
A BILL FOR AN ACT

RELATING TO INTOXICATING LIQUOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that under the current
3 definition of "cooler beverage", the relevant tax rate is only
4 applicable to wine-based or beer-based beverages, while
5 beverages that are spirits-based are taxed as distilled spirits.
6 Consequently, if a local distiller wants to make a "cooler
7 beverage" that contains one ounce of distilled spirits and
8 eleven ounces of another liquid, the beverage is taxed as if it
9 consists entirely of alcohol. Although several companies on the
10 mainland export small volumes of ready-to-drink cocktails in
11 cans or bottles, none of the growing number of local
12 distilleries offer this option. The disparate tax treatment may
13 be the primary reason.

14 Accordingly, the purpose of this part is to amend the
15 definition of "cooler beverage" to include spirits-based
16 beverages, to encourage local distilleries to produce ready-to-
17 drink cocktails.



1 SECTION 2. Section 244D-1, Hawaii Revised Statutes, is
2 amended by amending the definition of "cooler beverage" to read
3 as follows:

4 "Cooler beverage" means [~~either~~] a:

- 5 (1) Wine cooler containing wine and more than fifteen per
6 cent added natural or artificial blending material,
7 such as fruit juices, flavors, flavorings, or
8 adjuncts, water (plain, carbonated, or sparkling),
9 colorings, or preservatives, and that contains less
10 than seven per cent of alcohol by volume; [~~or~~]
- 11 (2) Malt beverage cooler containing beer and added natural
12 or artificial blending material, such as fruit juices,
13 flavors, flavorings, colorings, or preservatives, and
14 that contains less than seven per cent of alcohol by
15 volume [~~-~~]; or
- 16 (3) Spirit beverage cooler containing distilled spirits
17 and added natural or artificial blending material,
18 such as fruit juices, flavors, flavorings, colorings,
19 or preservatives, and that contains less than seven
20 per cent of alcohol by volume."



1 PART II

2 SECTION 3. The legislature finds that the current taxation
3 scheme on beer is punitive and burdensome for small brewers and
4 hinders their sustainability and growth. Small brewers operate
5 on a much different economic scale than larger brewing
6 companies, and tax rates should take these differences into
7 account.

8 Accordingly, the purpose of this part is to create a more
9 equitable taxation scheme by establishing a separate tax rate on
10 beer for qualified small brewers.

11 SECTION 4. Section 244D-4, Hawaii Revised Statutes, is
12 amended to read as follows:

13 **"§244D-4 Tax; limitations.** (a) Every person who sells or
14 uses any liquor in the State not taxable under this chapter, in
15 respect of the transaction by which the person or the person's
16 vendor acquired the liquor, shall pay a gallonage tax [~~which~~
17 that is hereby imposed at the following rates for the various
18 liquor categories defined in section 244D-1:

19 For the period July 1, 1997, to June 30, 1998, the tax
20 [~~rate~~] rates shall be:

21 (1) \$5.92 per wine gallon on distilled spirits;



- 1 (2) \$2.09 per wine gallon on sparkling wine;
2 (3) \$1.36 per wine gallon on still wine;
3 (4) \$0.84 per wine gallon on cooler beverages;
4 (5) \$0.92 per wine gallon on beer other than draft beer;
5 and
6 (6) \$0.53 per wine gallon on draft beer[+].

7 ~~[(a)]~~ (b) Notwithstanding the tax rates established in
8 subsection (a), on July 1, 1998, and thereafter, the tax [~~rate~~]
9 rates shall be:

- 10 (1) \$5.98 per wine gallon on distilled spirits;
11 (2) \$2.12 per wine gallon on sparkling wine;
12 (3) \$1.38 per wine gallon on still wine;
13 (4) \$0.85 per wine gallon on cooler beverages;
14 (5) \$0.93 per wine gallon on beer other than draft beer;
15 provided that the tax rate for qualified small brewers
16 shall be \$0.35 per wine gallon on beer other than
17 draft beer; and
18 (6) \$0.54 per wine gallon on draft beer[+]; provided that
19 the tax rate for qualified small brewers shall be
20 \$0.35 per wine gallon on draft beer.



1 [~~(b)~~] (c) The tax levied pursuant to subsection (a) or (b)
2 shall be paid only once upon the same liquor; provided further
3 that the tax shall not apply to:

- 4 (1) Liquor held for sale by a permittee but not yet sold;
5 (2) Liquor sold by one permittee to another permittee;
6 (3) Liquor [~~which~~] that under the Constitution and laws of
7 the United States cannot be legally subjected to the
8 tax imposed by this chapter so long as and to the
9 extent to which the State is without power to impose
10 the tax;
11 (4) Liquor sold for sacramental purposes or the use of
12 liquor for sacramental purposes, or any liquor
13 imported pursuant to section 281-33;
14 (5) Alcohol sold pursuant to section 281-37 to a person
15 holding a purchase permit or prescription therefor, or
16 any sale or use of alcohol, so purchased, for other
17 than beverage purposes.

18 (d) As used in this section, "qualified small brewer"
19 means a brewer who:

- 20 (1) Produces seventy thousand barrels of beer or less
21 annually;



1 (2) Holds an approved brewer's notice from the Alcohol and
2 Tobacco Tax and Trade Bureau; and

3 (3) Produces beer within the United States."

4 SECTION 5. Sections 244D-6 and 244D-9, Hawaii Revised
5 Statutes, are amended by substituting the term "section 244D-4"
6 wherever the term "section 244D-4(a)" appears, as the context
7 requires.

8 SECTION 6. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 2112;
11 provided that the tax rates established in section 4 of this Act
12 shall apply on January 1, 2021.



Report Title:

Liquor Tax; Cooler Beverages; Small Brewer Tax

Description:

Includes certain spirits-based beverages in the definition of cooler beverage. Establishes a separate tax rate for qualified small brewers. Takes effect on 7/1/2112. (SD1)

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