

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 1370, H.D.1, Relating to Taxation.

**BEFORE THE:**

House Committee on Consumer Protection & Commerce

**DATE:** Thursday, February 20, 2025

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 329

Chair Matayoshi, Vice-Chair Chun, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1370, H.D. 1, for your consideration.

H.B. 1370, H.D. 1, amends section 244D-1, Hawaii Revised Statutes (HRS) by amending the definition of "draft beer" to mean "beer in an individual container of five gallons or more." The bill is has a defective effective date of July 1, 3000.

DOTAX notes that under current law, draft beer, defined as beer in an individual container of seven gallons or more, is taxed at \$0.54 per wine gallon and "beer other than draft beer" is taxed at \$0.93 per wine gallon. Accordingly, this bill will result in a reduced tax rate for beer in an individual container of five gallons or more but less than seven gallons.

DOTAX recommends that if this bill is advanced, the effective date of the bill be amended to January 1, 2026 to provide sufficient time for form instruction changes and notice to taxpayers.

DOTAX estimates the following revenue gains from this measure:

**General Fund Impact (\$ millions)**

<u>26</u>	<u>FY20</u>	<u>27</u>	<u>FY20</u>	<u>28</u>	<u>FY20</u>	<u>29</u>	<u>FY20</u>	<u>30</u>	<u>FY20</u>	<u>31</u>	<u>FY20</u>
	-0.9		-0.9		-0.9		-0.9		-0.9		-0.9

Thank you for the opportunity to provide comments on this measure.



February 18, 2025

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Cory M. Chun, Vice Chair

Re: Testimony in Strong Support of HB1370 HD1: Definition correction of “draft” beer

Aloha Chair, Vice Chair, and Members of the Committee,

My name is Garrett W. Marrero, and I live in Kīhei, Hawai‘i. I am the CEO and Founder of Maui Brewing Co., operating locations in Lahaina, Kā‘anapali, and Kīhei on Maui, as well as Waikīkī and Kailua on O‘ahu. We distribute our beverages across Hawai‘i, 26 States, and two countries. Since our founding in 2005, we have grown from a small team of 26 to over 500 team members statewide.

I submit this testimony in strong support of HB1370 HD1, a common-sense bill that corrects an inconsistency in Hawai‘i’s tax code that unfairly impacts small producers.

Hawai‘i’s alcohol tax law (HRS 244D) imposes two different tax rates on beer, a disparity that does not exist for wine or spirits, both of which are taxed at a uniform rate based on gallonage. However, beer is classified into two separate categories—“draft beer” and “other than draft beer”—which creates unnecessary confusion and an undue financial burden on small producers.

While one might assume “draft beer” applies to all beer served on draft (i.e., from a keg), the law defines “draft beer” as beer contained in individual containers of seven gallons or more, taxed at \$0.54 per gallon. Meanwhile, “other than draft beer” (often referred to as “package beer”) is taxed at \$0.93 per gallon. This definition of “draft beer” is unique to Hawai‘i and out of step with industry standards. Many small brewers, including Maui Brewing Co., use five-gallon or even one-gallon kegs, which do not qualify for the lower “draft beer” tax rate.

The impact of this tax disparity is clear: 86% of draft beer sold in Hawai‘i is in kegs over seven gallons, while less than 14% is sold in five-gallon kegs. This means large producers benefit disproportionately, while small producers—who often rely on smaller kegs—are unfairly penalized with higher taxes.

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808.213.3002

HB1370 HD1 corrects this inconsistency by simplifying tax classifications, ensuring fairness across the industry, and supporting Hawai'i's local brewers, distillers, and small producers. By streamlining the tax code, this bill will promote compliance, reduce administrative burdens, and foster industry growth.

For these reasons, I strongly urge you to support HB1370 HD1.

Mahalo for your time and consideration!

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', written over a horizontal line.

