A BILL FOR AN ACT

RELATING TO INTOXICATING LIQUOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

SECTION 1. The legislature finds that under the current definition of "cooler beverage", the relevant tax rate is only applicable to wine-based or beer-based beverages, while beverages that are spirits-based are taxed as distilled spirits. Consequently, if a local distiller wants to make a "cooler beverage" that contains one ounce of distilled spirits and eleven ounces of another liquid, the beverage is taxed as if it consists entirely of alcohol. Although several companies on the mainland export small volumes of ready-to-drink cocktails in cans or bottles, none of the growing number of local distilleries offer this option. The disparate tax treatment may be the primary reason.

Accordingly, the purpose of this part is to amend the definition of "cooler beverage" to include spirits-based beverages, to encourage local distilleries to produce ready-to-drink cocktails.
SECTION 2. Section 244D-1, Hawaii Revised Statutes, is amended by amending the definition of "cooler beverage" to read as follows:

"Cooler beverage" means [either] a:

(1) Wine cooler containing wine and more than fifteen per cent added natural or artificial blending material, such as fruit juices, flavors, flavorings, or adjuncts, water (plain, carbonated, or sparkling), colorings, or preservatives, and that contains less than seven per cent of alcohol by volume; [or]

(2) Malt beverage cooler containing beer and added natural or artificial blending material, such as fruit juices, flavors, flavorings, colorings, or preservatives, and that contains less than seven per cent of alcohol by volume; [or]

(3) 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 less than seven per cent of alcohol by volume."
PART II

SECTION 3. The legislature finds that the current taxation scheme on beer is punitive and burdensome for small brewers and hinders their sustainability and growth. Small brewers operate on a much different economic scale than larger brewing companies, and tax rates should take these differences into account.

Accordingly, the purpose of this part is to create a more equitable taxation scheme by establishing a separate tax rate on beer for small craft producer pubs.

SECTION 4. Section 244D-4, Hawaii Revised Statutes, is amended to read as follows:

"§244D-4 Tax; limitations. (a) Every person who sells or uses any liquor in the State not taxable under this chapter, in respect of the transaction by which the person or the person's vendor acquired the liquor, shall pay a gallonage tax [which] that is hereby imposed at the following rates for the various liquor categories defined in section 244D-1:

For the period July 1, 1997, to June 30, 1998, the tax rates shall be:

(1) $5.92 per wine gallon on distilled spirits;
1 (2) $2.09 per wine gallon on sparkling wine;
2 (3) $1.36 per wine gallon on still wine;
3 (4) $0.84 per wine gallon on cooler beverages;
4 (5) $0.92 per wine gallon on beer other than draft beer;

and

6 (6) $0.53 per wine gallon on draft beer[τ].

[On] (b) Notwithstanding the tax rates established in
subsection (a), on July 1, 1998, and thereafter, the tax rate shall be:

(1) $5.98 per wine gallon on distilled spirits;
(2) $2.12 per wine gallon on sparkling wine;
(3) $1.38 per wine gallon on still wine;
(4) $0.85 per wine gallon on cooler beverages;
(5) $0.93 per wine gallon on beer other than draft beer;

provided that the tax rate for small craft producer pubs shall be $0.35 per wine gallon on beer other than draft beer; and

(6) $0.54 per wine gallon on draft beer[τ]; provided that
the tax rate for small craft producer pubs shall be
$0.35 per wine gallon on draft beer.
(c) The tax levied pursuant to subsection (a) or (b) shall be paid only once upon the same liquor; provided further that the tax shall not apply to:

1. Liquor held for sale by a permittee but not yet sold;
2. Liquor sold by one permittee to another permittee;
3. Liquor under the Constitution and laws of the United States cannot be legally subjected to the tax imposed by this chapter so long as and to the extent to which the State is without power to impose the tax;
4. Liquor sold for sacramental purposes or the use of liquor for sacramental purposes, or any liquor imported pursuant to section 281-33;
5. Alcohol sold pursuant to section 281-37 to a person holding a purchase permit or prescription therefor, or any sale or use of alcohol, so purchased, for other than beverage purposes.

(d) As used in this section, "small craft producer pub" means a small craft producer pub granted a license by the liquor commission pursuant to section 281-31(r)."
SECTION 5. Sections 244D-6 and 244D-9, Hawaii Revised Statutes, are amended by substituting the term "section 244D-4" wherever the term "section 244D-4(a)" appears, as the context requires.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2112; provided that the tax rates established in section 4 of this Act shall apply on July 1, 2020.
Report Title:
Liquor Tax; Cooler Beverages; Small Craft Producer Pubs

Description:
Includes certain spirits-based beverages in the definition of cooler beverage. Establishes a separate tax rate for beer for small craft producer pubs. Takes effect on 7/1/2112. (HD1)

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