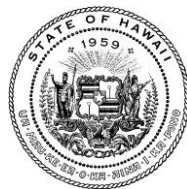


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 939, H.D. 1, Relating to Alcohol.

BEFORE THE:

Senate Committee on Commerce and Consumer Protection

DATE: Wednesday, March 19, 2025

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 229

Chair Keohokalole, Vice-Chair Fukunaga, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 939, H.D. 1, for your consideration.

H.B. 939, H.D. 1, amends section 244D-1, Hawaii Revised Statutes (HRS), by inserting a new definition for "low alcohol by volume spirits beverage" to mean any alcoholic beverage containing no more than five percent alcohol by volume, including distilled spirits mixed with other nonalcohol or alcohol components.

The bill also amends section 244D-4, HRS, to set a \$0.93 per wine gallon tax on low alcohol by volume spirits beverages commencing July 1, 2025. The bill has a defective effective date of July 1, 3000, and a sunset date of December 31, 2028.

DOTAX requests that if this bill is passed, the effective date of the tax and the bill both be amended to January 1, 2026 to allow sufficient time to make necessary system, form, and instruction changes.

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



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

HB939

Aloha members of the CPN committee,

As a local brewer and distiller located in Kailua Hawaii, I am writing in SUPPORT of HB 939.

The premise of the bill is to carve out a category that already exists and to clarify language. HB939 establishes a "Low Alcohol by volume spirits based beverage" The most common versions of these are made by Truly and White Claw. By establishing this category and relative taxation proposed, this allows locally owned Hawaii manufacturers to compete against low priced imports that are eroding our local manufacturing. The creation of a new category supports growth and expansion of our industry which further supports job growth and all tangential taxation from payroll, sales, etc

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



Date: March 15, 2025

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

Re: Opposition of HB939 HD1, Relating to Alcohol

Hearing: Wednesday, March 19, 2025, at 10:00am, Conference Room 229

Position: Opposition

Aloha, my name is Rick Collins, the Director of the Hawai'i Alcohol Policy Alliance (Alliance), a program of the Hawai'i Public Health Institute.¹ I am submitting testimony on behalf of the Alliance in OPPOSITION to HB939 HD1. HB939 HD1 establishes a lower tax category on low alcohol by volume spirits beverages at a rate of \$0.93 per wine gallon.

I wish to highlight the scientific evidence demonstrating how lowering the price of alcohol leads to increased alcohol availability (especially for youth) and exacerbates alcohol-related harms.

Alcohol is the 4th leading actual cause of death in the U.S., responsible for 178,000 deaths each year and burdening Hawai'i's economy with \$937.4 million in costs, demonstrating the need for strong state guidance.²

This Category of Beverages is Especially Attractive to Youth

These new low-alcohol spirits beverages are designed and marketed in ways that are particularly attractive to youth. Many of these products resemble sodas or fruit-flavored drinks, use bright packaging, and contain sweetened flavors that appeal to younger consumers. Research has shown that flavored alcoholic beverages, often called "alcopops," are disproportionately consumed by underage drinkers, increasing their risk for binge drinking and alcohol-related harms.³ While

¹ Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

² Sacks JJ, Gonzales KR, Bouchery EE, Tomedi LE, Brewer RD. National and State Costs of Excessive Alcohol Consumption. *Am J Prev Med*. 2015; 49(5):e73-e79. doi:10.1016/j.amepre.2015.05.031

³ Siegel, M., DeJong, W., Naimi, T. S., Fortunato, E. K., & Albers, A. B. (2011). Alcohol brand preferences of underage youth: Results from a pilot survey among a national sample. *Substance Abuse*, 32(4), 191-201.



HB939 HD1 takes a step toward regulating low-alcohol spirits beverages, the proposed tax rate is too low and will likely lead to more drinking and more harms in our community. By keeping these products cheap and widely accessible, the bill risks increasing underage drinking, adult excessive drinking, and alcohol-related harms.

