



January 30, 2018

House Committee on Economic Development & Business  
Wednesday, February 2<sup>nd</sup>, 2018, 8:45am  
State Capitol, Conference Room 309

Re: HB2656, RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT, IN SUPPORT WITH AMENDMENTS

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

I'm writing on behalf of Manulele Distillers, LLC in support of **HB2656** which creates a Small Craft Beer Producer Tax Credit in order to promote the local production of craft beer. As Oahu's only licensed distillery with a tasting room and full time farm operations, we believe this legislation can assist our growth and expansion in a meaningful way.

Manulele Distillers, LLC supports this legislation with amendments. The amendment we propose is as follows:

Page 5 line 17, we should incorporate all the types of liquor producers; Class 1 Manufacturers, Class 14 Brewpubs, Class 16 Wineries and Class 18 Small Craft Producers.

The passage of this legislation will help growth in the field of craft alcohol manufacturing in the State of Hawaii. As a state with a rich agricultural heritage, I see this legislation as a positive step forward in creating additional jobs value added agriculture. Manulele currently farms over 25 acres of sugarcane on Oahu with plans to expand to over 100 acres in the coming two years. We employ full time farm workers with a great need for expansion as our business grows. Additionally, our growth and ability to create new jobs is greatly improved through the use of targeted tax credits such as these.

Sincerely,

Robert Dawson  
President/Co-Founder

**Manulele Distillers, LLC**  
PO Box 227 - Kunia, HI 96759  
(808) 517-4067



January 31, 2018

HB 2656 Relating to Small Craft Beer Producer Tax Credit

House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

Position: **Support**

My name is Geoffrey Seideman, I live in Hawaii Kai, Oahu, and I am the Owner and Brewer of Honolulu BeerWorks brewery in Kaka'ako. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. I am writing on behalf of our local family-operated business, Honolulu Beerworks, in support of **HB2656**. Our Brewery began business in 2014 with 18 initial employees. We now provide 36 jobs in Hawaii with plans for more job opportunities in the near future.

Honolulu Beerworks is in support HB 2656 because Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, and brewery modernization all contributing to higher production costs. For example each bag of grain that we bring in to the state costs an extra \$10 a bag. Although a small amount by itself, with the amount of grain we use during brewing this becomes significant amount. With this increase and the high cost of utilities, etc.. it is very hard to keep our price to consumer at a reasonable level that they will support their local brewery. Also with each expansion that we do, shipping in equipment sometimes costs as much or even more than the equipment itself.

Legislation that provides tax credits help Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are often lower than our craft beer produced in Hawaii. Most of these mainland breweries do not pay inflated amounts for the ingredients or the shipping. Also the physical locations that the breweries occupy, and operating utilities, are often a lot cheaper for rent and lease. This enables them to produce more beer for cheaper.

**Honolulu Beerworks**  
**328 Cooke St, Honolulu HI. 93813**  
**808-589-2337**

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which supports our local Hawaii farmers. We use local oranges , lemons, limes, tangerines, lemongrass, honey, coconut, guava, pineapple, coffee and more in a lot of our beers. In most of the new beers that we look to do one of the first questions is are we able to incorporate local products somehow. We also use local companies for our cans, and our case trays for all of our packaged products that we offer in stores.

Expanding the craft beer we offer to customers is one of our goals. We have just recently completed our third brewery expansion which will allow us to go from 1800 barrels a year to 5400. With the expansion we have installed a canning line, which enables to to offer four of our core styles to the retail market. Although a big jump in production, we will be at capacity shortly. This will require us to look for another space for a production brewery, so we can keep up with demand. The small craft beer producers income tax credit will help us achieve that growth.

Honolulu Beerworks supports HB2656 with amendments.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of HB 2656.

Sincerely,

Geoffrey Seideman  
Owner/Brewer

**Honolulu Beerworks**  
**328 Cooke St, Honolulu HI. 938 13**  
**808-589-2337**

**HB-2656**

Submitted on: 1/31/2018 12:19:25 PM

Testimony for EDB on 2/2/2018 8:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Thomas Kerns	Big Island Brewhaus LLC	Support	Yes

Comments:

January 31, 2018

House Committee on Economic Development & Business

Wednesday, February 2nd, 2018, 8:45am

State Capitol, Conference Room 309

Re: HB2656, RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT, IN SUPPORT WITH AMENDMENTS

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

I'm writing on behalf of our small, local family-operated business, Big Island Brewhaus in Kamuela on the Big Island. We support **HB2656** which creates a Small Craft Beer Producer Tax Credit in order to promote the local production of craft beer.