Garrett W. Marrero  
CEO/Founder

Joshua Kopp  
Hana Koa Brewing Co.  
962 Kawaiahao Street  
Honolulu, HI 96814

HB 1370  
Relating to Taxation:  
Thursday February 20, 2025  
Economic Development & Technology, Consumer Protection Committee

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 members of the Hawaii Brewing Industry to pass HB1370 in favor of economic growth.

Currently the language on taxation of beer refers to packaged beer and draught beer. Draught beer qualifies as any individual container 7 gallons or greater with a taxation rate of \$0.54 per gallon sold while packaged beer refers to any individual container of 7 gallons or less taxed at a rate of \$0.93 per gallon sold. HB1370 aims to redefine this tax rate to reflect the current purchasing decisions of bars and restaurants in Hawaii by allowing draught beer to pertain to any individual container 5 gallons or greater.

Industry wide the common container sizes for draught beer are 15.5 gallon kegs, 13.2 gallon kegs, and 5.16 gallon kegs. In the 1990's 7.75 gallon kegs were popular but have since dwindled out of fashion. The middle of the road has gone away and businesses prefer to go big or go small.

Most restaurants and bars in Hawaii have limited space and usually order individual container sizes of 5.16 gallons. Many Waikiki hotel bars can only utilize small draught systems that cannot accommodate large kegs. There are also several "pool bars" that rely on smaller kegs so staff can easily move product from basement storage to such bars. The 5.16 gallon keg is perfect for that type of situation.

Changing the tax rate from \$0.93 to \$0.54 to accommodate purchasing changes would result in an increase in local production. We currently face economic woes on the horizon with the possibility of tariffs. Things like raw materials, natural gas, electricity, and fuel surcharges are going to be greatly affected by these tariffs. Hawaii Natural Gas imports gas from Thailand and Canada. Depending on what happens with Canadian tariffs, Thailand could increase prices based on the demand. Operating a business in Hawaii is already challenging with high operating costs. As these costs go up, it's going to grow barriers of entry for small businesses. As a brewery if we're given the opportunity to have a lower tax rate on a product that we sell, we'll be able to reinvest in expansion. This would also lead to job creation and promote welfare amongst the food and beverage industry.

While the effects of COVID have been detrimental financially, the community of local businesses have come together to support each other as much as financially possible. Our reliance on Mainland food and beverage products has decreased because of our comradery. While we still rely on a large number of imports, we are doing what we can to support local even in these hard economic times. Changing this tax rate would allow us to continue having local supporting local. The bottom line is always on everyone's mind. If locals can afford to purchase local goods, we can continue to grow local business.

Thank you for your consideration on HB 1370. On behalf of Hana Koa Brewing Co, I hope that this rate can be changed to improve economic output amongst the local brewing industry.

**Testimony in Support of H.B. 1370 H.D. 1  
Relating to Taxation**

**Hearing Date:** Thursday, February 20, 2025

**Time:** 2:00PM

**Place:** Conference Room 329, State Capitol, 415 South Beretania Street

**Committee On Consumer Protection & Commerce**

Chair Matayoshi, Vice Chair Chun, and Members of the Committee:

I write in **support** of H.B. 1370 H.D. 1, which seeks to amend the definition of “draft beer” in Hawaii’s tax code. This change is essential to ensuring fair taxation for local breweries, restaurants, and small businesses that serve draft beer from kegs smaller than seven gallons.

Currently, beer served from five-gallon kegs is taxed at the same rate as packaged beer sold in cans and bottles, rather than at the lower draft beer rate. This creates an unfair burden on small breweries and businesses that rely on five-gallon kegs due to space constraints or limited production capacity. The existing law does not reflect industry norms, as all draft beer—regardless of keg size—is dispensed the same way, from keg to tap.

By redefining draft beer to include five-gallon kegs, H.B. 1370 H.D. 1 ensures tax fairness, aligns with standard industry practices, and supports Hawaii’s local beer industry. This simple but necessary adjustment will provide financial relief to small businesses while maintaining a consistent and equitable tax structure. I urge the legislature to pass this bill.

Mahalo for your time and consideration.

