

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 2726
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2726, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Amend the definition of "cooler beverage" to include spirits-based beverages, to encourage local distilleries to produce ready-to-drink cocktails; and
- (2) Create a more equitable taxation scheme by establishing a separate tax rate on beer for small craft producer pubs.

Your Committee received testimony in support of this measure from Maui Brewing Co., Honolulu Beerworks, Hawaiian Craft Brewers Guild, Waikiki Brewing Company, Beerlab Hawaii, and Lanikai Brewing Company. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, and Tax Foundation of Hawaii.

Your Committee finds that under the existing definition of "cooler beverage", the relevant tax rate is only applicable to wine-based or beer-based beverages, while beverages that are



spirits-based are taxed as distilled spirits. This measure addresses the disparate tax treatment and will encourage local distilleries to produce ready-to-drink cocktails.

Your Committee further finds that the existing tax scheme on beer is punitive and burdensome for small brewers and hinders their sustainability and growth. Small brewers operate on a much different economic scale than larger brewing companies, and tax rates should take these differences into account. This measure will create a more equitable tax burden across brewers of different sizes.

Your Committee notes that the Department of the Attorney General raised concerns that this measure could be challenged under the Commerce Clause of the United States Constitution. Should your Committee on Finance consider this measure, your Committee requests that it give consideration to these concerns.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2726, H.D. 1, and recommends that it be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROY M. TAKUMI, Chair



State of Hawaii
House of Representatives
The THIRTIETH Legislature

HSCR 625-19

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 2726, HD1	Committee Referral: BDB, CPC, FIN	Date: 7/13/20		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. TAKUMI, Roy M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. BELATTI, Della Au	✓			
5. CABANILLA ARAKAWA, Rida	✓			
6. CACHOLA, Romy M.	✓			
7. HAR, Sharon E.	✓			
8. KONG, Sam Satoru	✓			
9. MIZUNO, John M.	✓			
10. ONISHI, Richard H.K.		✓		
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	10	1	0	0
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Frederick Ching</i></u>				
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