Lower Alcohol Prices Increase Underage Drinking

Lower tax rates on these products make them cheaper and more accessible, further increasing the likelihood of youth consumption. Youth are especially price-sensitive when it comes to alcohol purchases, and studies have demonstrated that lower alcohol prices lead to higher underage drinking rates.⁴

Low Alcohol Taxes are Associated with More Alcohol-Related Harms

While the intent to regulate and tax low-alcohol spirits beverages is acknowledged, the proposed tax rate of \$0.85 per wine gallon goes against the science in ensuring our communities are protected from the harms of alcohol. Research consistently demonstrates that higher alcohol taxes are associated with reduced alcohol consumption and related harms. A meta-analysis published in the *American Journal of Public Health* found that a 10% increase in alcohol prices is associated with a 7% reduction in alcohol-related mortality.⁵ Another study found that higher alcohol taxes significantly reduce excessive drinking and alcohol-related harms, including motor vehicle crashes and liver cirrhosis.⁶

This proposed beverage category would reduce the state's budget by an estimated \$7,700,000 to a problem that already costs our state an estimated \$937,400,000 in annual costs.⁷

Reducing taxes on these beverages will increase the financial burden on the state to address the harms associated with alcohol, which is already estimated at \$937.4 million per year. It does not seem prudent to give a tax break to an industry valued at \$1.6 trillion in 2024 at a time when our state will be challenged to create a balanced budget over the foreseeable future years.

⁴ Chaloupka, F. J., Grossman, M., & Saffer, H. (2002). The effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research & Health*, 26(1), 22-34.

⁵ Wagenaar, A. C., Salois, M. J., & Komro, K. A. (2009). Effects of beverage alcohol price and tax levels on drinking: A meta-analysis of 1003 estimates from 112 studies. *American Journal of Public Health*, 99(11), 1950-1962.

⁶ Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., & Fielding, J. E. (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *American Journal of Preventive Medicine*, 38(2), 217-229.

⁷ Sacks JJ, Gonzales KR, Bouchery EE, Tomedi LE, Brewer RD. National and State Costs of Excessive Alcohol Consumption. *Am J Prev Med*. 2015; 49(5):e73-e79. doi:10.1016/j.amepre.2015.05.031



We strongly urge you to oppose HB939 HD1 to ensure that we safeguard public health and safety over commercial convenience.

Mahalo for your consideration of our testimony in opposition to HB939 HD1. If you have any questions, please feel free to contact me at rick@hiphi.org or (808) 591-6508, x22.

Rick Collins

Director
Hawai'i Alcohol Policy Alliance



Sally Jefferson
Director, Western States

HAWAII STATE SENATE
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2025

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
March 19, 2025

Testimony in Opposition to HB939 HD1

Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee:

Thank you for the opportunity to provide testimony in **opposition** to HB939 HD1 RELATING TO ALCOHOL which would provide a substantial state tax break to “low alcohol by volume spirits beverages”. Wine Institute is a public policy association representing more than 1,000 California wineries and associate members. California wineries produce 90% of the wine produced in the United States and provide a significant portion of the wine sold in licensed establishments in Hawaii.

We are opposed to this legislation which sharply reduces the gallonage tax rate for spirit-based ready-to-drink products (RTDs) based entirely on alcohol by volume (ABV), without any regard to the method of production and raw material used. If the Legislature wishes to consider reducing taxes on alcohol beverages, it should evaluate the tax rates on all alcohol beverage categories rather than solely providing a special tax break to the fastest growing segment of spirits products.

Wine and distilled spirits are very different beverages in many ways, which is why state and federal excise taxes have treated them differently since the end of prohibition. The federal government (and most states including Hawaii) have controlled and taxed wine, beer and spirits based on two factors: 1) the license of the producer and its raw material (e.g., wineries fermenting grapes, breweries brewing grains and distilleries distilling other natural products), and 2) the ABV of the finished product. The federal government continues to regulate the producer, formula, labeling and containers of all alcohol, and it continues to charge federal excise tax rates based on both factors including taxing spirit RTD products at the same level as distilled spirits, just as most states do as well.

While proponents of these types of bills claim this proposal would benefit Hawaii consumers, recent research has shown the contrary. As shown in the graph below, Public Sector Consultants,

a nonpartisan public policy firm, analyzed pricing trends of hard liquor based ready-to-drink products from 2017-2022 in Michigan and Nebraska to determine if claims of consumer price reductions were accurate after those states lowered tax rates for spirit RTD products. According to their analysis and findings prices **jumped 44%** in Michigan and **65%** in Nebraska. These increases far outpaced inflation and the rapid overall increase in the consumer price index. Despite these claims, consumers are not benefiting from lower prices in either state since taxes were reduced on spirit-based RTDs.

