	0.231	Yes	\$0.29/gallon in Chicago and \$0.06/gallon in Cook County
Indiana	0.115	Yes	
Iowa	0.19	Yes	
Kansas	0.18	--	over 3.2% - {8% off- and 10% on-premise}, under 3.2% - 4.23% sales tax
Kentucky	0.08	Yes	11% wholesale tax; * general sales tax applies to on-premise sales only
Louisiana	0.32	Yes	\$0.048/gallon local tax
Maine	0.35	Yes	7% on-premise saales tax
Maryland	0.09	--	9% sales tax; \$0.2333/gallon in Garrett County
Massachusetts	0.11		0.57% on private club sales
Michigan	0.20	Yes	
Minnesota	0.15	--	under 3.2% - \$0.077/gallon, 9% sales tax
Mississippi	0.4268	Yes	
Missouri	0.06	Yes	
Montana	0.14	n.a.	
Nebraska	0.31	Yes	
Nevada	0.16	Yes	
New Hampshire	0.30	n.a.	
New Jersey	0.12	Yes	
New Mexico	0.41	Yes	
New York	0.14	Yes	additional \$0.12/gallon in New York City
North Carolina	0.6171	Yes	
North Dakota	0.16	--	7% state sales tax, bulk beer \$0.08/gal.
Ohio	0.18	Yes	
Oklahoma	0.40	Yes	under 3.2% - \$0.36/gallon; 13.5% on-premise
Oregon	0.08	n.a.	
Pennsylvania	0.08	Yes	
Rhode Island	0.11	Yes	\$0.04/case wholesale tax
South Carolina	0.77	Yes	
South Dakota	0.27	Yes	
Tennessee	1.15	Yes	
Texas	0.20	Yes	14.95% on-premise and \$0.05/drink on airline sales
Utah	0.41	Yes	over 3.2% - sold through state store
Vermont	0.265	Yes	more than 6% alcohol - \$0.55; 10% on-premise sales tax
Virginia	0.26	Yes	
Washington	0.26	Yes	
West Virginia	0.18	Yes	
Wisconsin	0.06	Yes	
Wyoming	0.02	Yes	
Dist. of Columbia	0.09	Yes	9% off- and on-premise sales tax
U.S. Median	\$0.20		

Source: Compiled by FTA from state sources.

Note: n.a. = not applicable. These 5 states do not have a general sales tax.



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



February 26, 2014

Testimony To: Senate Committee on Ways and Means
Senator David Ige, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies LLC

Subject: S.B. 3041, SD 1 - RELATING TO LIQUOR TAX LAW

Chair Ige and Members of the Committee:

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

This Committee is not foreign to the overall subject of alcohol taxes and you probably remember that every time the subject comes up we feel compelled to point out that we are extraordinarily high compared to all the other states. In fact, as of January 1, 2014 the beer tax rate for Hawaii is the second highest in the nation. We are at \$.93 cents per wine gallon. The low (our hero) is Wyoming at \$.02 and the median for all states is \$.20 cents. Between the federal and state government, you already make more off the

sale of a can of beer than we do! So the subject then of this bill, which is to reduce the "tax load" on alcohol products, is an appropriate one.

The problem with this bill is that it "hand picks" one certain type of producer and affords them a tax reduction that far exceeds any sense of reasonableness. To be sure, the taxes are high but we all need relief, not just certain sectors and we feel that when you provide only certain sectors with that relief, it is not only discriminatory in nature, but it also makes it extremely difficult to compete in what is, without argument, a very competitive industry. Not only does beer compete with beer...but beer also competes with wine and distilled spirits. Changing the tax rate for any of those products tends to upset the "apple cart".

As noted, the current rate for beer is \$.93 per wine gallon. The proposed new rate for brew pubs would be \$.47 per wine gallon. We are not sure that we understand the logic for a 50% reduction. We already know that alcohol is taxed fairly heavily on the federal side, as well as the state side. The feds provide a lower tax rate for brew pubs at 50% of the current rate so our competition is already enjoying a 50% tax break from the federal government and under this bill, it would also get a 50% tax break from state government. We submit that this is unfair and, therefore, we would highly recommend to this Committee that you not establish such a discriminatory rate.

Lastly, it is important to note that, as worded, this bill affords this preferential tax break to any small brewery located within or without the state. Why do we want to afford a tax break to a small brewer located in Iowa or Georgia or California where we get

nothing (but the tax revenue) in return. No increase in jobs, no increase in auxiliary spending...clothing! We fail to understand.

This bill does not make sense.

Thank you.