

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair;
and Members of the Senate Committee on Commerce and Consumer Protection

From: Isaac W. Choy, Director
Department of Taxation

Date: February 11, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 1354, Relating to Intoxicating Liquor

The Department of Taxation (Department) provides the following comments on S.B. 1354 for your consideration.

S.B. 1354 expands the definition of "cooler beverage" to include beverages with less than seven percent alcohol by volume that contain distilled spirits and added blending materials. S.B. 1354 is effective July 1, 2021.

The Department notes that it can administer this measure as currently drafted. Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Broaden Definition of Cooler Beverage

BILL NUMBER: SB 1354

INTRODUCED BY: WAKAI, CHANG, MISALUCHA, Kidani, Riviere, San Buenaventura, Shimabukuro

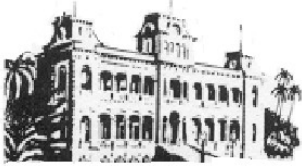
EXECUTIVE SUMMARY: Expands the definition of "cooler beverage" to include certain spirits-based beverages that contain seven percent or less alcohol by volume.

SYNOPSIS: Amends section 244D-1, HRS, to include within the definition of "cooler beverage" for liquor tax purposes: "Spirit beverage cooler containing distilled spirits and added natural or artificial blending material, such as fruit juices, flavors, flavorings, colorings, or preservatives, and that contains seven per cent or less of alcohol by volume."

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: The apparent purpose of the bill is to allow low-alcohol seltzer beverages to qualify for the lower tax rate (\$0.85 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 2/6/2021



THE LEGISLATIVE CENTER

1188 BISHOP STREET, SUITE 1003
HONOLULU, HAWAII 96813-3304
PHONE: (808) 537-4308 • FAX: (808)533-2739

TLC

February 11, 2021

Testimony To: Senate Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies

Subject: S.B. 1354 – RELATING TO INTOXICATING LIQUOR

Chair Baker and Members of the Committee:

I am Tim Lyons, Legislative Liaison for Anheuser Busch Companies and we are in opposition to this bill.

It is difficult to tell by just reading this bill however, its effect is to drastically lower the excise tax placed on what we call "booze coolers." These are liquor products that have juices and alcohol mixed together, premixed cocktails, if you will, similar to a wine cooler, except it uses liquor. You may know them as Mike's Hard Lemonade or Sex on the Beach or a Bacardi Rum Punch.

What this bill is trying to tell you is that a cooler beverage is a cooler beverage. We disagree. We think that beer is beer and wine is wine and booze is booze. It was not the

State of Hawaii but the federal government that originally came up with a tiered tax system which increases its taxes as the percent of alcohol rises. This was meant to place a higher tax on higher liquored drinks. What this bill really does is lower the tax on these "booze coolers" by 86%, from \$5.98 per wine gallon to \$.85 per wine gallon. To that decrease, we object as it is even lower than the beer tax rate! So, we are really confused as this Committee passed out a liquor tax increase with S.B. 1232 but this bill contemplates a singular liquor tax decrease!

We believe it was a good policy decision that both the federal government and the state government made when enacting liquor taxes, to provide for a higher tax for higher alcoholic drinks. It doesn't matter what the product is, a type of cooler or a mixed drink; what matters is that you are taking distilled liquor as a product and mixing it; to give that a lower tax rate is not appropriate.

The legal classification of alcoholic beverages by their product base is fundamental to liquor taxation. Alcoholic content has not been a factor in the laws governing the beverage alcohol industry in the United States, and if moderation and temperance are the goals, alcohol type, and not alcohol content, should continue to be the classification basis for determining taxes

Studies have shown that while beer ranges from 4.2-4.8% alcohol, wine ranges from .05% to 24% and distilled liquor goes from 40% to 151%. The cooler beverage tax rate

was allowed for lower alcoholic drinks and the Spirits Industry responded with a brand made with malt so they could get in this category. They do not need this tax reduction too.

Finally, we would be deviating from federal law which defines distilled spirits as including “all dilutions and mixtures thereof” (U.S.C. Title 27, Chapter 8, Subchapter I, Section 211. Miscellaneous Provisions, Definitions).

Based on the above, we do not support this bill.

Thank you.