JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 939, H.D. 1, S.D. 1, Relating to Alcohol.

BEFORE THE:
Senate Committee on Ways and Means

DATE:	Wednesday, April 2, 2025
TIME:	10:01 a.m.
LOCATION:	State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

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

H.B. 939, H.D. 1, S.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 seven 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 spirts 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 be amended to January 1, 2026 to allow sufficient time to make necessary system, form, and instruction changes.

DOTAX estimates the following revenue loss from this measure:

General Fund Impact ($ millions)

FY 2026 (11 months)	FY 2027	FY 2028	FY 2029 (7 months)	FY 2030	FY 2031
-$2.0	-$2.2	-$2.2	-$1.3	-	-

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

March 27, 2025

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Re: **Strong Support HB939 HD1 SD1**: 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, Hawaiʻi. 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 Hawaiʻi, 26 states, and 2 countries. Since our founding in 2005, we have grown from 26 team members to over 500 statewide.

This past month marked 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 Hawaiʻi'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 Hawaiʻi aligned with industry advancements.

Today, I submit testimony in **strong support of HB939 HD1 SD1 as amended** 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 Hawaiʻi's local distilleries. Today, there are only two locally produced spirits-based RTD beverage despite the increasing number of distilleries statewide.

<u>Addressing Misleading Opposition Arguments</u>

• 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 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 a lower tax rate on diluted lower abv wine, the testimony given is protectionist and self-serving.

This bill would modernize existing HRS 244D definitions mirroring the "cooler beverages" definition currently in place, providing clarity, consistency, and fairness in the tax structure.

HB939 HD1 SD1 is a practical and necessary update that will:

- Encourage local distillery growth
- Boost Hawaiʻi'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 SD1 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,

Garrett W. Marrero
CEO/Founder

April 2, 2025

To: Chair Donovan Dela Cruz
Members of the Senate Committee on Ways and Means

From: Kona Brewing Hawaii
Nathalie Carisey; President

RE: HB939 HD1 SD1; Relating to Alcohol; **In Support**
April 2, 2025; Conference Room 211

Kona Brewing Hawaii **supports** HB939 HD1 SD1, 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 which 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 SD1.

MAIL: 74-5612 Pawai Place Kailua-Kona, HI 96740 phone: (808) 334-1133 www.konabrewingco.com FAX: (808) 329-6681

LEGISLATIVE TAX BILL SERVICE

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 SD 1

INTRODUCED BY: Senate Committee on Commerce and Consumer Protection

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 7% 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: 3/29/2025

OAHU HAWAII
KOʻOLAU
DISTILLERY

koolaudistillery.com

@koolaudistillery

info@koolaudistillery.com

tel 808 261 0685 905 Kalanianaʻole Highway, Unit 5014, Kailua, HI 96734

Attention:

Senator Donovan Dela Cruz, Chair
Email: sendelacruz@capitol.hawaii.gov
Phone: (808) 586-6090
Senator Sharon Moriwaki, Vice Chair
Email: senmoriwaki@capitol.hawaii.gov
Phone: (808) 586-6740

TESTIMONY IN SUPPORT OF THE FOLLOWING MEASURE:
Support for HB939 — Creating a Fair Tax Category for Low-ABV Spirits Beverages

Mar 31, 2025

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee. I am writing on behalf of **Koʻolau Distillery** in strong support of **HB939**, respectfully request this legislation be passed into law.

HB939 would establish a new tax category for **low alcohol by volume (ABV) spirits-based beverages**—those with 5% ABV or less—and apply a fair tax rate of **$0.93 per wine gallon**, bringing it in line with comparable beer and wine-based beverages.
Supporting Local Innovation and Fairness

As a small, veteran-owned distillery in Kailua, we are proud to produce high-quality, locally made spirits using Hawaiian water and thoughtful craftsmanship, **Koʻolau Distillery is actively developing a line of locally made, spirits-based ready-to-drink (RTD) cocktails**. However, the current tax code makes it nearly impossible for us to bring these products to market competitively.

A Koʻolau-produced 5% ABV canned cocktail is currently taxed at **$5.98 per gallon**, while a similar malt-based beverage—often made on the mainland with fermented sugar—is taxed at only **$0.93 per gallon**. This results in a **cost difference of over $0.47 per can**. In practical terms, that means we would pay **over $11 more in taxes per 24-pack** than our national competitors, before we even factor in ingredients, packaging, or labor.

That unfair burden directly influences the **quality** and **viability** of locally made products. While we aim to use real Koʻolau spirits and locally inspired mixers, this tax discrepancy pressures small producers to either **downgrade ingredients** or **abandon RTD innovation altogether**. Meanwhile, national brands benefit from tax loopholes, shipping in lower-quality alternatives at lower costs—crowding out local shelf space.

