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Honolulu, Hawaii

, 2019

MAR 15

RE: S.B. No. 1006
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 1006, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Include certain spirits-based beverages in the definition of "cooler beverage";
- (2) Repeal the definition of "draft beer"; and
- (3) Apply the same tax rate to all beer.

The Hawaiian Craft Brewers Guild, Maui Brewing Co., REAL a Gastropub/Bent Tail Brewing Company, Beer Lab HI, Kauai Beer Company, Kona Brewing Company, Lanikai Brewing Company, Waikiki Brewing Company, Big Island Brewhaus, and Honolulu Beerworks testified in support of this measure. Hawaii Partnership to Prevent Underage Drinking, Hawai'i Alcohol Policy Alliance, and a few concerned individuals testified in opposition to this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.



Your Committee notes the concerns raised by the Hawaii Partnership to Prevent Underage Drinking and the Hawai'i Alcohol Policy Alliance at the public hearing on the measure in so far as a higher percentage of alcohol in cooler spirits may pose a risk due to the flavorful ingredients and packaging. Your Committee finds that many beverages of this type contain less than five percent alcohol. However, should your Committee on Consumer Protection & Commerce deliberate this measure further, your Committee on Economic Development and Business respectfully requests that it examine whether a five percent alcohol limit on cooler beverages is appropriate to protect the safety of consumers.

Your Committee also notes the concerns of the Hawaii Partnership to Prevent Underage Drinking and the Hawai'i Alcohol Policy Alliance in its written testimony that because the tax rate is set at the lowest level, it could drastically reduce revenue to the State. Accordingly, your Committee respectfully requests that the Committee on Finance, should they deliberate this measure further, determine the appropriate tax rate that would provide economic incentives to the State's local microbrew industry without creating a serious revenue drain on the State's general fund in light of the expected \$80,000,000 deficit.

Your committee has amended this measure by:

- (1) Decreasing the alcohol limit on "cooler beverages" from twelve percent to five percent;
- (2) Changing the tax rates beginning on July 1, 2019, on various liquor categories to unspecified amounts; and
- (3) Changing its effective date to July 1, 2112.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1006, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1006, S.D. 2, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.



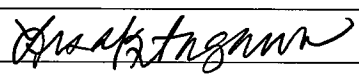
Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



ANGUS L.K. MCKELVEY, Chair



Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: SB 1006 SD2	Committee Referral: EDB, JVD, FIN	Date: 3/13/19		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" 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)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. KITAGAWA, Lisa (VC)	✓			
3. ELI, Stacelynn K.M.	✓			
4. ICHiyAMA, Linda	✓			
5. JOHANSON, Aaron Ling	✓			
6. QUINLAN, Sean				✓
7. YAMASHITA, Kyle T.	✓			
8. MATSUMOTO, Lauren		✓		
TOTAL (8)	6	1	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u></u>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				