

Honolulu, Hawaii

MAR 24 2023

RE: H.B. No. 647
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 647, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ALCOHOL,"

begs leave to report as follows:

The purpose and intent of this measure is to expand and make consistent the definition of "beer" under the State's liquor tax and liquor regulatory laws.

Your Committee received testimony in support of this measure from Kauai Beer Company; Big Island Brewhaus; Honolulu Beerworks; Craft 'Ohana; Lanikai Brewing Company; Waikiki Brewing Company; Pacific Business Advocates, LLC; Kauai Island Brewing Company; and one individual. Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that under existing law, the term "beer" is defined as any beverage obtained by the alcoholic fermentation of barley or other grain, malt, and hops. However, under federal Alcohol and Tobacco Tax and Trade Bureau regulations, both malt-based and sugar-based hard seltzers are considered "beer". The federal definition of beer reflects current standards in the craft beer brewing industry, as craft brewers 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 measure aligns the term "beer" as defined in State law to more closely follow the definition used for "beer" under the Internal Revenue Code, federal regulations, and standards in the craft beer brewing industry to promote expanded local production opportunities.

Your Committee acknowledges the concerns raised in testimony that certain amendments made to the definition of "beer" by this measure are potentially ambiguous and unnecessarily limiting. Your Committee also notes the concern raised in testimony that certain spirits based, ready-to-drink beverages containing a low percentage of alcohol by volume are taxed at a rate more than six times higher than malt beverages and beer with similar alcohol by volume. Therefore, amendments to this measure are necessary to address these concerns.

Accordingly, your Committee has amended this measure by:

- (1) Inserting a definition of "low alcohol by volume spirits beverage";
- (2) Clarifying that the definition of "beer" includes beer obtained by the fermentation of other fermentable sugar sources;
- (3) Deleting the specific reference to "alcoholic seltzer beverages" from the definition of "beer";
- (4) Inserting language establishing a tax for low alcohol by volume spirits beverages at a rate of \$1.98 per wine gallon; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 647, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 647, H.D. 1, S.D. 1, and be referred to your Committees on Judiciary and Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JARRETT KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* HB 047 HD1	Committee Referral: CPN, JDC / WAM	Date: 03/15/2023
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The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310	<input type="checkbox"/> Recommit 2313
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Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)				✓
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✓			
TOTAL	4	0	0	1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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*Only one measure per Record of Votes