Big Island Brewhaus supports this legislation with amendments. The amendments we propose are as follows:

Change the title to read “Relating to a Small Craft Producer Credit”. This would then allow us to include wine and spirits producers while falling in line with the Class 18 producer license. This also brings parity to the beverage alcohol industry allowing wineries, distilleries and breweries to grow together creating more local options and delivering an authentic Hawaiian experience in our products to visitors and residents alike.

Section 1 regarding Purpose. Suggest changing to “The purpose of this act is to establish a tax credit for small craft producers manufacturing in Hawaii to encourage local production and expand the growth of a local industry”

Page 1, lines 13-15, We look forward to working with the legislature to find a reasonable credit amount that works for the industry and the State together.

Page 2, lines 9 – 11, I would ask for this to be removed. The PV credits don't have a basis reduction by the credit, and I don't think that this qualified equipment should either. The goal is to encourage manufacturing so I think it's a reasonable ask, especially with the extensive certification requirements.

Page 5 lines 14-16. We look forward to working with the legislature to create a firm definition for what “Qualified Expenses” encompasses.

Page 5 line 17, we should incorporate all the types of liquor producers; Class 1 Manufacturers, Class 14 Brewpubs, Class 16 Wineries and Class 18 Small Craft Producers. This section should add language that further requires the beverages be made in Hawaii to qualify for the credit. I would ask, personally and on behalf of the guild that the language be firm enough that if ANY portion of a company's beer is produced outside the State that they are not a “Qualified” producer.

A passage of this bill will create more jobs, pay more wages, create new products, allow breweries to grow not only in numbers but in volume, and ultimately reinvest in our communities growing the overall industry of locally made beverages. While we recognize that this credit results in a net loss of revenue to the State at an initial look,

there is significant opportunity to have a net gain in revenue due to the growth of the overall industry.

Hawaiian producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of “faux-Hawaiian” products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete on the international forum for tourism it is important for us to deliver an authentic Hawaiian experience in our products. How can we do that if we instead serve beers, wine and spirits bearing Hawaiian names but are made across the world and not necessarily made in Hawaii?

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused on using local sources for our food and beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Incentives like this bill can help us continue our success and help others to do the same. We appreciate the ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of HB 2656.

Sincerely,

**Thomas D. Kerns**

Thomas Kerns

Founder & Brewer

Big Island Brewhaus

64-1066 Mamalahoa Highway

Kamuela, HI, 96743

[BigIslandBrewhaus@yahoo.com](mailto:BigIslandBrewhaus@yahoo.com)

Cell# 808-276-3301



January 31, 2018

HB 2656 Relating to Small Craft Beer Producer Tax Credit  
House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

Position: Support

My name is Russell Adkins, I live in Pukalani, Maui and I am the CFO at Maui Brewing Company doing business in Kihei, Kahana, Waikiki, and soon Kailua, HI. Our brewery began in 2005 with 23 employees. We now provide several hundred jobs in Hawaii. Maui Brewing Company supports HB 2656 because the favorable tax rates encourage tourist and locals alike to buy our product when we are able to provide more favorable pricing due to more favorable tax rates. Encouraging the purchase of local beer is the same as encouraging manufacturing in the State which we all know is desperately needed in order to diversify our economy away from tourism.

Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, labor, and brewery modernization all contributing to higher costs compared to the mainland. Legislation that provides tax credits help Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are often lower than our craft beer produced in Hawaii.

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which supports our local Hawaii farmers.

Expanding the craft beer we offer to customers is one of our goals. The small craft beer producers income tax credit will help us achieve that growth.

Maui Brewing Company supports HB2656 with amendments.

Mahalo for your consideration. We urge you pass this bill. Thank you for the opportunity to provide testimony in support of HB 2656.

Sincerely,

Russell Adkins, CFO

**Handcrafted Ales & Lagers Brewed with Aloha**  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002



DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221  
HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560  
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Cindy Evans, Chair  
and Members of the House Committee on Economic Development & Business

Date: February 2, 2018  
Time: 8:45 A.M.  
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 2656, Relating to a Small Craft Beer Producer Tax Credit.

