

STAND. COM. REP. NO.

**3572**

Honolulu, Hawaii

**APR 06 2018**

RE: H.B. No. 2656  
H.D. 2  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2656, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an income tax credit for small craft beer producers.

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism; Chamber of Commerce Hawaii; Kauai Beer Company; Kauai Island Brewing Company; Beer Lab HI; Lanikai Brewing Company; Big Island Brewhaus; Maui Brewing Co.; Homebrew in Paradise, LLC; Broken Boundary Brewery, LLC; Waikiki Brewing Company; Hawaiian Craft Brewers Guild; and Oahu County Committee on Legislative Priorities of the Democratic Party of Hawaii.

Your Committee received written comments in opposition to this measure from Hawaii Partnership to Prevent Underage Drinking; Kona Brewing Company; Hawaii Alcohol Policy Alliance; and two individuals.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.



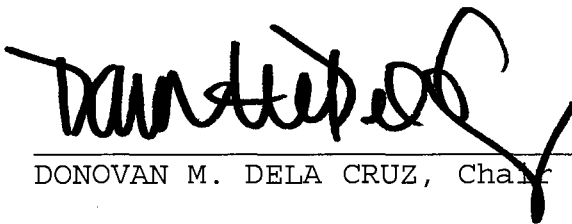
Your Committee notes the Department of Taxation's position that it is able to implement this measure with current applicability to taxable years beginning after December 31, 2018. This will allow the Department of Taxation sufficient time to make the necessary form and computer system changes. Your Committee further notes that, according to the Department of Business, Economic Development, and Tourism, implementation of the process to monitor and certify the tax credit, at a minimum, would cost \$50,000 on a recurring basis.

Your Committee has amended this measure by:

- (1) Clarifying that, in the case of pass-through entities, distribution and share of the tax credit shall be determined in accordance with section 704(b) of the Internal Revenue Code;
- (2) Expanding the types of liquor licenses that qualify a taxpayer to claim the tax credit; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2656, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2656, H.D. 2, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



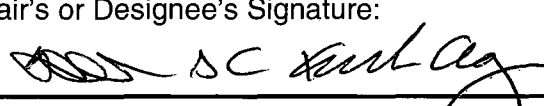
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DONOVAN M. DELA CRUZ, Chair



The Senate  
Twenty-Ninth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>HB2656 HDZ SDI</b>	Committee Referral: <b>ETT, WAM</b>	Date: <b>3/29/18</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X			
HARIMOTO, Breene				X
INOUYE, Lorraine R.		X		
KAHELE, Kaiali'i	X			
KIDANI, Michelle N.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
<b>TOTAL</b>	<b>9</b>	<b>1</b>		<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes