

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 Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair;
and Members of the Senate Committee on Commerce and Consumer Protection

From: Isaac W. Choy, Director
Department of Taxation

Date: February 4, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 565, Relating to Alcohol

The Department of Taxation (Department) offers the following comments regarding S.B. 565, for your consideration.

S.B. 565 amends the definition of "beer" in section 244D-1, Hawaii Revised Statutes, by expanding it to include alcoholic seltzer beverages. S.B. 565 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.

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



SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
February 4 , 2021 at 9:30 a.m. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

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 SB565.



January 28, 2021

Senate Committee on Commerce and Consumer Protection
SB565 Relating to Alcohol
February 4th, 2021 at 9:30am. Conference Room 229

Re: **IN SUPPORT OF SB565**

Aloha Chair Senator Baker, Vice Chair Senator Chang, 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, 23 other States, and 13 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 **SB565** 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 **SB565**.

Mahalo,

Garrett W. Marrero
CEO/Founder

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



info@beerlabhi.com
www.beerlabhi.com

Nicolas Wong
President
3266 Kalua PL
Honolulu, HI 96816

SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
February 4 , 2021 at 9:30 a.m. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Nicolas Wong and I am the President of Beer Lab HI. 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 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



info@beerlabhi.com
www.beerlabhi.com

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 SB565.



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

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
February 4, 2021 at 9:30 a.m. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

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 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 fermented 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. Fermented alcohol 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 alcohol 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 Hawaiian Craft Brewers Guild testimony in support of SB565.

Joshua Kopp
Hana Koa Brewing Co.
962 Kawaiaho St.
Honolulu, HI 96814

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
2/4/ 2021 at 9:30 A.M. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection.

I am Joshua Kopp, Head Brewer and Owner of Hana Koa Brewing Co. 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

Hana Koa Brewing Co. is dedicated to producing new and innovative products on a consistent rotation. One of the fastest growing sectors in the beverage industry is hard seltzer. Commercial examples not local to Hawaii include White Claw and Truly. Gluten free and non-alcoholic beers are also a growing segment in the beverage industry. At the moment, the type 14 license recognizes that producers can create "malt-based" alcoholic beverages. This change in definition would allow licensees carrying a type 14 license to produce a wider array of sugar based beverages under the category 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 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 SB565.



Greg Lang, Chairman
Mary Anderson, President
910 Honoapiilani Hwy, #55
Lahaina, HI 96761

SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
February 4 , 2021 at 9:30 a.m. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

Our names are Greg Lang and Mary Anderson. We are the Chairman and President respectively of Koholā Brewery in Lahaina. 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

Our current definition of 'beer' is grossly outdated. It's time we embrace the many derivative low alcohol beverages that have proliferated in the last two decades. Let us embrace entrepreneurial creativity, not punish it.

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 SB565.

Sincerely,

Greg Land, Chairman Koholā Brewery
Mary Anderson, President Koholā Brewery



Benjamin Kopf
Owner / Mahalo Aleworks
30 Kupaoa St. #101
Makawao, HI 96768

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB565 Relating to Intoxicating Liquor: Definition of Beer
Senate Committee on Commerce and Consumer Protection
February 4 , 2021 at 9:30 a.m. Conference Room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang, and members of the Committee on Commerce and Consumer Protection,

My name is Ben Kopf and I am owner of Mahalo Aleworks craft brewery on Maui. We are an independent craft brewery that will be opening in the next couple months and we will be 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

Mahalo Aleworks has been developed and built as a modern Hawaiian "farmhouse brewery", with ties to the local agricultural community through sourcing of ingredients and use of our spent grains. We have been developing truly unique Hawaiian beer styles by using collected local wild yeasts, and the potential for using the abundant fruits and other agricultural products of Hawaii will expand these styles drastically. A broader definition of beer will help foster the creation of new and unique styles that are well suited for the inclusion of even more agricultural products grown in Hawaii. A modified definition of beer inspires beer and alcohol seltzer producers like us 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 hope to see the definition of beer be updated to match that of the industry norm and that of federal definitions.

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. 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.

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.

We request the Senate Committee on Commerce and Consumer Protection pass this bill. Mahalo for considering our testimony in support of SB565.



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
F 808-885-0653
BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

<https://www.capitol.hawaii.gov/memberpage.aspx?member=mckelvey>

SB565 Relating to Alcohol: Definition of Beer
Senate Committee on Commerce and Consumer Protection
Thursday, 02-04-21 9:30AM in conference room 229

Position: **Support**

Chair Senator Rosalyn Baker, Vice Chair Senator Stanley Chang and members of the Committee on Commerce and Consumer Protection,

My name is Thomas Kerns and I am the owner and brewmaster of Big Island Brewhaus. 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.