Unlocking Jobs and Economic Opportunity
By fixing this outdated tax disparity, HB939 would open the door for small Hawaiʻi distilleries to create **competitive, high-quality RTDs**, driving job growth and economic diversification. At Koʻolau Distillery, we estimate that launching a spirits-based RTD line could create new jobs in production and packaging; increase use of other local ingredients;expand retail partnerships and reduce reliance on imports. Hawaiʻi distilleries and breweries stand united unlike any previous legislative session and will be heard. We're all asking for the same thing: **a fair chance to compete** based on quality, not tax code technicalities.

A Modern, Responsible Tax Policy
HB939 does **not** give spirits a free pass or reduce taxes across the board. It simply acknowledges that a 5% ABV canned cocktail—no matter the alcohol source—should be taxed similarly to other beverages of the same strength. It's a **modern, responsible update** to the tax code that recognizes innovation, encourages responsible drinking, and prioritizes local economic development.
On behalf of our team and the broader Hawaiʻi craft beverage industry, I urge you to support local business and **schedule HB939 for hearing**.

Mahalo for your time and consideration.
Sincerely,
Justin Rivera
General Manager
Koʻolau Distillery
justin@koolaudistillery.com

Sally Jefferson
Director, Western States

HAWAI`I STATE SENATE
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2025

COMMITTEE ON WAYS AND MEANS
April 2, 2025

Testimony in Opposition to HB939 HD1 SD1

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

Thank you for the opportunity to provide testimony in **opposition** to HB939 HD1 SD1, 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.

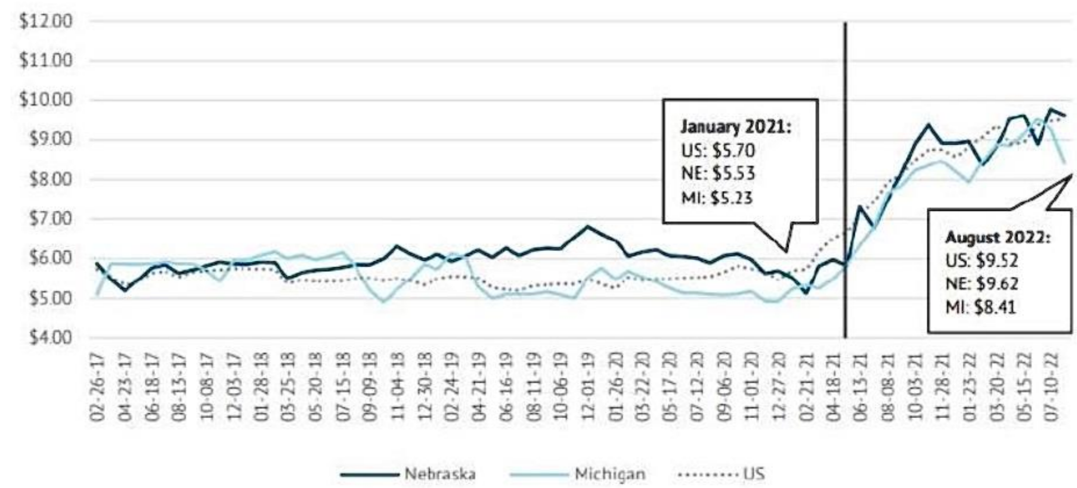
We are opposed to this legislation which will result in a loss of state revenue of at least $2M per year, based on the Department of Taxation's revenue estimates. This bill sharply reduces the gallonage tax rate for spirit-based ready-to-drink products (RTDs) based entirely on alcohol by volume (ABV), 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), 2) the ABV of the finished product and 3) how the products are produced, regulated, and sold. 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.

We note that the proponents of this bill are stating that the tax treatment of wine coolers are simply a low ABV product, and therefore spirits-based beverage should benefit from similar tax treatment. However, they are oversimplifying how wine coolers are regulated, which is still based on the source of the raw materials, the ABV of the finished product, and other existing regulations. Wine coolers have long been handled differently at the federal level because they are regulated by the U.S. Food and Drug Administration (FDA) rather than the Alcohol and Tobacco Tax and Trade Bureau (TTB) like all other liquor products. Due to their regulation under the FDA, wine coolers are required to be labeled and regulated differently than table wine. However, the TTB does not distinguish between spirit-based RTDs and all other spirit products in a similar manner, just as many states do not including Hawaii.

While the bill has been amended to increase the proposed tax rate from 85 cents to 93 cents per wine gallon and sunset in 3 years, 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 SD1.

