

JAN 17 2024

A BILL FOR AN ACT

RELATING TO INTOXICATING LIQUOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

SECTION 1. The legislature finds that under the current definition of "cooler beverage", the relevant tax rate is only applicable to wine-based or beer-based beverages, while beverages that are spirits-based are taxed as distilled spirits. Consequently, if a local distiller wants to make a "cooler beverage" that contains one ounce of distilled spirits and eleven ounces of another liquid, the beverage is taxed as if it consists entirely of alcohol. Although several companies on the mainland export small volumes of ready-to-drink cocktails in cans or bottles, none of the growing number of local distilleries offer this option. The disparate tax treatment may be the primary reason.

Accordingly, the purpose of this part is to amend the definition of "cooler beverage" to include spirits-based beverages, to encourage local distilleries to produce ready-to-drink cocktails.



1 SECTION 2. Section 244D-1, Hawaii Revised Statutes, is
2 amended by amending the definition of "cooler beverage" to read
3 as follows:

4 "Cooler beverage" means [~~either~~] a:

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

11 (2) Malt beverage cooler containing beer and added natural
12 or artificial blending material, such as fruit juices,
13 flavors, flavorings, colorings, or preservatives, and
14 that contains less than seven per cent of alcohol by
15 volume[~~or~~]; or

16 (3) Spirit beverage cooler containing distilled spirits
17 and added natural or artificial blending material,
18 such as fruit juices, flavors, flavorings, colorings,
19 or preservatives, and that contains less than eight
20 per cent of alcohol by volume."

21 PART II



1 SECTION 3. The legislature finds that the current taxation
2 scheme on beer is punitive and burdensome for small brewers and
3 hinders their sustainability and growth. Small brewers operate
4 on a much different economic scale than larger brewing
5 companies, and tax rates should take these differences into
6 account.

7 Accordingly, the purpose of this part is to create a more
8 equitable taxation scheme by establishing a separate tax rate on
9 beer for qualified small brewers.

10 SECTION 4. Section 244D-4, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§244D-4 Tax; limitations.** (a) Every person who sells or
13 uses any liquor in the State not taxable under this chapter, in
14 respect of the transaction by which the person or the person's
15 vendor acquired the liquor, shall pay a gallonage tax that is
16 hereby imposed at the following rates for the various liquor
17 categories defined in section 244D-1:

18 On July 1, 1998, and thereafter, the tax [~~rate~~] rates shall
19 be:

- 20 (1) \$5.98 per wine gallon on distilled spirits;
21 (2) \$2.12 per wine gallon on sparkling wine;



- 1 (3) \$1.38 per wine gallon on still wine;
- 2 (4) \$0.85 per wine gallon on cooler beverages;
- 3 (5) \$0.93 per wine gallon on beer other than draft beer;
- 4 provided that the tax rate for the qualified small
- 5 brewers shall be \$0.35 per wine gallon on beer other
- 6 than draft beer; and
- 7 (6) \$0.54 per wine gallon on [~~draft~~] beer; provided that
- 8 the tax rate for qualified small brewers shall be
- 9 \$0.35 per wine gallon on beer,

10 and at a proportionate rate for any other quantity so sold or
11 used.

12 (b) The tax levied pursuant to subsection (a) shall be
13 paid only once upon the same liquor; provided further that the
14 tax shall not apply to:

- 15 (1) Liquor held for sale by a permittee but not yet sold;
- 16 (2) Liquor sold by one permittee to another permittee;
- 17 (3) Liquor [~~which~~] that under the Constitution and laws of
- 18 the United States cannot be legally subjected to the
- 19 tax imposed by this chapter so long as and to the
- 20 extent to which the State is without power to impose
- 21 the tax;



1 (4) Liquor sold for sacramental purposes or the use of
2 liquor for sacramental purposes, or any liquor
3 imported pursuant to section 281-33; and

4 (5) Alcohol sold pursuant to section 281-37 to a person
5 holding a purchase permit or prescription therefor, or
6 any sale or use of alcohol, so purchased, for other
7 than beverage purposes.

8 (c) As used in this section "qualified small brewer" means
9 a brewer who:

10 (1) Produces one hundred fifty thousand barrels of beer or
11 less annually;

12 (2) Holds an approved brewer's notice from the Alcohol and
13 Tobacco Tax and Trade Bureau; and

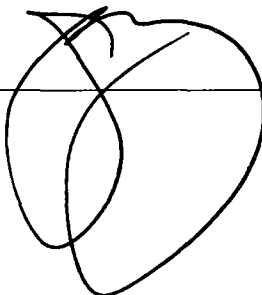
14 (3) Produces beer within the United States."

15 SECTION 5. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 6. This Act shall take effect upon its approval;
18 provided that the tax rates established in section 4 of this Act
19 shall apply on July 1, 2024.

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INTRODUCED BY:

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S.B. NO. 2096

Report Title:

Liquor Tax; Cooler Beverages; Small Brewer Tax

Description:

Includes certain spirits-based beverages in the definition of cooler beverage. Establishes a separate tax rate for qualified small brewers.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