Hard liquor based Ready-to-drink Four-week per Unit Prices, 2017-2022



Source: IRI Multi-Outlet (MULO) and PSC analysis

Public Sector Consultants (PSC) released an examination of spirit-based RTDs and their pricing trends from 2017-2022.¹² PSC examined RTD pricing before and after the alcohol excise tax changes in Michigan and Nebraska. The chart above shows prices across the board have remained relatively similar since 2017 even after the alcohol excise tax was lowered in Michigan and Nebraska.

Hard Liquor-based Ready-to-drink Pricing Trends, 2017-2022 – Public Sector Consultants
Ready-to-Drink Alcohol Tax Report, Maryland Alcohol and Tobacco Commission

Additionally, the Maryland Alcohol Beverage Commission released a study in 2023 that included an examination of proponents' claims that the popularity of spirit RTDs and their sales growth would more than offset state revenue losses as a result of lower tax rates on these products. To date, those claims have not panned out. In looking at Michigan and Nebraska, the Commission determined that those states lost significant tax revenue as a result, with MI losing an estimated \$2.6 million and NE losing an estimated \$1.8 million.

While the bill has been amended to increase the proposed tax rate from 85 cents to 93 cents per wine gallon, we still believe that this bill creates a discrepancy in the tax treatment of one category of alcohol products, which is out of line with the way Hawaii's gallonage tax currently operates.

Given our serious concerns, we respectfully urge you to defer action on this legislation. Thank you for the opportunity to comment on HB939 HD1.

**Testimony in Support of H.B. 939 H.D. 1
Relating to Alcohol**

Hearing Date: Wednesday, March 19, 2025

Time: 10:00 AM

Place: Conference Room 229, State Capitol, 415 South Beretania Street

Committee On Commerce And Consumer Protection

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

I write in **support** of H.B. 939 H.D. 1, which establishes a new tax category for low alcohol by volume (ABV) spirits beverages, aligning tax rates with similar alcoholic products.

This bill is a necessary and fair modernization of Hawaii's liquor tax structure. The growing popularity of low-ABV spirits beverages reflects consumer demand for lighter, lower-alcohol options. However, under current law, these beverages are taxed at the same rate as higher-proof distilled spirits, despite having alcohol content more comparable to beer, wine, and cooler beverages. By creating a distinct category and setting a fair tax rate of \$0.93 per wine gallon, this bill ensures regulatory consistency, supports industry growth, and provides consumers with a wider range of affordable beverage choices.

Additionally, this change will encourage responsible drinking by making lower-alcohol alternatives more accessible. It will also provide clarity to both consumers and businesses while maintaining essential tax revenue for the state.

For these reasons, I respectfully urge the committee to pass H.B. 939 H.D. 1.

Mahalo for your time and consideration.

Sincerely,

Justin Guerber

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



Aloha Legislators,

With support from our Hawaii craft distillers and brewers, Kōloa Rum Company is asking for your support in passing HB 939 that establishes the definition of “low alcohol by volume spirits beverage”, that establishes a tax on low alcohol by volume spirits beverages at a rate of \$0.93 per wine gallon, that expands the definition of “beer” under the State’s liquor tax and liquor regulatory laws, and specifies that the term includes alcohol by volume of no less than 0.5 percent, but excludes other forms of distillation.

“The tax rate shall be:

- \$5.98 per wine gallon on distilled spirits on alcohol by volume of 15 per cent or greater.,
- \$2.12 per wine gallon on sparkling wine,
- \$1.38 per wine gallon on still wine,
- \$0.85 per wine gallon on cooler beverages,
- \$0.93 per wine gallon on beer other than draft beer,
- \$0.54 per wine gallon on draft beer, and
- **\$0.93 per wine gallon on low alcohol by volume spirits beverages,**

and at a proportionate rate for any quantity sold or used.”

Ready-to-drink (RTD) cocktails are increasingly important to craft distillers and are produced at a lower alcohol by volume (ABV) compared to standard distilled spirits. Currently, RTD products made with distilled spirits are taxed at 5.98/gallon, regardless of ABV. As an example, a bottle of 15% ABV (30 proof) rum and coke is taxed at the same level as a 90 proof (45% ABV) whiskey. The former being straight alcohol and the latter being approximately 1oz of spirit combined with 11 ounces of soda. Conversely, RTD cocktails produced with wine or malt-based alcohol are taxed at the wine or beer rate, regardless of alcohol content.

