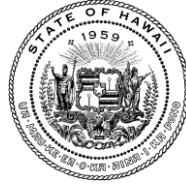


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair;
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: February 12, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 593, Relating to Alcohol

The Department of Taxation (Department) offers the following comments regarding H.B. 593, for your consideration.

H.B. 593 amends the definition of "beer" in section 244D-1, Hawaii Revised Statutes, by expanding it to include alcoholic seltzer beverages. H.B. 593 takes effect upon its approval.

The Department notes that it can administer this measure as written, but requests an effective date of no earlier than January 1, 2022 to allow time to make amendments to its forms, instructions, and computer system.

Thank you for the opportunity to provide comments on this measure.



MAUI BREWING CO

February 10, 2021

House Committee on Economic Development
HB593 Relating to Alcohol
February 12th, 2021 at 9:30am

Re: **IN SUPPORT OF HB593**

Aloha Chair Representative Quinlan, Vice Chair Representative Holt, and members of the Committee,

My name is Garrett W. Marrero, I live in Kihei, HI. Maui Brewing Co. has locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 19 other States, and 10 countries. We began in 2005 with 26 team members and have added more than 700 to our team pre-COVID of course. I was selected as the National Small Business-Person of the year in 2017 for my work at Maui Brewing Co.

I am writing on behalf of myself and our local family-operated business in support of **HB593** which amends the definition of beer to align with the Federal definitions under Tax & Trade Bureau and the Internal Revenue Code.

Why is this important? The current definition of beer does not properly fit today's needs as new fermented beverages such as gluten-free beer, non-alcoholic beer, seltzers fermented from malt (FMBs) or sugar (FSBs) and more. These beverages are commonly accepted as beer by both the TTB and IRS under Federal rule as well as 49 other States. We need to bring Hawaii up to par with the rest of our country in definition of these beverages.


There are significant benefits to Hawaii's local producers:

1. COVID-19 has severely challenged the economic viability of craft beer producers across the State of Hawaii. Passing this bill now is especially crucial as Hawaii craft beer manufacturers find ways to be proactive to stay in business and recover from COVID related revenue losses.
2. The additional flexibility to substitute fermentable sugars and grains can help increase revenue and improve the bottom line for craft breweries at a time when these businesses are struggling to remain open due to the impacts of COVID-19.
3. While liquor sales have shown overall increases during the pandemic, this is not the case for Hawaii's small independent craft breweries. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers.
4. The bill to update the definition of beer can provide economic relief for Hawaii's craft beer manufacturers as they continue to diversify the brewing ingredients they use and types of beer they produce.

In the end, the growth of local producers will lead to increased revenues to the State.

Mahalo for your consideration. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support of **HB593**.

Mahalo,


Garrett W. Marrero
CEO/Founder

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



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

HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development,

The Hawaiian Craft Brewers Guild is a nonprofit trade organization representing the interests of small craft breweries across the State of Hawaii. Our members are independent craft breweries producing 100% of their beer in Hawaii. The Hawaiian Craft Brewers Guild represents 18 small craft brewery businesses from across the state, almost all of the craft beer producers in Hawaii. Our members are united in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

The Hawaiian Craft Brewers Guild and our member breweries embrace the responsible consumption of alcohol.

Updating Definition of Beer

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the expansion of the craft beer manufacturing sector. Hawaii's definition is not the same as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US have created a wider range of beer styles with a variety of additional ingredients in their recipes including other types of grains as base ingredients, other fermentable sugars, and brewed hard seltzers.

This legislation better aligns the terminology used to define "beer" to more closely follow the definition used for "beer" under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations. The majority of hard seltzer is produced from either a brewed malt base or a brewed sugar base, which is then fermented. Under federal Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations, both malt-based and sugar-based hard seltzers are considered "beer". The malt based hard seltzers are also categorized as "malt beverages".

The Internal Revenue Code, IRC, regulates excise tax on beer, and defines “beer” as fermented beverages from malt or a substitute of malt. Both malt and sugar based hard seltzers are federally taxed as “beer”.

Under Hawaii statute HRS 281-1 “Beer” is obtained by the alcoholic fermentation of barley or other grain, malt, and hops. The current HRS 281-1 definition is limited in scope when compared with the federal TTB definition and Internal Revenue Code.

While liquor sales have shown overall increases during the pandemic, this is not the case for Hawaii’s small independent craft breweries. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers. This bill to update the definition of beer can provide economic relief for Hawaii’s craft beer manufacturers as they continue to diversify the brewing ingredients they use and types of beer they produce.