The Department of Taxation (Department) appreciates the intent of H.B. 2656, and offers the following comments for your consideration.

H.B. 2656 amends Hawaii Revised Statutes (HRS) chapter 235, by creating a new nonrefundable income tax credit for qualified taxpayers who are small craft beer producers. A summary of the measure's key provisions are as follows:

- Sets the amount of the credit as an unspecified percentage of the qualified expenses incurred by the qualified taxpayer during a taxable year;
- Defines "qualified expenses" as "expenses incurred by a qualified taxpayer to manufacture beer; provided that it shall not include expenses incurred outside of the State";
- Defines "qualified taxpayer" as a person who:
  - "Has a valid class 18 small craft producer pub license as described in section 281-31(r)" that was "issued by the liquor commission of the county in which the taxpayers premises is located" and
  - Complies with manufacturing limitations established in section 281-31(r)(1).
- Directs the Department of Business, Economic Development, and Tourism (DBEDT) to:
  - Maintain records of the names and addresses of qualified taxpayers claiming the credit and the total amount of their qualified expenses;
  - Verify the nature and the amount of qualified expenses and calculate the total

- amount of all qualified and cumulative expenses that it certifies;
- Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit; and
- Issue a certificate to the taxpayer verifying the above information that the taxpayer will file along with taxpayer's tax return; and
- Makes the tax credit available for taxable years beginning after December 31, 2017

First, the Department defers to DBEDT on the substance of this measure and its ability to certify this credit, but requests that the certification requirement for this credit be maintained. The Department of Taxation does not have the knowledge and expertise necessary to certify this credit.

Second, the Department notes that under subsection (c) the distribution and share of the tax credit is determined by rule. The Department recommends subsection (c) be amended so that distribution of the tax credit be done in accordance with Internal Revenue Code Section 704 instead of by rule.

Third, the Department notes that the measure's definition of "qualified expenses" for the credit is quite broad and ambiguous. As currently written, the credit amount may be based on expenses incurred at every step of the beer-making process, with no distinction between equipment, capital, and labor, as long as those expenses were incurred within the State. The Department suggests being more specific as to the expenses that qualify for the credit.

Finally, the Department respectfully requests that the effective date be changed to taxable years beginning after December 31, 2018 to allow sufficient time to make the necessary form and computer system changes.

Thank you for the opportunity to provide comments.



January 31, 2018

**House Committee on Economic Development & Business**  
**Friday, February 2<sup>nd</sup>, 2018, 8:45am**  
**State Capitol, Conference Room 309**

Re: **HB2656**, RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT, IN SUPPORT WITH AMENDMENTS

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

My name is Garrett W. Marrero, I live in Kula, HI. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **HB2656** which creates a Small Craft Beer Producer Tax Credit to promote the local production of craft beer.

The purpose of this act is to establish a tax credit for small craft producers manufacturing in Hawaii to encourage local production and expand the growth of a local industry. The language in the bill should ensure that it requires beverages be made in Hawaii in order to qualify for the credit and that a "qualified producer" produce 100% of their beverage in Hawaii and that any production outside the State disqualifies the producer.

Maui Brewing Co. is a small, independent craft brewery that began with just 26 on our team in 2005. We are now over 500 strong and Hawaii's largest craft brewery. These employees live in Hawaii, raise their children here, pay taxes, and contribute to the community. We offer jobs 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). We simply would not be where we are without our staff and they deserve the best we can offer.

Maui Brewing Co. supports this legislation with amendments as suggested by the Hawaiian Craft Brewers Guild. 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. In speaking with others in our local beverage alcohol industry we agree that the small producers tax credit would be utilized to invest in new equipment and our people in order to continue growing our companies locally.

Hawaii's local brewers account for less than 5% of beer sold in Hawaii, approximately 60,000 barrels versus the 1,200,000 barrels imported into the State. The establishment of a tax credit for Small Producers is a direct incentive to produce locally, this may also serve to encourage those who have stopped or decreased producing in Hawaii to come back. It rewards the small business in every community in Hawaii for committing to authentic local brewing, winemaking and distilling at very little cost. We view this as an investment in job creation and encouraging 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.