A revised tax structure as per the above will significantly benefit Hawaii’s craft spirits producers and provide the parity they need to successfully compete against other alcohol beverage producers.

Mahalo, for your consideration and support!

Bob Gunter
President & CEO



BOSTON BEER co.
• ESTD. 1984 •

LATE



March 17, 2025

Chairman Jarrett Keohokalole, Vice Chair Carol Fukunaga & Members of the Senate Commerce and Consumer Protection Committee
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chairman Jarrett Keohokalole , Vice Chair Carol Fukunaga & Members of the Senate Commerce and Consumer Protection Committee:

Today, we write to oppose H.B. 939, a proposal that would provide a tax break to distilled beverages by creating a new category of “low alcohol by volume spirits beverages”. We represent brewers, beer importers, and wholesalers of all sizes in Hawaii. Our members produce beer products – as well as some of the country’s leading liquor-based canned cocktails.

The beer industry supports a tax and regulatory framework that treats liquor, wine, and beer as clearly distinct categories – rather than being taxed based on alcohol by beverage (ABV). Every state and the federal government has done this since the repeal of Prohibition in 1933, and it is vital to maintain these distinct categories due to the notable differences in how these products are made and consumed. This change would blur the lines between distinctly different alcohol categories. Beer, wine and liquor are not the same, and this legislation would send a confusing message to consumers. It’s also worth noting that 86% of beer has an average alcohol by volume (ABV) of 5% or less.

Furthermore, granting these canned cocktails greater market access could prove dangerous in the long run as big liquor companies have already admitted that they see these ready-to-drink canned cocktails as a recruitment tool to get customers interested in higher ABV products, such as a full handle of hard liquor. CEOs of some of the world’s largest liquor producers have confirmed that these new ready-to-drink canned cocktails serve as “[a consumer recruitment vehicle](#)” (Brown-Forman) and are “[a great way to recruit people into the franchise](#)” (Pernod Ricard).

During the last legislative session, more than a dozen U.S. states rejected proposals similar to H.B. 939 due to concerns about the impact of such legislation. In fact, two separate studies – one by the [Maryland Alcohol and Tobacco Commission \(ATC\)](#) and one by [Public Sector Consultants](#) – show that these types of bills result in lost revenue for states and increased consumer prices. Notably, consumers in Michigan saw a 44 percent increase in prices for hard liquor canned cocktails, while consumers in Nebraska saw a shocking 65 percent increase in prices for hard liquor canned cocktails once their states passed legislation similar to H.B. 939. Further, these two studies found that Michigan and Nebraska lost out on a significant amount of tax revenue once these bills were enacted, with Michigan losing an estimated \$2.6 million and Nebraska losing an estimated \$1.8 million.

Page Two

March 17, 2025


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

If this legislation were enacted, we estimate that about 46 percent of canned cocktails would be reclassified, decreasing vital tax revenue and costing Hawaii nearly \$5 million over 5 years (2026-2030) in lost revenue.

Liquor, wine and beer are different types of alcohol beverages and should be taxed as such. We oppose H.B. 939 and encourage Hawaii to maintain clear tax distinctions between these three categories of alcohol beverages.

Thank you for your consideration on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Crawford". The signature is fluid and cursive, with the first name "Brian" and last name "Crawford" clearly distinguishable.

Brian Crawford
President & CEO



64-1066 Mamalahoa Highway
Waimea/Kamuela, Hawaii, 96743

Brewhaus: 808-887-1717

bigislandbrewhaus.com

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LATE

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

Attn:

House Committee of Commerce & Consumer Protection;

HB 939_HD1; Alcohol; Liquor Tax Law; Low Alcohol by Volume Spirits Beverage; Definition; Rate
Position: **Support** with suggestions

Aloha CPN Committee members,

My name is Thomas Kerns and I am the owner and brewmaster of Big Island Brewhaus. We are an independent craft brewery & restaurant producing 100% of our beer in Hawaii, while employing 41 Hawaii residents. We are united with other members of the Hawaiian 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 craft beverage producers embrace the responsible consumption of alcohol.