Modifying the definition of beer to better reflect the expansion of craft brewing ingredients and styles promotes opportunities for increased craft brewery production in Hawaii. Fermented hard seltzers are an additional popular beverage that breweries can include as a new product to add another source of revenue.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii’s manufacturers. Updating the definition of beer presents opportunities for Hawaii’s craft beer manufacturers to increase production to meet the demand for new beer styles. This will potentially add to alcohol tax revenue for the State of Hawaii.

A broader definition of beer will foster the creation of new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients. Hawaiian Craft Brewers Guild members seek out local agricultural ingredients to create value added products that support Hawaii’s farmers and statewide agriculture.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for craft breweries at a time when these businesses are struggling to remain open due to the impacts of COVID-19.

We request the House Committee on Economic Development pass this bill. Mahalo for considering our Hawaiian Craft Brewers Guild testimony in support of HB593.



Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

HB593 Relating to Intoxicating Liquor: Definition of beer
House Committee on Economic development
Friday, February 12, 2021 at 9:30 a.m. Conf room 312

Position: **SUPPORT**

Aloha Chair Sean Quinlan, Vice Chair Holt and members of the Economic Development Committee.

I am Steve Haumschild, CEO and founder of Lanikai Brewing Company located in Kailua Hawaii, with a second location being built in Haleiwa Hawaii. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

HRS 281-1 Currently defines beer in a more historical way and does not include with the Federal Alcohol Tobacco and Trade Bureau (TTB) regulations which allow for both malt and sugar based hard seltzers federally taxed as beer. HRS 281-1 currently defines beer as grain, malt and hops. The addition of sugar based hard seltzers consistent with federal regulations, allows our local manufacturers to meet current demands of the market with lower calorie and gluten free products. This also allows local manufactures to grow their product line, further creating more revenue and therefore tax revenue for the State of Hawaii.

Mahalo for considering our testimony in support of HB593.

Steve Haumschild, MBA

Steven R Haumschild

CEO & Brewmaster
Certified Cicerone®

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734

Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 everyday 11a-10p

***Coming soon Distillery and Brewpub North Shore of Oahu

FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

Lanikai Brewing Company, Island Inspired™ Craft Beer

Brewery @ 175-C Hamakua Dr, Kailua, HI 96734

Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 M-F 4p-10p, S-S 11a-10p

FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 M-F 4p-10p, S-S 11a-10p
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing



Geoffrey Seideman
Owner/ Honolulu Beerworks

HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development

Aloha my name is Geoffrey Seideman and I am the Owner and Brewer of Honolulu Beerworks. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Updating Definition of Beer

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the expansion of craft beer manufacturing. Hawaii's definition is not the same as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US have created a wider range of beer styles with a variety of additional ingredients in their recipes including other types of grains as base ingredients, other fermentable sugars, and brewed hard seltzers.

This legislation better aligns the terminology used to define "beer" to more closely follow the definition used for "beer" under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations. Under federal Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations, both malt-based and sugar-based hard seltzers are considered "beer". Both malt and sugar based hard seltzers are federally taxed as "beer".

Under Hawaii statute HRS 281-1 "Beer" is obtained by the alcoholic fermentation of barley or other grain, malt, and hops. The current HRS 281-1 definition is limited in scope when compared with the federal TTB definition and the Internal Revenue Code.

While liquor sales have shown overall increases during the pandemic, this is not the case for our brewery and many of Hawaii's other small independent craft breweries. Small brewery businesses typically derive a higher percent of overall revenue from sales of a range of unique beer styles at our brewpubs and tap rooms compared to other alcohol manufacturers. Updating the definition of beer can provide economic relief for Hawaii's craft beer manufacturers as we continue to diversify the brewing ingredients we use, and types of beer produced.

Modifying the definition of beer to better reflect the expansion of craft brewing ingredients and styles promotes opportunities for us to increase craft beer production in Hawaii. Fermented hard seltzers are an additional popular beverage that breweries can include as a new product to add another source of revenue.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii's manufacturers. Updating the definition of beer presents opportunities for our brewery to manufacture additional products and increase sales to meet the demand for new beer styles. This will potentially add to alcohol tax revenue for the State of Hawaii. A broader definition of beer helps create new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients. We seek out local agricultural ingredients to create value added products that support Hawaii's farmers and statewide agriculture.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for our craft brewery at a time when we struggle to remain open due to the impacts of COVID-19.

We request the House Committee on Economic Development pass this bill. Mahalo for considering this testimony in support of HB593.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Broaden Beer Definition

BILL NUMBER: SB 565; HB 593

INTRODUCED BY: SB by KEITH-AGARAN, BAKER, ENGLISH, LEE, Wakai; HB by MCKELVEY, HASHIMOTO, HOLT, MORIKAWA, QUINLAN, WILDBERGER, DeCoite

EXECUTIVE SUMMARY: Expands the definition of "beer" to specify an alcohol by volume of no less than 0.5 percent and to include alcoholic seltzer beverages.