**Handcrafted Ales & Lagers Brewed with Aloha**  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002

In 2005 when we started Maui Brewing Co. we 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. We have stayed true to our vision and have brought attention to craft beer in Hawaii for the first time in history. We are proud that in the craft brewing community around the world the name "Maui Brewing Co." is synonymous with world-class beer of a truly local Hawaiian origin. It has become increasingly difficult to grow and remain competitive with the extremely high cost of production in Hawaii, with costs more than doubling in less than 10 years, relative to our mainland counterparts. This paired with the highest liquor taxes in the Nation result in a disincentive to manufacturing in the State and not just a lack of competitive capability but with odds stacked against. The disincentive of local production has encouraged an outward migration of jobs, taxes, and manufacturing. We should encourage brewing and selling our products in Hawaii, and the support of our government officials with a tax credit rewarding local operations. We believe in a strong Hawaii, this starts with small businesses which are the backbone of any strong community.

Hawaiian producers operate under the highest cost conditions of any State. One look at the store shelves will show you that true Hawaiian beers are the most expensive beers on the shelf, this leads to lower volume and velocity of sales. This in itself has served to limit the availability of true, locally produced selections and give rise to a host of "faux-hawaiian" products. As a State, we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete on the international forum for tourism it is incumbent upon us to deliver an authentic Hawaiian experience in our products. How can we do that if we instead serve beers, wine and spirits bearing Hawaiian names but made across the world except in Hawaii?

We are the #5 purchaser of cans from a local Ball Corporation plant in Kapolei further supporting local labor. Many breweries here buy cardboard trays and boxes from Rengo, a local manufacturer in Kapolei. This is directly related to the growth of industry in Hawaii, more beer brewed here means more jobs for the economy. The Craft Brewing industry has proven a direct correlation of lower taxation and an increase in jobs and economic activity. States such as CA, CO, WA, OR, and NY have a thriving craft beverage industry due to the supportive nature of the tax structures established whether that be lower rates for small producers or tax credits to produce in the State. This bill provides a way to immediately support the growing industry.

Hawaii's breweries are also large supporters of agriculture brewing with many different agricultural products. Most breweries in the State have strong ties to farmers on their island as the brewers give farmers spent grain for feed and compost, and the brewers buy fruits, spices and etc to brew unique styles. Supporting brewers means supporting farmers.

This year Maui Brewing Co. will begin adding natural craft sodas, distilled spirits, cider and canned cocktails to our distributed lineup. These additional local beverage lines will add to not only our employment base but that of our wholesaler partners. Additional wages and taxes will be paid based on growth. It is imperative to have the support of the State when working to increase manufacturing within the State.

Thank you for the opportunity to offer these comments. We urge you to support the passage of HB2656.

Sincerely,



Garrett W. Marrero  
CEO/Founder

**Handcrafted Ales & Lagers Brewed with Aloha**  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002



Kohola Brewery  
Ian Elumba  
910 Honoapiilani Highway #55  
Lahaina, HI 96761  
808-740-1499  
ie@koholabrewery.com

### HB 2656 Relating to Small Craft Beer Producer Tax Credit

House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

#### Position: **Support**

My name is Ian Elumba, I live in Kihei, Maui and I am the (Co-Founder/Co-Owner) of Kohola Brewery, located in Lahaina, Maui. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. Kohola is a minority owned, family owned, employee owned brewery. We now provide 7 jobs in Hawaii.

Kohola Brewery support HB 2656 because

Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, and brewery modernization all contributing. Energy Cost, such as CO<sub>2</sub>, propane gas, shipping cost, chemicals, and water adds up to the high cost of production.

Legislation that provides tax credits help Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are often lower than our craft beer produced in Hawaii.

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which

supports our local Hawaii farmers. We have brewed a Pineapple Pilsner, a Coffee Stout, a Lilikoi Saison, A Blonde Ale with Citrus. This year, we plan to use local Honey, Lemongrass, Coconut, Chocolate, Macadamia and Lavender.

Expanding the craft beer we offer to customers is one of our goals. In 2016, we brewed 756 barrels of beer (1 barrel is 31 gallons). In 2017, we brewed 1617 Barrels of beer, a 113% increase from the previous year, this year we hope to brew 2500 barrels. The small craft beer producers income tax credit will help us achieve that growth.

Kohola Brewery supports HB2656 with amendments.

Mahalo for your consideration. We urge you pass this bill to support local breweries. Thank you for the opportunity to provide testimony in support of HB 2656.

## **Kauai Beer Company**

**Logo optional**

James Guerber  
4265 Rice Street  
Lihue, HI 96766  
808 639 7821  
[jim@kauaibeer.com](mailto:jim@kauaibeer.com)

### HB 2656 Relating to Small Craft Beer Producer Tax Credit

House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

Position: **Support**

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently 34 full and part-time personnel.

The Kauai Beer Company supports HB 2656, which creates a Small Craft Beer Producer Tax Credit in order to promote the local production of craft beer.

Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, and brewery modernization all contributing. The cost of shipping from the mainland for virtually all our brewing needs adds at least 20%- 25% to the cost of production, creating an unfair advantage for the beers produced in and shipped from the mainland. Tax credits will help Hawaii's breweries stay competitive.

Hawaii's craft beer producers support the local economy with jobs that offer careers, allowing our employees to live and raise families here on Kauai. We use locally grown ingredients in our beer such as a variety of citrus fruits, Guava, Lilikoi and others. We are presently exploring the possibility of having hops grown here, a boon for the local ag economy.

Expanding the craft beer varieties we offer to customers is one of our goals. We are increasing our production capability as part of our planned expansion in our present property. The small craft beer producers income tax credit will help us achieve that growth.

The Kauai Beer Company supports HB2656 with amendments provided in the Hawaii Brewers Guild submitted testimony and that of its president, Tom Kerns.

Mahalo for your consideration. We urge you to pass this bill.  
Thank you for the opportunity to provide testimony in support of HB 2656.

Sincerely,

Jim Guerber  
President  
Kauai Beer Company





February 1, 2018

House Committee on Economic Development & Business  
Wednesday, February 2<sup>nd</sup>, 2018, 8:45am  
State Capitol, Conference Room 309

Re: HB2656, RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT, IN SUPPORT WITH AMENDMENTS

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

I'm writing on behalf of our local family-operated business, Kauai Island Brewing Co. in support of **HB2656** which creates a Small Craft Beer Producer Tax Credit in order to promote the local production of craft beer.

Kauai Island Brewing Co. supports this legislation with amendments. The amendments we propose are as follows:

Change the title to read "Relating to a Small Craft Producer Credit". This would then allow us to include wine and spirits producers while falling in line with the Class 18 producer license. This also brings parity to the beverage alcohol industry allowing wineries, distilleries and breweries to grow together creating more local options and delivering an authentic Hawaiian experience in our products to visitors and residents alike.

Section 1 regarding Purpose. Suggest changing to "The purpose of this act is to establish a tax credit for small craft producers manufacturing in Hawaii to encourage local production and expand the growth of a local industry"

Page 1, lines 13-15, We look forward to working with the legislature to find a reasonable credit amount that works for the industry and the State together.

Page 2, lines 9 – 11, I would ask for this to be removed. The PV credits don't have a basis reduction by the credit, and I don't think that this qualified equipment should either. The goal is to encourage manufacturing so I think it's a reasonable ask, especially with all of the certification requirements.

Page 5 lines 14-16. We look forward to working with the legislature to create a firm definition for what "Qualified Expenses" encompasses.

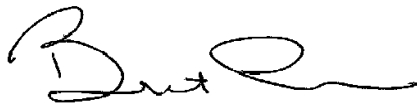
Page 5 line 17, we should incorporate all the types of liquor producers; Class 1 Manufacturers, Class 14 Brewpubs, Class 16 Wineries and Class 18 Small Craft Producers. This section should add language that further requires the beverages be made in Hawaii in order to qualify for the credit. I would ask, personally and on behalf of the guild that the language be firm enough that if ANY portion of a company's beer is produced outside the State that they are not a "Qualified" producer.

The passage of this bill will create jobs, pay more wages, create new products, allow breweries to grow not only in numbers but in volume, and ultimately reinvest in our communities growing the overall industry of locally made beverages. While we recognize that this credit results in a net loss of revenue to the State at an initial look, there is significant opportunity to have a net gain in revenue due to the growth of the overall industry.

Hawaiian producers operate under the highest cost conditions of any State. This in itself has served to limit the availability of true, locally produced selections and give rise to a host of "faux-hawaiian" products. As a State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete on the international forum for tourism it is incumbent upon us to deliver an authentic Hawaiian experience in our products. How can we do that if we instead serve beers, wine and spirits bearing Hawaiian names but made across the world except in Hawaii?

Thank you for the opportunity to offer these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Bret Larson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bret Larson  
Owner, President, Kauai Island Brewing Company, LLC.  
808-755-5926  
[bret@kauaiislandbrewing.com](mailto:bret@kauaiislandbrewing.com)



**Beer Lab HI**

Nicolas Wong  
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808 542-7015  
Nicolas@beerlabhi.com

HB 2656 Relating to Small Craft Beer Producer Tax Credit

House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

Position: **Support**

My name is Nicolas Wong, I live in Honolulu and I am the CEO of Beer Lab HI brewery doing business in Honolulu. Our brewery began in 2016 with 3 employees. We now provide 12 jobs in Hawaii.

We support HB 2656 because the tax credit available to us will allow us additional capital to further expand our local company providing more jobs to local people all the while keeping money in Hawaii.

Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, and brewery modernization all contributing to a high cost of business.

Legislation that provides tax credits help Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are often lower than our craft beer produced in Hawaii.

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which supports our local Hawaii farmers. Additionally we make strive to have 100% of our waste products utilized by local pig farmers as feed.

Beer Lab HI supports HB2656 with amendments.



Mahalo for your consideration. We urge you pass this bill.  
Thank you for the opportunity to provide testimony in support of HB 2656.



Cindy Goldstein  
Executive Director  
Hawaiian Craft Brewers Guild  
98-814 C Kaonohi Street  
Aiea, HI 96701

HB 2656 Relating to Small Craft Beer Producer Tax Credit  
House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and House members of the Committee on Economic Development and Business

Position: **Support with amendments**

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow, and several breweries have recently, or are in the process of expanding. The Hawaiian Craft Brewers Guild is united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of the craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

Hawaii's craft breweries are growing and incentives such as the small craft beer producers' income tax credit help spur that growth. Cost of production is high in Hawaii, with an estimated 40% higher cost of production compared to the continental United States. Basic cost of goods for ingredients, equipment, and brewery modernization all contribute to the estimated 40% higher cost.

Legislation that provides tax credits helps Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are often lower than our craft beer produced in Hawaii. Consumers visiting their local grocery store will find beer produced in Hawaii on the shelves, usually at a higher price point than beer made in the continental United States and shipped to Hawaii.

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which supports our local Hawaii farmers. Expanding customer options for craft beer made in Hawaii is one of our Hawaiian Craft Brewers Guild goals. The small craft beer producers income tax credit will help achieve that growth.

Hawaiian Craft Brewers Guild member breweries are aware of the valuable High Technology Development Corporation Manufacturing Assistance Program and some have participated in this popular program. These MAP grants are capped at \$100,000 and while offering help with building a new brewery facility, costs are significantly higher. We recognize that the Enterprise

Zones Partnership Program established within DBEDT is very beneficial in terms of jobs that are created, offering tax exemptions and tax credits to participating businesses. Not all craft breweries are located in a designated Enterprise Zone, excluding them from this benefit.

**The amendments we propose are as follows:**

Change the title to read “Relating to a Small Craft Producer Credit”. This would allow inclusion of wine and spirits producers while falling in line with the Class 18 producer license. This also brings parity to the beverage alcohol industry allowing wineries, distilleries and breweries to grow together, creating more local options and delivering an authentic Hawaii experience in our products to visitors and residents alike.

Section 1 regarding Purpose. Suggest changing to “The purpose of this act is to establish a tax credit for small craft producers manufacturing in Hawaii to encourage local production and expand the growth of a local industry”

Page 1, lines 13-15, We look forward to working with the legislature to find a reasonable credit amount that works for the industry and the State together.

Page 2, lines 9 – 11, Recommend removal. The PV credits don’t have a basis reduction by the credit, this qualified equipment would not either. The goal for HB2656 is to encourage manufacturing.

Page 5 line 1, Recommend incorporating all the types of liquor producers; Class 1 Manufacturers, Class 14 Brewpubs, Class 16 Wineries and Class 18 Small Craft Producers. Recommend adding language that further requires the beverages be made in Hawaii in order to qualify for the credit, whereby a “Qualified” producer makes 100% of their liquor products in the State of Hawaii.

Page 5 lines 14-16. The Hawaiian Craft Brewers Guild looks forward to working with the legislature to create a firm definition for what “Qualified Expenses” encompasses.

The Hawaiian Craft Brewers Guild appreciates consideration of HB2656 and we urge you to pass this bill with amendments. Thank you for the opportunity to provide testimony in support of 2656.



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February 1, 2018

House Committee on Economic Development & Business  
Wednesday, February 2<sup>nd</sup>, 2018, 8:45am  
State Capitol, Conference Room 309

Re: HB2656, RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT, IN  
SUPPORT WITH AMENDMENTS

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic  
Development and Business.

I'm writing on behalf of our small, local family-operated business, REAL a gastropub /  
Bent Tail Brewing Company in Kakaako on Oahu. We support **HB2656** which creates a Small  
Craft Beer Producer Tax Credit in order to promote the local production of craft beer.

REAL a gastropub / Bent Tail Brewing Company supports this legislation with  
amendments. The amendments we propose are as follows:

Change the title to read "Relating to a Small Craft Producer Credit". This would then allow us to  
include wine and spirits producers while falling in line with the Class 18 producer license. This  
also brings parity to the beverage alcohol industry allowing wineries, distilleries and breweries to  
grow together creating more local options and delivering an authentic Hawaiian experience in  
our products to visitors and residents alike.

Section 1 regarding Purpose. Suggest changing to "The purpose of this act is to establish a tax  
credit for small craft producers manufacturing in Hawaii to encourage local production and  
expand the growth of a local industry"

Page 1, lines 13-15, We look forward to working with the legislature to find a reasonable credit  
amount that works for the industry and the State together.

Page 2, lines 9 – 11, I would ask for this to be removed. The PV credits don't have a basis  
reduction by the credit, and I don't think that this qualified equipment should either. The goal is  
to encourage manufacturing so I think it's a reasonable ask, especially with the extensive  
certification requirements.

Page 5 lines 14-16. We look forward to working with the legislature to create a firm definition for what “Qualified Expenses” encompasses.

Page 5 line 17, we should incorporate all the types of liquor producers; Class 1 Manufacturers, Class 14 Brewpubs, Class 16 Wineries and Class 18 Small Craft Producers. This section should add language that further requires the beverages be made in Hawaii to qualify for the credit. I would ask, personally and on behalf of the guild that the language be firm enough that if ANY portion of a company’s beer is produced outside the State that they are not a “Qualified” producer.

A passage of this bill will create more jobs, pay more wages, create new products, allow breweries to grow not only in numbers but in volume, and ultimately reinvest in our communities growing the overall industry of locally made beverages. While we recognize that this credit results in a net loss of revenue to the State at an initial look, there is significant opportunity to have a net gain in revenue due to the growth of the overall industry.

Hawaiian producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of “faux-Hawaiian” products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete on the international forum for tourism it is important for us to deliver an authentic Hawaiian experience in our products. How can we do that if we instead serve beers, wine and spirits bearing Hawaiian names but are made across the world and not necessarily made in Hawaii?

REAL a gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keauhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of HB 2656.

Sincerely,

*Troy Terorotua*

Troy Terorotua  
Founder & Owner  
REAL a gastropub / Bent Tail Brewing Co  
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Lanikai Brewing Company  
175 Hamakua Drive, Unit C  
Kailua, Hawaii 96734  
www.lanikaibrewing.com

1/31/2018

RE: HB 2656 relating to a small craft beer producer tax credit in support with amendments.

Aloha Chair Evans as well as all members of the EDB committee,

Lanikai Brewing Company is a locally owned and operated Craft Brewery here on Oahu and we are in support of HB2656.

We suggest the following amendments:

Title: We suggest changing the title to read "Relating to a Small Craft Producer credit" so that we can include our sister industries of Wine and Spirits, so that we may all grow together creating more products and jobs here locally.

Section 1: We suggest adding "Local Production" to clarify that this credit is for those that choose to produce here in Hawaii and support our economy with jobs and taxes.

Page 5 line 15: We suggest adding "beer, wine and spirits" to include our sister industries.

Page 5 line 18: We suggest to include all license types including Class 1, Class 14, Class 16 and Class 18. Often a license class is mandated by things other than choice, such as zoning, or other codes. Further, we suggest that this is applicable to ONLY those that are manufactured in Hawaii and beer produced out of Hawaii will be excluded.