We support this change to the Hawaii statutes as it is only fair to tax packaged low alcoholic beverages (up to 7% alc/vol.) in similar fashion to packaged wine coolers (.85), beer (.93), and still wine @ (\$1.38 per gallon). In fairness I also believe the proposed RTD beverages (Ready to Drink) are typically blended with distilled spirits to achieve the given alcohol percentage. This type of beverage currently and in the past has been taxed in the distilled spirit category at \$5.98 per gallon. I feel the fair taxation level should fall somewhere between the taxation of packaged beer @ .93 and still wine at \$1.38 per gallon. To qualify as a lower alcoholic beverage category I feel a 7% alc/vol ceiling is appropriate and relative to other low alcoholic beverages such as wine coolers and beer ranging from 3.5% to 7.5% for most of these beverages.

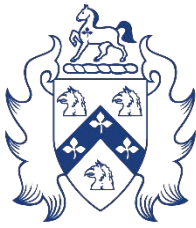
We request the House Committee on FINANCE to pass this bill with our suggestions. Mahalo for considering our testimony in support of HB 939_HD1.

Sincerely,

Thomas D. Kerns

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

LATE



JOHNSON BROTHERS
• S I N C E 1 9 5 3 •

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

Wednesday, March 19, 2025

Testimony in support of HB939

Good morning, Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My Name is Dwayne Kratt. I offer testimony on behalf of Johnson Brothers of Hawaii. Johnson Brothers of Hawaii has been in operation in Hawaii since 1988. We employ more than 130 team members with distribution facilities on Oahu, Maui, Kauai, and the Big Island. These locations also serve our customers on the islands of Molokai and Lanai. Additionally, our state-of-the-art Hawaii headquarters is in Kapolei.

HB939 would reform the tax rate on low-proof spirit based alcohol beverages so that the tax rate is fairer and more equitable when compared to like products with similar levels of alcohol. This legislation is narrowly written as it would only lower the tax on these spirit-based products that are 5% ABV or less.

Currently, spirits based low-proof, ready-to-drink beverages are taxed at a rate of \$5.98 a gallon. This tax rate is:

- 6 times higher than malt beverages with similar alcohol by volume or ABV which is taxed at .93 gallon.
- 11 times higher per gallon than draft malt beverages taxed at .54 cents per gallon.
- And 7 times higher than the wine cooler rate of .85 per gallon.

This dramatic tax difference on products with roughly the same amount of alcohol by volume creates an unfair marketplace especially when these products generally compete against malt or sugar-based seltzers that are taxed at the much lower beer rate.

In response, this legislation creates a new spirit-based category for alcohol beverages containing spirits at 5% ABV or less. The tax rate for these products will be .85 cents per gallon for products containing 5% ABV or less. This tax rate is the same as the current tax rate on cooler beverages which generally contains the same amount of alcohol by volume.

Do we believe this legislation will cost Hawaii tax revenue?

No, we don't. First, the narrow definition of legislation at 5% ABV is limiting in that it will not capture many spirit-based RTDs that range from more than 5% ABV up to 12.5%. Second, and more significant, sales of these spirit based RTDs compete against malt or sugar-based seltzers and are priced at retail at a more premium price. This means as consumers switch to these spirit based cocktails, we believe increment sales taxes will be generated through the sale of these products. Bottom line, this amendment will not cause a net decrease in alcohol excise taxes or sales taxes generated by sales of these products and in fact, it is quite possible there will be a modest increase in total alcohol beverage excise tax and sales tax generation.

Is this proposal outside the norm of what other states are doing?

The answer to this question is also no. In 25 states, these low alcohol spirit-based products are taxed at a lower rate than compared to "full proof spirits" which are generally 40% ABV.

But what about spirits always being taxed at a higher rate than malt beverages?

While in a vacuum there is truth to this sentiment as the original "thought leaders" who shaped Post Prohibition America certainly advocated for higher taxes on spirits versus malt beverages. However, the rationale behind this policy preference was driven by the fact that distilled spirits contain more alcohol by volume (ABV) than malt beverages. In fact, it is fair to assume that these policy makers would have proposed a lower tax rate for low ABV spirits if these products were in existence at that time as they also advocated for higher tax rates for higher ABV "strong beer" (See Toward Liquor Control – Suggested Method of Computation of Liquor Taxes – Illustrative Rates Per Gallon)

Bottom line is alcohol is alcohol — it doesn't matter if the alcohol is derived from brewing, fermentation, or distilling. The common metric here is alcohol by volume. When the ABV is roughly the same, it doesn't matter if the product is a beer, a wine, or a spirit. Anyone who suggests otherwise is incorrect.