April 1, 2025

Chairman Donovan Dela Cruz, Vice Chair Sharon Moriwaki & Members of the Senate Ways and Means Committee
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Chairman Dela Cruz, Vice Chair Moriwaki & Members of the Senate Ways and Means 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" and are "a great way to recruit people into the franchise".

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.

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,

Brian Crawford
President & CEO

HAWAI'I ALCOHOL POLICY ALLIANCE

Date: April 1, 2025

To: The Honorable Senator Donovan Dela Cruz, Chair
The Honorable Senator Sharon Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

Re: Opposition of HB939 HD1 SD1, Relating to Alcohol

Hearing: Wednesday, April 2, 2025, at 10:01am, Conference Room 211

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 SD1. HB939 HD1 SD1 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. Additionally, the proposed measure would reduce the state's budget by nearly $8 million in a time when the state's budget will likely be strained due to the federal budget cuts and continued Lahaina fire recovery.

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.[2]

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.

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[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

HAWAI'I ALCOHOL POLICY ALLIANCE

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.[3]

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.[4] While HB939 HD1 SD1 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.[5]

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.[6] Another study found that higher

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[3] 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

[4] 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.

[5] 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.

[6] 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.

alcohol taxes significantly reduce excessive drinking and alcohol-related harms, including motor vehicle crashes and liver cirrhosis.[7]

We strongly urge you to oppose HB939 HD1 SD1 to ensure that we safeguard public health and safety over commercial convenience.

Mahalo for your consideration of our testimony in opposition to HB939 HD1 SD1. If you have any questions, please feel free to contact me at rick@hiphi.org or (808) 591-6508, x22.

Rick Collins

Director
Hawaiʻi Alcohol Policy Alliance

[7] 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.

HB-939-SD-1
Submitted on: 3/28/2025 7:46:35 AM
Testimony for WAM on 4/2/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Theresa Lewis	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am writing in support of HB939 which defines ‘low alcohol by volume spirits beverages’ at a rate of $.093 per wine gallon.

Mahalo,

Theresa Lewis

HB-939-SD-1
Submitted on: 3/28/2025 10:21:46 AM
Testimony for WAM on 4/2/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Vindi Wells	Testifying for Hanalei Spirits Distillery	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 Competitve Tax Structure

- The proposed $0.85 per wine gallon tax rate is reasonable and allows spirit's based low-ABV beverages to remain competitve 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 comsumer 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 Hawaiʻi 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 Hawaiʻi'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 Hawai‘i's craft distillers, retailers, and consumers all benefit from a clear, competitive regulatory framework that will boost manufacturing in Hawai‘i.

Thank you for your time and consideration. I appreciate your support of Hawai‘i'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

HB-939-SD-1
Submitted on: 3/28/2025 10:39:52 AM
Testimony for WAM on 4/2/2025 10:01:00 AM

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

Comments:

Aloha everyone,

I am writing in strong support of HB939 SD1, establishes a tax on low alcohol by volume spirits beverages at a rate of $0.93 per wine gallon. This bill aims to create a fairer taxation system by standardizing tax rates based on alcohol content. The wine industry already has laws that reflect what this bill is doing for the this type of alcohol. This bill standardizes and equalizes across the industry.

Thank you, Grant Wells

HB-939-SD-1
Submitted on: 3/28/2025 11:40:48 AM
Testimony for WAM on 4/2/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Reyn Wells	Individual	Support	Written Testimony Only

Comments:

As an employee of Hanalei Spirits I am in strong support of bill HB939 as it will promote manufacturing and job security in hawaii.

Thank you for the opportunity to submit testimony in support of HB939, which establishes a clear definition for low alcohol by volume (ABV) spirit beverages and sets a tax rate of $0.93 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.

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

Thank you for your time and consideration.

HB-939-SD-1
Submitted on: 3/28/2025 2:10:05 PM
Testimony for WAM on 4/2/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Kati Conant	Testifying for NAPALI BREWING COMPANY	Support	Written Testimony Only

Comments:

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

My name is Kati Conant, and I am the Co-Founder of Napali Brewing Company on Kaua‘i, Hawai‘i. As a family-owned brewery that launched less than two years ago, we are committed to fostering a strong, sustainable craft beverage industry in Hawai‘i.

I write in **strong support** of HB939, with an amendment to establish a clear definition for “low alcohol by volume spirits beverages.” Under the current tax structure, spirits-based ready-to-drink (RTD) beverages are taxed as if their entire volume is pure alcohol, while beer- and wine-based equivalents benefit from a significantly lower tax rate. This discrepancy results in an excessive $13 per case tax burden on local producers, compared to just $2 per case for similar beverages. The impact has been clear: while distilleries are growing statewide, only two locally produced spirits-based RTDs exist today.