SYNOPSIS: Amends section 244D-1, HRS, to include alcoholic seltzer beverages within the definition of "beer" for liquor tax purposes.

Amends section 281-1, HRS, but does not include alcoholic seltzer beverages within the definition of "beer" for regulatory purposes.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The apparent purpose of the bill is to allow seltzer beverages to qualify for the lower tax rate (\$0.85 per wine gallon) for "cooler beverages," which are now applicable to wine- or beer-based beverages, as opposed to the higher tax rate (\$5.98 per wine gallon) on distilled spirits. Assuming that seltzer beverages have a much lower alcoholic content than distilled spirits, a lower tax rate may be appropriate.

Digested 1/29/2021

Kauai Beer Company
Justin Guerber
Head Brewer
4265 Rice St
Lihue, HI 96766
justin@kauaibeer.com



HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development,

My name is Justin Guerber and I am the Head Brewer of Kauai Beer Company. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Updating Definition of Beer

We believe that the public's perception of "beer" has changed and should be reflected in the definition in the law. Throughout the country, and around the world, craft breweries have begun to brew hard seltzers and other products that use new and innovative techniques and ingredients. We find that customers that might avoid traditional beer due to dietary restrictions, or personal preferences, tend to consume seltzers instead as it is the closest replacement for beer. For all intents and purposes, it serves as a direct replacement for beer in most instances.

We also believe that due to the unique agricultural nature of Hawaii, and the availability of locally grown Hawaii-specific products, there is a great opportunity to produce some of the best quality seltzers. Hawaii is in a great position to meet the increased demand for these products, removing the need for imported beverages. By producing more locally, we will be able to employ more people, and provide more outlets for our local agricultural products as well.

Background

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the advent of the craft beer manufacturing sector. Hawaii's definition is not the same

as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US use an expanded variety of additional ingredients in their recipes including other types of grains as base ingredients and other fermentable sugars such as molasses.

COVID-19 has severely challenged the economic viability of craft beer producers across the State of Hawaii. Passing this bill now is especially crucial as Hawaii craft beer manufacturers find ways to be proactive to stay in business and recover from COVID related revenue losses. Updating the definition of beer to better reflect the expansion of craft brewing ingredients and styles, and alcohol seltzers helps address current economic hardship and promotes opportunities for expanded craft brewery production in Hawaii.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for craft breweries at a time when these businesses are struggling to remain open due to the impacts of COVID-19. While liquor sales have shown overall increases during the pandemic, this is not the case for many of Hawaii's small independent craft breweries. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers. The bill to update the definition of beer can provide economic relief for Hawaii's craft beer manufacturers as they continue to diversify the brewing ingredients they use and types of beer they produce.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii's manufacturers. Updating the definition of beer presents opportunities for Hawaii's craft beer manufacturers to increase their production and sales to meet the demand for new beer styles with a wider range of additional grains, base ingredients, and sugars, potentially adding alcohol tax revenue for the State of Hawaii.

The current limited definition of beer in HRS 281-1 does not adequately represent the unique aspects of craft beer ingredients that allow brewers to develop new products and new offerings such as gluten free beer and beer with other alternative grain ingredients used by brewers across the US. This legislation better aligns the terminology used to define beer to more closely follow the definition used for beer under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations.

A broader definition of beer will foster the creation of new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires beer and alcohol seltzer producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients to create value added products that support Hawaii's farmers and agriculture.

We request the Senate Committee on Commerce and Consumer Protection pass this bill. Mahalo for considering our testimony in support of HB593.



KAUAI ISLAND BREWING CO.

PORT ALLEN, HAWAII

February 11, 2021

HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development,

My name is Bret Larson, I am the owner, Kauai Island Brewing Company. We are located on the west side of Kauai in Eleele/Port Allen. We currently provide 11 full and part time jobs in Hawaii.

We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

I am a board member of the HCBG. Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Updating Definition of Beer

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the expansion of craft beer manufacturing. Hawaii's definition is not the same as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US have created a wider range of beer styles with a variety of additional ingredients in their recipes including other types of grains as base ingredients, other fermentable sugars, and brewed hard seltzers.

This legislation better aligns the terminology used to define "beer" to more closely follow the definition used for "beer" under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations. Under federal Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations, both malt-based and sugar-based hard seltzers are considered "beer". Both malt and sugar based hard seltzers are federally taxed as "beer".