In conclusion, we are simply asking for more equitable treatment for similar products. It is for these reasons that we ask you to pass HB939. Thank you for your consideration.

Dwayne Kratt - Johnson Brothers of Hawaii, Inc.

LATE

HB-939-HD-1

Submitted on: 3/18/2025 7:09:39 AM

Testimony for CPN on 3/19/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Vindi Wells	Testifying for Hanalei Spirits Distillery Corp	Support	Written Testimony Only

Comments:

Thank you for the opportunity to submit testimony in support of HB 939, which establishes a clear definition for low alcohol by volume (ABV) spirit beverages and sets a tax rate of \$0.85 per wine gallon. This bill is an important step in recognizing the growing category of low-ABV spirits-based beverages and creating a more competitive regulatory framework.

Why HB 939 is important for the Industry

1. Establishing Clear Definitions for Low-ABV Spirits Beverages

2. A Reasonable and Competitive Tax Structure

- The proposed \$0.85 per wine gallon tax rate is reasonable and allows spirit's based low-ABV beverages to remain competitive with other national beer, wine and spirit brands.

3. Supporting Local Craft Producers and Consumer Choice

- Many small distilleries, including my own, are developing low-ABV spirits-based beverages as a way to diversify offerings and meet consumer demand for lighter, sessionalbe drinks.

- A fair tax xtructure encourages innovation, giving small producers the ability to compete with larger beer, wine and spirit manufacturers in this growing market.

4. Aligning Hawaii with Nation Trends

- Across the country, states are adopting seperate tax classifications for low-ABV spirit beverages, ensuring parity with beer and wine taxation. Adjusting the tax rate to reflect the lower quantity of alcohol allows for fair marketplace.

- HB 939 follows this best practice, keeping Hawaii's laws in line with national trends while supporting local businesses.

Conclusion

I strongly support HB 939 and urge the committee to pass this bill. Establishing a fair tax rate ensures that Hawaii's craft distillers, retailers, and consumers all benefit from a clear, competitive regulatory framework that will boost manufacturing in Hawaii.

Thank you for your time and consideration. I appreciate your support of Hawaii's local craft industry.

Sincerely,

Vindi Wells

Hanalei Spirits Distillery Corp. 4241 Kahili Makai Street, Kilauea, HI 96754

Contact, hanaleispirits@gmail.com or (808)346-2839



LATE

LATE

March 18, 2025

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Re: **Support with Amendment of HB939 HD1**: Definition of "low alcohol by volume spirits beverage".

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

My name is Garrett W. Marrero, and I live in Kihei, Hawai'i. I am the CEO and Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. We distribute our beverages across Hawai'i, 26 states, and 2 countries. Since our founding in 2005, we have grown from 26 team members to over 500 statewide.

This past week marks 20 years since we opened our doors. Over this time, I have worked closely with many Representatives and Senators to support common-sense legislation that strengthens Hawai'i's beverage industry. As a result, more than 40 new businesses have entered the market, receiving help from a modernized legal framework that fosters small and independent entrepreneurs while keeping Hawai'i aligned with industry advancements.

Today, I submit testimony in **strong support of HB939 HD1 with amendment** to define the category of "low alcohol by volume spirits beverages."

HRS 244D currently applies a "cooler beverage" tax rate to beer- and wine-based beverages, recognizing that these drinks contain a mix of alcohol and non-alcoholic components. However, the statute does not account for low-alcohol, spirits-based beverages on those with the base alcohol from "beer" or wine.

As a result, locally produced spirits-based ready-to-drink (RTD) beverages are taxed as if their entire volume is alcohol. This means a 12-ounce can with just 1 ounce of spirits and 11 ounces of non-alcoholic mixer is taxed as if it contains 12 ounces of pure spirits.

This outdated structure imposes an excessively high tax burden—more than \$13 per case—which in many cases exceeds production costs. This is in stark contrast to beverages of the same abv made from beer and wine bases, currently "cooler beverages" are taxed at approximately \$2 per case. Consequently, it has severely hindered the growth of Hawai'i's local distilleries. Today, there are only two locally produced spirits-based RTD beverage despite the increasing number of distilleries statewide.