Sincerely,

Justin Guerber

Kauai Beer Company  
4265 Rice st  
Lihue, HI 96766  
justin@kauaibeer.com



**LANIKAI**  
BREWING CO.

Lanikai Brewing Company  
175 Hamakua Drive, Unit C  
Kailua, Hawaii 96734  
www.lanikaibrewing.com

HB1370

Aloha members of of the CPC committee,

As a local brewer and distiller located in Kailua Hawaii, I am writing in SUPPORT of HB 1370 HD1

The premise of HB1370 is very simple, it clarifies language that is confusing. The current taxation on package verses draft products does not align with industry practices and usage. Quite frankly, it makes no sense.

1370 simply clears that ambiguity. If something comes out of a keg, it is considered "draft" of it comes out of a can or bottle, it is considered "packaged". There is absolutely no purpose to have some draft considered packaged.

Steve Haumschild, MBA

CEO & Brewmaster, Certified Cicerone®  
Lanikai Brewing Company, Lanikai Spirits both Island Inspired™  
Brewery/Distillery @ 175-C Hamakua Dr, Kailua, HI 96734  
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 everyday 12p-10p  
\*\*\*Coming soon Brewpub on North Shore of Oahu  
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

Lanikai Brewing Company, Island Inspired™ Craft Beer  
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734  
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734  
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing



Committee on Consumer Protection and Commerce

Thursday, February 20, 2025

Aloha Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

My name is Geoffrey Seideman, and I am a resident of Honolulu, Hawai‘i. I am writing in strong support of HB 1370 HD1 because it fixes an unfair tax issue that hurts small breweries, bars, and restaurants in our state.

Right now, Hawai‘i has two different tax rates for beer, which doesn’t make sense. Wine and spirits are taxed at one flat rate, but beer is split into “draft beer” and “other than draft beer.” You’d think draft beer means anything from a keg and everything else (like cans and bottles) would be “other than draft.” But that’s not how the law works.

According to state tax law, “draft beer” only applies to kegs that are seven gallons or more, which are taxed at \$0.54 per gallon. Meanwhile, smaller kegs—like five-gallon kegs—are taxed at \$0.93 per gallon, just like packaged beer. The problem is, a lot of smaller breweries and bars use five-gallon kegs, which means they’re paying way more in taxes than the bigger guys who use larger kegs.

The numbers speak for themselves: 86% of draft beer in Hawai‘i is sold in kegs over seven gallons, while only 14% is in five-gallon kegs. That means small producers are stuck with the higher tax rate while the big guys save money. This bill levels the playing field and makes the tax system fairer for everyone.

HB 1370 HD1 is a simple fix. It makes the tax code clearer and stops penalizing smaller businesses just because they use smaller kegs. It helps local brewers and bars stay competitive, and it removes an unnecessary burden from small business owners who are already struggling with high costs. Please support HB 1370 HD1. It’s a common-sense change that helps local businesses and makes the tax system fairer.

Mahalo for your time and consideration.

Geoffrey Seideman

Honolulu Beerworks  
328 Cooke St  
Honolulu HI 96825  
Gseideman@gmail.com





February 19, 2025

[COMMITTEE ON CONSUMER PROTECTION & COMMERCE](#)

Rep. Scot Z. Matayoshi, Chair

Rep. Cory M. Chun, Vice Chair

Aloha Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

My name is Bret Larson, and I am a resident of Kauai, Hawai'i. I am writing in strong support of HB 1370 HD1 because it fixes an unfair tax issue that hurts small breweries, bars, and restaurants in our state.

Right now, Hawai'i has two different tax rates for beer, which doesn't make sense. Wine and spirits are taxed at one flat rate, but beer is split into "draft beer" and "other than draft beer." You'd think draft beer means anything from a keg and everything else (like cans and bottles) would be "other than draft." But that's not how the law works.

According to state tax law, "draft beer" only applies to kegs that are seven gallons or more, which are taxed at \$0.54 per gallon. Meanwhile, smaller kegs—like five-gallon kegs—are taxed at \$0.93 per gallon, just like packaged beer. The problem is, a lot of smaller breweries and bars use five-gallon kegs, which means they're paying way more in taxes than the bigger guys who use larger kegs.

