STAND. COM. REP. NO. **872**

Honolulu, Hawaii

MAR 0 1 2019

RE: S.B. No. 1006
        S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1006, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INTOXICATING LIQUOR,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the liquor tax law.

Specifically, the measure:

(1) Applies the liquor tax rate for cooler beverages to certain spirit beverage coolers; and

(2) Removes the increased tax rate on beer that is not dispensed from containers of seven gallons or more.

Your Committee received written comments in support of this measure from the Kauai Beer Company, Hawaiian Craft Brewers Guild, Honolulu BeerWorks, REAL Gastropub, Lanikai Brewing Company, Maui Brewing Company, Kona Brewing Company, and Big Island Brewhaus.

Your Committee received written comments in opposition to this measure from the Hawaii Partnership to Prevent Underage Drinking, SparksInitiatives, Hawaii Alcohol Policy Alliance, and four individuals.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that cooler beverages that combine wine or beer with other blending ingredients qualify for a lower Hawaii liquor tax rate that reflects the amount of wine or beer in the beverage. However, for a distilled spirit cooler beverage, the tax rate is based on the total volume of the beverage rather than only the amount of distilled spirit in the beverage, which subjects producers of these beverages to the higher tax rate for distilled spirits. Your Committee finds that a lower tax rate should be applied to distilled spirit cooler beverages in the same manner as for wine-based or beer-based cooler beverages.

Your Committee further finds that draft beer is taxed in Hawaii at a lower rate than all other beers. Although many people associate draft beer with any beer poured from a tap, Hawaii law limits the lower tax rate to draft beer dispensed from individual containers of seven gallons or more. Your Committee believes that a single, lower tax rate for all types of beer aligns with the current industry practice of breweries who manufacture beer dispensed from containers of less than seven gallons.

Your Committee has amended this measure by changing its effective date to July 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1006, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1006, S.D. 2.
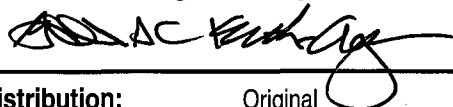
Respectfully submitted on behalf of the members of the Committee on Ways and Means,

DONOVAN M. DELA CRUZ, Chair

SB1006 SD2 SSCR LRB 19-1555.doc

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB1006 SD1	CPH, WAM	2/19/19

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:_____

The Recommendation is:

☐ Pass, unamended
2312
☒ Pass, with amendments
2311
☐ Hold
2310
☐ Recommit
2313

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani				X
HARIMOTO, Breene				X
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i				X
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
TANIGUCHI, Brian T.				X
FEVELLA, Kurt	X			
TOTAL	8			5

Recommendation:

☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

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*Only <u>one</u> measure per Record of Votes

Revised: 12/19/18