Brewery Location: 4350 Waialo Rd, Port Allen, HI 96705

Mailing Address: PO Box 215, Eleele, HI 96705

www.kauaiislandbrewing.com

Under Hawaii statute HRS 281-1 “Beer” is obtained by the alcoholic fermentation of barley or other grain, malt, and hops. The current HRS 281-1 definition is limited in scope when compared with the federal TTB definition and the Internal Revenue Code.

While liquor sales have shown overall increases during the pandemic, this is not the case for our brewery and many of Hawaii’s other small independent craft breweries. Small brewery businesses typically derive a higher percent of overall revenue from sales of a range of unique beer styles at our brewpub compared to other alcohol manufacturers. Updating the definition of beer can provide economic relief for Hawaii’s craft beer manufacturers as we continue to diversify the brewing ingredients we use, and types of beer produced.

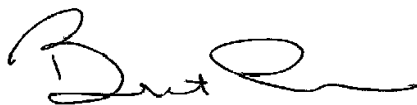
Modifying the definition of beer to better reflect the expansion of craft brewing ingredients and styles promotes opportunities for us to increase craft beer production in Hawaii. Fermented hard seltzers are an additional popular beverage that breweries can include as a new product to add another source of revenue.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii’s manufacturers. Updating the definition of beer presents opportunities for our brewery to manufacture additional products and increase sales to meet the demand for new beer styles. This will potentially add to alcohol tax revenue for the State of Hawaii.

A broader definition of beer helps create new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients. We seek out local agricultural ingredients to create value added products that support Hawaii’s farmers and statewide agriculture.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for our craft brewery at a time when we struggle to remain open due to the impacts of COVID-19.

We request the House Committee on Economic Development pass this bill. Mahalo for considering this testimony in support of HB593.



Bret Larson
Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com



Mary Anderson
President
Koholā Brewery
910 Honoapiilani HWY #55
Lahaina HI 96761

HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development,

My name is Mary Anderson and I am the owner and President of the Koholā Brewery. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Updating Definition of Beer

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the expansion of craft beer manufacturing. Hawaii's definition is not the same as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US have created a wider range of beer styles with a variety of additional ingredients in their recipes including other types of grains as base ingredients, other fermentable sugars, and brewed hard seltzers.

This legislation better aligns the terminology used to define "beer" to more closely follow the definition used for "beer" under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations. Under federal Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations, both malt-based and sugar-based hard seltzers are considered "beer". Both malt and sugar based hard seltzers are federally taxed as "beer".

Under Hawaii statute HRS 281-1 “Beer” is obtained by the alcoholic fermentation of barley or other grain, malt, and hops. The current HRS 281-1 definition is limited in scope when compared with the federal TTB definition and the Internal Revenue Code.

While liquor sales have shown overall increases during the pandemic, this is not the case for our brewery and many of Hawaii’s other small independent craft breweries. Small brewery businesses typically derive a higher percent of overall revenue from sales of a range of unique beer styles at our brewpubs and tap rooms compared to other alcohol manufacturers. Updating the definition of beer can provide economic relief for Hawaii’s craft beer manufacturers as we continue to diversify the brewing ingredients we use, and types of beer produced.

Modifying the definition of beer to better reflect the expansion of craft brewing ingredients and styles promotes opportunities for us to increase craft beer production in Hawaii. Fermented hard seltzers are an additional popular beverage that breweries can include as a new product to add another source of revenue.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii’s manufacturers. Updating the definition of beer presents opportunities for our brewery to manufacture additional products and increase sales to meet the demand for new beer styles. This will potentially add to alcohol tax revenue for the State of Hawaii.

A broader definition of beer helps create new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients. We seek out local agricultural ingredients to create value added products that support Hawaii’s farmers and statewide agriculture.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for our craft brewery at a time when we struggle to remain open due to the impacts of COVID-19.

We request the House Committee on Economic Development pass this bill. Mahalo for considering this testimony in support of HB593.

Kauai Beer Company

James Guerber

4265 Rice Street

Lihue, HI 96766

98080 639 7821

jim@kauaibeer.com



HB593 Relating to Intoxicating Liquor : Definition of Beer
House Committee on Economic Development
Friday, February 12, 2021 at 9:30 a.m. Conference Rm 312

Position: **Support**

Chair Representative Sean Quinlan, Vice Chair Representative Daniel Holt, and members of the committee on Economic Development,

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 since 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 ~25 full and part-time personnel. We have been suffering yet remain open throughout this whole period of COVID.

We have suffered economic challenges throughout the COVID-19 pandemic along with other craft beer manufacturers across the State of Hawaii, with reduced sales and income. We along with other Hawaiian Craft Brewers Guild members are seeking ways to improve our financial stability.