The numbers speak for themselves: 86% of draft beer in Hawai'i is sold in kegs over seven gallons, while only 14% is in five-gallon kegs. That means small producers are stuck with the higher tax rate while the big guys save money. This bill levels the playing field and makes the tax system fairer for everyone.

HB 1370 HD1 is a simple fix. It makes the tax code clearer and stops penalizing smaller businesses just because they use smaller kegs. It helps local brewers and bars stay competitive, and it removes an unnecessary burden from small business owners who are already struggling with high costs.

Please support HB 1370 HD1. It's a common-sense change that helps local businesses and makes the tax system fairer.

Mahalo for your time and consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Bret Larson", with a stylized flourish at the end.

Bret Larson  
Kauai Island Brewing Company, LLC.  
808-755-5926  
[bret@kauaiislandbrewing.com](mailto:bret@kauaiislandbrewing.com)

**HB-1370-HD-1**

Submitted on: 2/19/2025 9:38:34 AM

Testimony for CPC on 2/20/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathleen Conant	NAPALI BREWING COMPANY	Support	Written Testimony Only

Comments:

**Testimony in Support of HB 1370**

Submitted by: Napali Brewing Company

Location: Kauai, Hawaii

**Rep. Scot Z. Matayoshi, Chair**

**Rep. Cory M. Chun, Vice Chair**

**Members of the Committee**

Aloha Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

Napali Brewing Company is a small, family-owned craft brewery on Kauai dedicated to brewing quality beer that reflects the spirit of our island. As a local business, we face unique challenges, from high operational costs to limited distribution opportunities. **HB 1370** provides much-needed support for small craft breweries like ours, allowing us to grow, create local jobs, and contribute to Hawaii's economy.

By passing this measure, you are investing in local businesses, encouraging innovation, and ensuring that Hawaii's craft beer industry continues to thrive. We urge your support for **HB 1370** to help sustain independent breweries and strengthen our community.

Mahalo for your time and consideration.

**Kati Conant**

Co-Owner, Napali Brewing Company

**HB-1370-HD-1**

Submitted on: 2/19/2025 10:05:25 AM

Testimony for CPC on 2/20/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Justin Heikkinen	Howzit Brewing	Support	Written Testimony Only

Comments:

Aloha,

Current tax definitions for "draft" beer are unclear at best, as well as punitive to small producers who only use 1/6bbl containers. We support HD1370's attempt to reclassify the tax bracket for sixtels and clarify language around 'draft' to be in line with how those of us in the industry use that term.

Mahalo.



2/19/25

Members of the Consumer Protection & Commerce Committee:

My name is Sam DeWitt, State Government Affairs Director for the Brewers Association, the 501(c)(6) national trade organization dedicated to promoting and protecting America's small and independent craft breweries, their beers, and the community of enthusiastic craft beer drinkers from coast to coast. Thank you for hearing HB 1370, a commonsense measure that is, frankly, long overdue.

At the BA, we champion our members' needs, and a big part of that is working to get rid of onerous and unnecessary regulations and tax statutes that serve no purpose and make little sense.

HB 1370 falls into this category. 1/6<sup>th</sup> barrel kegs, commonly known as "sixtels," are currently taxed as package beer while they are clearly intended to be and utilized as draft beer, which is taxed at half the rate. This means that beers sent to bars and restaurants in the Islands are being needlessly overtaxed, requiring raising prices and jeopardizing customer relationships.

Let's fix this oversight. We ask for a "Yes" vote on House Bill 1370.

Thank you for your time and service to the state of Hawaii.

Sincerely,  
Sam DeWitt  
Brewers Association  
720.837.6935  
sam@brewersassociation.org

February 19th, 2025  
RE: HB1370  
Position: SUPPORT

Aloha Chair Matayohsi, Vice Chair Chun and Members of the Committee,

My name is Naehalani Breeland, President and Co-Founder of Ola Brew Co. on Hawai'i Island. I am writing in support of HB1370, which seeks to amend the definition of "draft beer" in Hawaii's tax code. Updating this definition will create more clarity and less confusion in the industry. This change is essential to ensuring fair taxation for local breweries, restaurants, and small businesses that serve draft beer from kegs smaller than seven gallons.

