

Honolulu, Hawaii

**MAR 23 2018**RE: H.B. No. 2656  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Economic Development, Tourism, and  
Technology, to which was referred H.B. No. 2656, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO A SMALL CRAFT BEER PRODUCER  
TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to encourage and  
expand the growth of the local craft beer industry by establishing  
an income tax credit for small craft beer producers who produce  
one hundred percent of their products in the State.

Your Committee received testimony in support of this measure  
from the Maui Brewing Company, Kauai Beer Company, Honolulu  
Beerworks, REAL a Gastropub, Lanikai Brewing Company, Kauai Island  
Brewing Company, Beer Lab Hawaii, Big Island Brewhaus, Hawaiian  
Craft Brewers Guild, Chamber of Commerce Hawaii, Waikiki Brewing  
Company, Oahu County Committee on Legislative Priorities of the  
Democratic Party of Hawai'i, Koholā Brewery, Kona Brewing Company,  
and two individuals. Your Committee received testimony in  
opposition to this measure from the Hawai'i Alcohol Policy Alliance  
and three individuals. Your Committee received comments on this  
measure from the Department of the Attorney General; Department of  
Business, Economic Development, and Tourism; and Department of  
Taxation.



Your Committee finds that small brewing companies have grown in recent years and stimulate Hawaii's economy by supporting other local businesses and creating more jobs. Your Committee further finds that the number of breweries in Hawaii has increased from eight in 2013 to fifteen by the end of 2017. Despite the growth in breweries, your Committee notes that only five percent of beers sold in Hawaii are produced locally. The location of Hawaii proves to be a large obstacle for breweries. Your Committee received testimony indicating that the cost of production in Hawaii is estimated to be forty percent higher than in the continental United States. Your Committee believes that local producers and manufacturers are key players in Hawaii's economy by keeping their employees, products, and market in Hawaii and that more support should be given to local businesses.

Your Committee has amended this measure by:

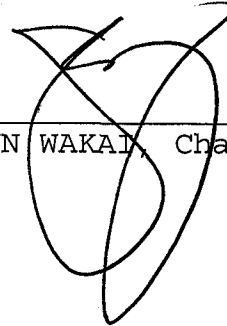
- (1) Reducing the amount of the tax credit that may be claimed by each qualified taxpayer from forty percent to twenty percent of the qualified expenses incurred;
- (2) Inserting an aggregate cap of \$300,000 for the total amount of tax credits that may be claimed by all qualified taxpayers in any taxable year;
- (3) Inserting a cap of \$50,000 for the annual tax credit allowed to each qualified producer;
- (4) Amending the definition of "qualified producer" to include all corporations that produce one hundred percent of their products in the State, rather than only domestic corporations;
- (5) Making it applicable to taxable years beginning after December 31, 2018, and ending on December 31, 2023; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development, Tourism, and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2656, H.D. 2, as amended herein,



and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2656, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development, Tourism, and  
Technology,



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GLENN WAKAI, Chair