One of these ways would be to expand our product line. This revised definition of beer would not only allow us to sell our current product line but also to add new products that modern consumers expect from us.

The current HRS 281-1 definition of beer is a historic definition that includes traditional basic ingredients used in earlier years of beer manufacturing throughout the US. The definition does not reflect the expansion of craft beer manufacturing. Hawaii's definition is not the same as the federal definition which also includes a broader range of substitutes or additions to malted barley and fermentable sugars. Craft beer brewers across the US have created a wider range of beer styles with a variety of additional ingredients in their recipes including other types of grains as base ingredients, other fermentable sugars, and brewed hard seltzers.

This legislation better aligns the terminology used to define "beer" to more closely follow the definition used for "beer" under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations. Under federal Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations, both malt-based and sugar-based hard seltzers are considered "beer". Both malt and sugar based hard seltzers are federally taxed as "beer".

Under Hawaii statute HRS 281-1 "Beer" is obtained by the alcoholic fermentation of barley or other grain, malt, and hops. The current HRS 281-1 definition is limited in scope when compared with the federal TTB definition and the Internal Revenue Code.

While liquor sales have shown overall increases during the pandemic, this is not the case for our brewery and many of Hawaii's other small independent craft breweries. Small brewery businesses typically derive a higher percent of overall revenue from sales of a range of unique beer styles at our brewpubs and tap rooms compared to other alcohol manufacturers. Updating the definition of beer can provide economic relief for Hawaii's craft beer manufacturers as we continue to diversify the brewing ingredients we use, and types of beer produced.

Modifying the definition of beer to better reflect the expansion of craft brewing ingredients and styles promotes opportunities for us to increase craft beer production in Hawaii. Fermented hard seltzers are an additional popular beverage that breweries can include as a new product to add another source of revenue.

Additional beer excise tax revenue and gallonage taxes may result over time for the State of Hawaii from increased craft beer and hard seltzer production and sales by Hawaii's manufacturers. Updating the definition of beer presents opportunities for our brewery to manufacture additional products and increase sales to meet the demand for new beer styles. This will potentially add to alcohol tax revenue for the State of Hawaii.

A broader definition of beer helps create new and unique styles that are well suited for the inclusion of agricultural products grown in Hawaii. A modified definition of beer inspires producers to incorporate additional Hawaii grown fruits, herbs, coffee, cacao, and other locally sourced agricultural ingredients. We seek out local agricultural ingredients to create value added products that support Hawaii's farmers and statewide agriculture.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for our craft brewery at a time when we struggle to remain open due to the impacts of COVID-19.

We request the House Committee on Economic Development pass this bill. Mahalo for considering this testimony in support of HB593.

Sincerely,

Jim Guerber
President
Kauai Beer Company

HB-593

Submitted on: 2/10/2021 11:41:30 AM

Testimony for ECD on 2/12/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joe P. Lorenzen	Individual	Support	No

Comments:

Joe P. Lorenzen, Partner/Brewmaster

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HB593 Relating to Alcohol: Definition of Beer

Position: Support

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki, Kaka’ako, and on Front Street in Lahaina, on Maui. Our brewery began with 15 employees in 2015, and now employs over 60 people.

We are in support of HB593.

HB593 serves to help modernize and clarify the definition of beer for the state of Hawaii to be in line with federal definitions of beer and operational realities of modern brewers. Not only will this better allow for clarity for brewers in Hawaii as we bring new styles to market to compete with mainland brewers, but it will result in potentially greater sales and therefore, more robust local business and more tax revenue for the state.

The current definition of beer in HRS 281-1 is quite simple and outdated and does not represent the unique aspects of craft beer ingredients that allow brewers to develop new products and new offerings such as beer with other alternative grain ingredients that are used by brewers across the US. This legislation better aligns the terminology used to define beer to more closely follow the definition used for beer under the Internal Revenue Code of 1986 (IRC) and federal TTB regulations.

The additional flexibility to add and substitute grains and fermentable sugars can help increase revenue and improve the bottom line for craft breweries at a time when these businesses are struggling to remain open due to the impacts of COVID-19. While liquor sales have shown overall increases during the pandemic, this is not the case for many of Hawaii's small independent craft breweries. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers.

Thank you for the opportunity to provide testimony in support of HB593.

Sincerely,

Joe P. Lorenzen

HB-593

Submitted on: 2/11/2021 8:57:46 AM

Testimony for ECD on 2/12/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Janice Larson	Individual	Support	No

Comments:

As an owner of Kauai Island Brewing Company, I support HB 593.