Currently, beer served from five-gallon kegs is taxed at the same rate as packaged beer sold in cans and bottles (\$0.93/wine gallon), whereas the same draft beer served from a fifteen and a half gallon keg is taxed lower draft beer rate (\$0.54/wine gallon). This creates an unfair burden on small breweries and businesses that rely on five-gallon kegs due to space constraints or limited production capacity. The existing law does not reflect present day industry norms, as all draft beer—regardless of keg size—is dispensed the same way, from keg to tap. Also, the cost to consumers is the same for the same product regardless of whether it's being poured from a fifteen and a half gallon keg or a five gallon keg.

By redefining draft beer to include five-gallon kegs, HB1370 ensures tax fairness, aligns with current standard industry practices, and supports Hawaii's local beer industry. This is a simple yet necessary adjustment and will provide financial relief to small businesses while maintaining a consistent and equitable tax structure.

Mahalo for your time and consideration of this testimony,

Me ka ha'aha'a,



Co-Founder and President - Ola Brew Co  
P 808-388-6654  
[naehalani@olabrewco.com](mailto:naehalani@olabrewco.com)



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HB1370

Aloha members of of the ECD & CPC committees,

As a local brewer and distiller located in Kamuela Hawaii, I am writing in SUPPORT of HB 1370

The premise of HB1370 is very simple, it clarifies language that is confusing. The current taxation on package verses draft products does not align with industry practices and usage. This makes no sense to us .

1370 simply clears that ambiguity. If something comes out of a keg, it is considered "draft" of it comes out of a can or bottle, it is considered "packaged". There is absolutely no purpose to have some draft considered packaged. Therefore I propose that if beer is poured from a re-useable container it should be defined as draft, there are some kegs as small as 10 liters. Currently the language on taxation of beer refers to packaged beer and draught beer. Draught beer qualifies as any individual container 7 gallons or greater with a taxation rate of \$0.54 per gallon sold while packaged beer refers to any individual container of 7 gallons or less taxed at a rate of \$0.93 per gallon sold. HB1370 aims to redefine this tax rate to reflect the current purchasing decisions of bars and restaurants in Hawaii by allowing draught beer to pertain to any individual re-useable, refillable container of any volume.

We request the House Committees on ECD &CPC pass this bill. Mahalo for considering our testimony in support this bill.

Sincerely,

Thomas Kerns  
President / Brewmaster  
Big Island Brewhaus

**HB-1370-HD-1**

Submitted on: 2/19/2025 10:52:45 AM

Testimony for CPC on 2/20/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Steve Jefferson	Individual	Support	Written Testimony Only

Comments:

Chair Ilagan, Vice Chair Hussey, and Members of the Committee on Economic Development & Technology:

Thank you for the opportunity to testify in strong support of H.B. No. 1370, H.D. 1.

By amending the definition of “draft beer” to encompass containers of five gallons or more—rather than the current seven gallons—this measure aligns the law with standard industry practices and reflects the realities of modern craft brewing. Many breweries and retailers now rely on five-gallon kegs for improved accessibility, quality control, and ease of handling.

This legislation will help local brewers remain competitive, encourage innovation in the craft beer sector, and ultimately strengthen Hawai‘i’s economy. Adjusting the statutory definition of “draft beer” ensures that small businesses can thrive under a tax structure that accurately reflects today’s marketplace.

For these reasons, I respectfully urge the Committee to pass H.B. No. 1370, H.D. 1. Thank you for your consideration of this testimony and for your support of Hawai‘i’s craft beer industry.

**HB-1370-HD-1**

Submitted on: 2/19/2025 12:00:07 PM

Testimony for CPC on 2/20/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Theresa Lewis	Individual	Support	Written Testimony Only

Comments:

I support HB1370 HD1 since this taxation is more in line with size/ industry standards.