



February 19, 2024

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Members of the Senate Committee on Commerce
& Consumer Protection

RE: **SB 2354 – Relating to Alcohol**
Hearing date: February 20, 2024 at 9:30 AM

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee,

Mahalo for the opportunity to testify on behalf of Anheuser-Busch providing comments to SB 2354. Anheuser-Busch is one of America's best-loved breweries and has been one of the most popular brands for beer and other beverages in Hawaii for decades.

SB 2354 would expand the definition of "beer" in Section 244D-1, Hawaii Revised Statutes to include different types of beers and "alcoholic seltzer beverages." The bill also explicitly excludes distilled spirits from the definition. Although Anheuser-Busch supports the expanded definition in SB 2354, we are opposed to any amendments that would lower the taxes on spirits and other distilled beverages.

Currently spirits are taxed at a rate of \$5.98/gallon. Adding ready-to-drink cocktails or other pre-mixed spirits to the definition of beer or creating a new category of low alcohol by volume spirit, would effectively provide a tax break on distilled beverages. Based on the current tax revenues, lowering the taxes on these types of spirits would reduce tax revenue between \$5-10 million over 5 years. Clearly any type of tax reduction should be done by amending HRS § 244D-4, not unintentionally creating a new category of beverages.

Pass the SB 2354, without adding distilled beverages to the definition of beer, or creating any new definitions for low alcohol by volume beverages will help to ensure the tax rates, and revenues, are not inadvertently reduced. Accordingly, we support passing SB 2354 in its current form. Mahalo for your consideration.

Sincerely,

Curtis Raulinaitis
Region Vice President
State Government Affairs
curtis.raulinaitis@Anheuser-Busch.com

SB-2354

Submitted on: 2/16/2024 12:37:00 PM

Testimony for CPN on 2/20/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Steve Haumschild	Testifying for Lanikai Brewing Company	Support	Written Testimony Only

Comments:

Aloha Members of the CPM Senate Committee,

SB2354 modernizes HRS language to mirror federal guidelines and clarify manufacturing classes of alcohol producers to clarify what products can be made.

We are supported PROVIDED that this bill is inclusive of ALL manufacturing classes of alcohol under HRS including Class 1 (manufacturers), Class 14 (Brewpubs) and Class 18 (Small Craft Producers).

SB-2354

Submitted on: 2/16/2024 3:51:10 PM

Testimony for CPN on 2/20/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Benjamin Kopf	Testifying for Mahalo Aleworks	Support	Written Testimony Only

Comments:

We support this bill to bring local liquor regulations up to date with current beverage styles and manufacturing processes and ingredients. The definition of beer has changed and progressed significantly in the US and around the world, and it is important to modernize and align our local liquor laws and definitions with current commonly accepted terms and practices.

Mahalo.

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



SB2354 RELATING TO ALCOHOL: Definition of Beer
CPN

Feb 20, 2024 9:30 AM Conference Room 229

Position: **Support**

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.

Definition of Beer

We feel that this bill would bring the state definition of beer more in line with the federal definition by the TTB. The new definition would allow us to pursue more product variations and utilize more Hawaii-grown agriculture in our products. There are a number of new types of beer being produced around the world that do not fit with the current definition, and we believe Hawaii producers should be at the forefront of this innovation. This bill would allow us to produce new beer products and tax them properly to generate more revenue for the state.

Mahalo for considering our testimony in support of SB2354.

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

SB2354 Relating to Intoxicating Liquor: Definition of Beer
CPN
2/20/24 9:30AM Conference Room 229

Position: **Support**

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 breweries in the state of Hawaii 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 breweries operating in the State of Hawaii 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 class 14 license recognizes that producers can create "malt-based" alcoholic beverages. This change in definition would allow licensees carrying a class 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.

Inflation 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 inflation 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 inflation. 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.

Mahalo for considering our testimony in support of SB2354.

SB-2354

Submitted on: 2/19/2024 6:47:49 AM

Testimony for CPN on 2/20/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Sam DeWitt	Testifying for Brewers Association	Support	Written Testimony Only

Comments:

Good morning, Chair Keohokalole, Vice Chair Fukunaga, and members of the Commerce and Consumer Protection Committee,

My name is Sam DeWitt, State Government Affairs Director for the Brewers Association, the 501(c)(6) national trade association dedicated to promoting and protecting America's craft brewers, their beers, and the growing community of craft beer lovers. The BA supports Senate Bill 2354, seeing it as a benefit to Hawai'i's craft brewers and their ability to attract new clientele.

Federal law and the laws of every other state today treat fermented seltzer products — which typically involve the fermentation of a sugar source other than malted barley — as a type of beer. This common sense legislation would clarify the classification of such products under Hawaiian law, providing welcome certainty to producers, wholesalers, and retailers of fermented seltzer beverages.

Hawai'i's craft breweries are gathering places, family friendly spots for meeting and building community, and giving them the opportunity to serve fermented seltzer beverages — a new and popular segment of the beer industry — in their taprooms would allow them to attract and maintain more 21+ customers and expand their businesses through distribution in their existing channels.

We want to draw special attention to the provision barring the inclusion of spirits beverages under the beer definition, and we urge you to pass this important legislation as-is. In states from coast to coast, big liquor companies are trying to overturn decades of tax policy by getting spirits categorized as beer, essentially giving companies with no production footprint in those states a massive taxpayer-funded handout. Moreover, spirit sales have been outperforming both beer and wine in recent years, demonstrating that current excise tax and distribution policy don't unfairly hinder that industry.

Hawaiians shouldn't be footing the bill for handouts to giant, multinational corporations.

We urge a "Yes" vote on SB 2354, and an immediate rejection of any amendments which might classify spirits as beer.

Thank you for your time and your service to Hawai'i.

Cheers,
Sam DeWitt
Brewers Association State Government Affairs Director
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sam@brewersassociation.org