



# MAUI BREWING CO

February 12, 2023

Senate Committee on Commerce and Consumer Protection  
SB717 Relating to Intoxicating Liquor  
February 14<sup>th</sup>, 2023 at 9:40am

Re: **IN SUPPORT OF SB717 with Amendment**

Aloha Chair Senator Keohokalole, Vice Chair Senator Fukunaga, 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 Hawaii, 19 other States, and 10 countries. We are a fairly large employer within the State and contribute immensely to Hawaii and its people.

I am writing on behalf of myself and our local family-operated business in support of **SB717** which amends the definition of beer to align with the Federal definitions under Tax & Trade Bureau and the Internal Revenue Code. Additionally, we recognize that **SB480** has identical language and makes the same changes. We would support either of these two bills and appreciate the introduction and support of the Senate.

This is NOT A TAX REDUCTION BILL AND WILL NOT CHANGE TAX RATES IN ANY WAY. Last session, erroneous testimony was given by DOTAX that stated a decrease in tax revenue would be seen due to "Seltzer being made from spirits". This is not accurate, seltzer can be made from a fermented base of malt or sugar, or from distilled spirits. "How it is made" and "what it is made from" would dictate how it is taxed. The fermented malt/sugar seltzers are classified as beer per Federal laws and in States that maintain laws current to the beverages being produced today. The distilled spirits based seltzers should be taxed as distilled spirits. This is consistent with HRS 244D.

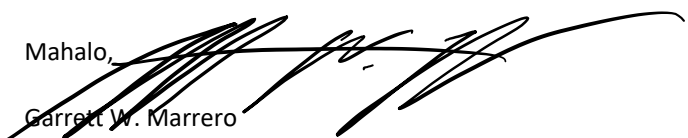
Why is this important? The current definition of beer does not properly fit today's needs as new fermented beverages such as gluten-free beer, non-alcoholic beer, seltzers fermented from malt (FMBs) or sugar (FSBs) and more. These beverages are commonly accepted as beer by both the TTB and IRS under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

I would suggest an amendment to clarify "Seltzers where alcohol is obtained by the fermentation or any infusion or decoction of malt, wholly or in part, or any substitute therefor, including grain of any kind, bran, glucose, sugar, or molasses."

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 with amendments. Thank you for the opportunity to provide testimony in support of **SB717**.

Mahalo,

  
Garrett W. Marrero  
CEO/Founder

**Handcrafted Ales & Lagers Brewed with Aloha**  
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13 February 2023

RE: SB717

Position: **SUPPORT**

Chair Keohokalole, Vice Chair Fukunaga and members of the Committee,

I am Steve Haumschild, CEO and founder of Lanikai Brewing Company located in Kailua 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.

This bill mostly modernizes definitions that are currently in place at the Federal level for the TTB Alcohol, and Tobacco Tax and Trade Bureau to include fermented seltzers in its definition. It allows local producers to continue to develop made in Hawaii products for sale and distribution consistent with State and Federal law without inconsistencies.

Mahalo for considering our testimony.

*Steven R Haumschild*

Steve Haumschild, MBA  
CEO & Brewmaster, Certified Cicerone®  
Lanikai Brewing Company,



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Thomas Kerns  
President / Brewmaster  
Big Island Brewhaus

#### COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair

#### NOTICE OF HEARING

DATE: Tuesday, February 14, 2023  
TIME: 9:40 AM  
PLACE: Conference Room 229 & Videoconference  
State Capitol  
415 South Beretania Street

SB 717

Position: **Support with suggested changes**

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 Hawaii Craft Brewery Community 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.

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 sugar sources. Craft beer brewers across the USA 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 sugar sources, 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”. 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.

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 and local manufacturing.

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.

I do support the bill as is with changes to the following lines:

On page 1 in lines 7 & 8 and on page 2 in lines 4 & 5 & 6 of the bill it reads: *“wholly or in part, or any substitute therefore, including grain of any kind, bran, glucose, sugar, or molasses.”*

**I suggest an edit to the wording to include “or other fermentable sugar source”.** This would allow brewers to use a sugar source that could be sourced locally or elsewhere and derived from an unspecified sugar source as long as it is a fermentable sugar – thus not limiting sources to a contemporary list but opening possibilities for future creativity. There exists the historic and contemporary practice in brewing beer of using various fermentable sugar sources to create unique beers which take on a unique character from using a given fermentable sugar source in brewing beer. This will also allow Hawaii agricultural development of various local sugar sources to be used in manufacturing in Hawaii. **We also suggest adding** Class 18 Craft producer to Class 14 Brewpub on this amendment.

I request the House Committee on Consumer Protection and Commerce to pass this bill with my suggested changes. Mahalo for considering my testimony in support of SB 717.

Sincerely,  
Thomas Kerns  
President / Brewmaster  
Big Island Brewhaus

**SB-717**

Submitted on: 2/13/2023 11:39:46 AM

Testimony for CPN on 2/14/2023 9:40:00 AM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Geoffrey Seideman	Testifying for Honolulu BeerWorks	Support	Written Testimony Only

Comments:

SUPPORT