To address this inequity, I respectfully request the following amendment to HB939:

"Low alcohol by volume spirits beverage" means any alcoholic beverage containing no more than five percent alcohol by volume, including distilled spirits mixed with non-alcohol and alcohol components."

This revision ensures consistency with existing “cooler beverage” classifications, promoting fairness, regulatory clarity, and industry growth.

I urge the committee to support HB939 with this amendment to modernize Hawai‘i’s tax code and create a more equitable marketplace for local producers.

Mahalo for your time and consideration.

Kati Conant
Co-Founder, Napali Brewing Company
Kaua‘i, Hawai‘i

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

Hearing Date: Wednesday, April 2, 2025
Time: 10:01 AM
Place: Conference Room 211, State Capitol, 415 South Beretania Street
Committee On Ways And Means

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

I write in **support** of H.B. 939 H.D. 1 S.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 S.D. 1.

Mahalo for your time and consideration.

Sincerely,

Justin Guerber

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

info@beerlabhi.com
www.beerlabhi.com

February 2, 2025

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Support with Amendments of HB939: Definition of low Alcohol by Volume Spirits Beverage

Dear, Dela Cruz and Vice Chair Morwaki,

I am submitting testimony in strong support of HB939 with amendments to define the category of low alcohol by volume spirits beverages.

Why This Change Is Necessary

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.

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 tax law has severely hindered the growth of Hawaii's local distilleries. Today, there is only one locally produced spirits-based RTD beverage despite the increasing number of distilleries statewide.

Proposed Amendment

To modernize HRS 244D and align it with todays industry landscape, we respectfully request the following amendment to HB939 and give our local distillers a chance to complete with the mainland manufacturers.

I appreciate the opportunity to submit this testimony and urge you to support HB939 with the proposed amendment.

Nicolas Wong
Founder/Owner
Beer Lab HI
nicolas@beerlabhi.com
8085427015

JOHNSON BROTHERS
· SINCE 1953 ·

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Wednesday, April 2, 2025

Testimony in support of HB939

Good morning, Chair Dela Cruz, Vice Chari Moriwaki, and Members of the Committees:

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 7% ABV or less. The tax rate for these products will be .93 cents per gallon for products containing 7%

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 7% ABV is limiting in that it will not capture many spirit-based RTDs that range from more than 7% 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.

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Thomas Kerns
President / Brewmaster
Big Island Brewhaus

Attn:

Senate Ways & Means Committee;

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

Aloha Ways & Means 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% alv/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 Senate Committee on Ways & Means 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

April 2, 2025

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Re: **Strong Support HB939 HD1 SD1 w/Amendments**: Definition of "low alcohol by volume spirits beverage", increase production limits of Small Producers.

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.

Today, I submit testimony in **strong support of HB939 HD1 SD1 with amendments** to define the category of “low alcohol by volume spirits beverages” and increase production limits that unfairly plague small producers in Hawai’i.

As the outgoing Chair of the Brewers Association Board of Directors, I can speak to what we see nationwide: states that impose fewer restrictions on production see greater economic benefits. The more local producers can make, the more ingredients they source from local farms, the more people they employ, and the more tax revenue they generate for the state.

Frankly, as I write this testimony, I keep asking myself: “Why does a limit exist on how much beer a local brewer can brew?” In all my years advocating for this industry, I’ve never received a satisfactory answer. The only response I’ve ever heard is: “That’s just the way it’s always been.” That is not a valid reason to restrict economic growth and opportunity.

I submit the following amendment to HB939 HD1 SD1 amending HRS 281:

SECTION 2. Section 281-31, Hawaii Revised Statutes, is amended by amending subsection (r) to read as follows:

"(r) Class 18. Small craft producer pub license. A small craft producer pub licensee:

(1) Shall manufacture not more than:

(A) [~~Seventy~~] <u>Two hundred fifty</u> thousand barrels of malt beverages; and

(B) [~~Twenty~~] One Hundred thousand barrels of wine; and
(C) [~~Seven~~] Seventy Five thousand [~~five hundred~~] barrels of alcohol,

on the licensee's premises during the license year; provided that for purposes of this paragraph, "barrel" means a container not exceeding thirty-one gallons or wine gallons of liquor;"

This would address, for now, the limitations unreasonably placed on small manufacturers in our State.

Additionally, 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 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 a lower tax rate on diluted lower abv wine, the testimony given is protectionist and self-serving.

This bill would modernize existing HRS 244D definitions mirroring the "cooler beverages" definition currently in place, providing clarity, consistency, and fairness in the tax structure.

HB939 HD1 SD1 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 SD1 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,

Garrett W. Marrero
Hawaiian Craft Brewers Guild
Past President