Addressing Misleading Opposition Arguments

- Anheuser-Busch (AB) claims that "most beer" is under 5% ABV, making this a special category. This is false. The average IPA—the top-selling craft beer style—exceeds 7% ABV. Moreover, HRS 244D already

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

includes a “cooler beverage” category for malt-based drinks, which AB itself produces. Additionally, AB owns Cutwater, a spirits RTD brand with products above 10% ABV that wouldn’t qualify under this bill—highlighting their self-interest in opposing it.

- The Wine Institute argues that this is merely a tax break based on ABV. Again, false. The existing law already provides a lower tax rate for wine-based RTDs, charging \$2.12 per gallon for standard sparkling wine, but only \$0.85 per gallon if diluted with mixers. The same principle should apply to spirits-based RTDs for tax fairness and industry consistency. Again, wine enjoys this and the testimony is protectionist and self-serving.

To modernize HRS 244D and align it with today’s industry landscape, we respectfully request the following amendment to SB641:

"Low alcohol by volume spirits beverage" means any alcoholic beverage containing no more than ~~seven~~ **five** per cent alcohol by volume. "Low alcohol by volume spirits beverage" includes distilled spirits mixed with other ingredients, including both nonalcohol and alcohol components."

This definition mirrors the existing “cooler beverages” definition currently in place, providing clarity, consistency, and fairness in the tax structure.

HB939 HD1 is a practical and necessary update that will:

- Encourage local distillery growth
- Boost Hawai’i’s craft beverage industry and economy
- Ensure our laws reflect modern consumer expectations

I appreciate the opportunity to submit this testimony and urge you to support HB939 HD1 with the proposed amendment. Please feel free to reach out with any questions or further discussion—I remain committed to serving our State.

Mahalo for your time and consideration!

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', with a long, sweeping horizontal line extending to the right.

Garrett W. Marrero
CEO/Founder

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR; New Tax Rate for Low Alcohol by Volume Spirits Beverage

BILL NUMBER: HB 939 HD 1

INTRODUCED BY: House Committee on Finance

LATE

LATE

EXECUTIVE SUMMARY: Defines “low alcohol by volume spirits beverage.” Establishes a tax on low alcohol by volume spirits beverages at a rate of \$0.93 per wine gallon.

SYNOPSIS: Amends section 244D-1, HRS, adding a definition for “Low alcohol by volume spirits beverage” as any alcoholic beverage containing no more than 5% alcohol by volume. Includes distilled spirits mixed with other ingredients, including both nonalcohol and alcohol components.

Amends section 244D-4, HRS, beginning July 1, 2025, to impose a tax of \$0.93 per wine gallon on Low alcohol by volume spirits beverages.

EFFECTIVE DATE: July 1, 3000; provided that this Act shall be repealed on December 31, 2028.

STAFF COMMENTS: The apparent purpose of the bill is to allow seltzer beverages to qualify for a lower tax rate (\$0.93 per wine gallon) for “cooler beverages,” which are now applicable to wine- or beer-based beverages, as opposed to the higher tax rate (\$5.98 per wine gallon) on distilled spirits. Assuming that such beverages have a much lower alcoholic content than distilled spirits, a lower tax rate may be appropriate.

Digested: 3/17/2025



LATE

March 19, 2025

To: Chair Jarrett Keohokalole
Members of the Senate Committee on Commerce and Consumer Affairs

From: Kona Brewing Hawaii
Nathalie Carisey; President

RE: HB939 HD1; Relating to Alcohol; **In Support**
March 19, 2025; Conference Room 229

Kona Brewing Hawaii **supports** HB939 HD1, which defines "low alcohol by volume spirits beverage" and establishes a tax on low alcohol by volume spirits beverages at a rate of \$0.93 per wine gallon.

Low alcohol by volume spirits beverages continue to grow in popularity as producers seek to meet that demand. However, something that hinders this is a tax structure that does not reflect the actual alcohol content in these beverages and creates disparity with similar types of beverages. This measure would ensure that producers of low alcohol by volume spirits are being taxed at a fair and appropriate rate, which supports Hawaii's local producers who are already at a disadvantage when competing with large producers.

Kona Brewing Hawaii continues to run our flagship brewery in a state-of-the-art, 30,000 square-foot facility. We produce 65,000 barrels of malt beverages annually, all of which are sold in Hawaii. For over 30 years, Kona Brewing has proudly invested in the future of Hawaii, and therefore feels passionate about promoting the growth of the craft beer industry while advocating for environmental responsibility, community wellness, and sustainability.

Mahalo for the opportunity to provide testimony in support of HB939 HD1.