Definition of Beer:

The current definition of beer is archaic and does not represent the nature of what beer is in the current marketplace.

I stand in support of the proposed amendments with one suggested alteration: On "Line #10", I suggest adding the word "fermented" to the proposed edit "alcoholic seltzer beverages". This would clarify the difference of a natural fermented beverage made with an infusion of sugars derived from the allowed substances, rather than allowing alcoholic seltzer beverages that are made by blending in distilled spirits with no fermentation – which is essentially more like a mixed carbonated cocktail.

Enacting this legislation would have significant beneficial impact for our brewery and other small independent craft breweries across Hawaii in modernizing the definition of beer and including "fermented alcoholic seltzer beverages".

We request the House Committee on Economic development pass this bill. Mahalo for considering our testimony in support of HB565.

Sincerely,

Thomas Kerns
President / Brewmaster
Big Island Brewhaus



Katie Jacoy
Western Counsel
Wine Institute
kjacoy@wineinstitute.org
360-790-5729

THE SENATE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2021

SENATE COMMITTEE ON CONSUMER PROTECTION

Testimony Submitting Comments to SB 565

Chair Baker, Vice-Chair Chang and Members of the Committee:

Thank you for the opportunity to provide testimony on SB 565 Relating to ALCOHOL. Wine Institute, a public policy association representing 1,000 California wineries of all sizes and associate members, submits the following concerns regarding SB 565.

SB 565 modifies the definitions of “beer” in HRS Chapter 281 (INTOXICATING LIQUOR) and Chapter 244D (LIQUOR TAX LAW). The revised definition of “beer” applying to liquor tax law specifically adds “alcoholic seltzer beverages” to the definition. Wine Institute is concerned that ambiguities are created between tax categories by adding “alcoholic seltzer beverages” to the definition of beer.

“Alcoholic seltzer beverage” is not defined in state or federal law, so it is unclear what products would fall into the category, whether the alcohol base of the beverages would be malt, wine, spirits or fermented sugar or high fructose corn syrup, or what would be the allowable alcohol by volume. With no definition, an alcoholic seltzer beverage could include a product like Four Loco’s blue raspberry flavored bubbly that boasts in advertising that it is “the hardest seltzer in the universe” at 14% ABV. It could also include a spirits based ready-to-drink cocktail. It is also unclear whether the new definition conflicts with the existing law relating to cooler beverages.¹

Presumably under this new language, this undefined category of alcoholic seltzer beverages with no limit to ABV would be taxed at the beer rate of \$0.93 per gallon. Wine Institute opposes adding this vague language to the tax statute.

Thank you for the opportunity to testify.

¹ “Cooler beverage” means either a:

(1) Wine cooler containing wine and more than fifteen per cent added natural or artificial blending material, such as fruit juices, flavors, flavorings, or adjuncts, water (plain, carbonated, or sparkling), colorings, or preservatives, and that contains less than seven per cent of alcohol by volume; or

(2) Malt beverage cooler containing beer and added natural or artificial blending material, such as fruit juices, flavors, flavorings, colorings, or preservatives, and that contains less than seven per cent of alcohol by volume.

SB-565

Submitted on: 2/1/2021 9:24:25 PM

Testimony for CPN on 2/4/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joshua DeMello	Individual	Support	No

Comments:

It's unclear why this change is needed, but I assume it's because of the rise in alcoholic seltzers and the non-clarity on how to classify it in terms of the law and taxation. If that is the case, I can support this bill because our local seltzer makers are also our breweries and it is difficult to run a brewery and even more difficult if the state doesn't support the industry. Seltzers are the big thing with many imported like white claw and truly, and the state of Hawaii should be supporting local seltzers so it can compete with the mass produced versions on the shelves of our local grocers. Why not give HAWAII's business a fair shot against these global corporations that don't support the community like Ola Brew Co and Maui Brewing Company (who helps local farmers and other sectors of the community). Please support this change in legislation. Mahalo

SB-565

Submitted on: 2/3/2021 9:23:37 AM

Testimony for CPN on 2/4/2021 9:30:00 AM

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

Comments:

Joe P. Lorenzen, Partner/Brewmaster

831 Queen St.

Honolulu, HI 96813

808-591-0387

brewmaster@waikikibrewing.com

SB565 Relating to Intoxicating Liquor: 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 SB565.

SB565 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 SB565.

Sincerely,

Joe P. Lorenzen

SB-565

Submitted on: 2/3/2021 2:22:11 PM

Testimony for CPN on 2/4/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Russell Adkins	Individual	Support	No

Comments:

This bill makes sense. This is simply an update of an antiquated law to include new products. Please approve this bill.

Sincerely,

Russell Adkins