Thank you for the opportunity to send testimony. This bill will absolutely create new jobs here in Hawaii, strengthen our Made in Hawaii brand value for locals and visitors, as well as allow the industry to flourish and expand. Further, due to the costs of manufacturing here locally, this would allow us small business owners to be more competitive on the national scale furthering growth of jobs here in Hawaii.

Lanikai Brewing Company is an Island Inspired® authentic Hawaiian craft beer company making 100% of our brews here in Hawaii. We take our cues from premium, local, rare, and exotic ingredients grown by local farmers and foraged across the Pacific to bring you bold and flavorful beers that you will find nowhere else utilizing Hawaiian terroir. \*\*Please note that variances in growing season conditions can impact batch-to-batch flavor and aroma profiles.

‘Ōkole Maluna,

*Steven R Haumschild*

Steve Haumschild, MBA  
CEO & Brewmaster  
Certified Cicerone®  
Lanikai Brewing Company, Island Inspired™ Craft Beer



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
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Statement of  
**LUIS P. SALAVERIA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS**

Friday, February 2, 2018  
8:45 a.m.  
State Capitol, Conference Room 309

in consideration of

**HB 2656**  
**RELATING TO SMALL CRAFT BEER PRODUCER TAX CREDIT.**

Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development & Business.

The Department of Business, Economic Development, and Tourism (DBEDT) **offers the following comments** to HB 2656, which establishes a tax credit for small craft beer producers:

- DBEDT is unable to ascertain the size of the small craft beer industry in Hawaii or the impact that this industry has on Hawaii's economy;
- The cost to implement the process to monitor and certify the tax credit, at a minimum, would cost \$50,000; and
- The impact to state tax revenues is unknown and DBEDT defers to the Departments of Taxation and Budget & Finance on this matter.

Thank you for the opportunity to provide these comments.



Home of the Brave Brewing Co.  
909 Waimanu St, Honolulu, HI 96814  
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glen@homeofthebravebrewing.com

## **HB 2656 Relating to Small Craft Beer Producer Tax Credit**

House Committee on EDB: Economic Development and Business  
Friday, Feb 2, 2018 at 8:45 a.m. in Conference Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development and Business

### **Position: Support**

My name is Glen Tomlinson, founder & owner of Home of the Brave Brewing Company & Brewseum in Kaka'ako. Our brewing company began in 2009. We have 5 employees and provide great craft beer and a unique experience in our Brewpub for all ages.

Home of the Brave supports HB 2656.

Hawaii's craft breweries are growing and incentives such as the small craft beer producers income tax credit help spur that growth. Our costs of production are high, with ingredients, equipment, and brewery modernization all contributing. We have to ship in most of our ingredients and its very difficult to compete (pricing and volume) with big mainland beer companies

Legislation that provides tax credits help Hawaii's breweries stay competitive with mainland manufacturers that ship their craft beer to Hawaii at price points that are lower than our own craft beer produced in Hawaii.

Hawaii's craft beer producers support the local economy with jobs that offer careers that allow our employees to live and raise families in Hawaii. We use locally grown ingredients in our beer such as tropical fruits, herbs and spices, and coffee which supports our local Hawaii farmers.

Expanding the craft beer that we offer to customers is one of our goals. As demand continues to increase for our beers, we would like to expand our brewing capacity. The small craft beer producers income tax credit will help us achieve that growth.

Home of the Brave supports HB2656 with amendments.

Mahalo for your consideration. We urge you pass this bill.  
Thank you for the opportunity to provide testimony in support of HB 2656.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Economic Development & Business  
Friday, February 2, 2018 at 8:45 A.M.  
Conference Room 309, State Capitol**

**LATE**

**RE: HOUSE BILL 2656 RELATING TO SMALL CRAFT BEER  
PRODUCTION TAX CREDIT**

Chair Evans, Vice Chair Keohokalole, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2656, which establishes a tax credit for small craft beer producers to encourage and expand the growth of a local industry.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber is very supportive of bills that work to improve the small business climate in Hawaii. This tax credit would help to enable small craft brewers to grow and expand their small businesses operations, and work to remain competitive with much larger, mainland brewers.

Thank you for the opportunity to testify.