

JAN 18 2019

A BILL FOR AN ACT

RELATING TO INTOXICATING LIQUOR.

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

1 PART I

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

14 The purpose of this part is to amend the definition of
15 "cooler beverage" to include spirits-based beverages, to
16 encourage local distilleries to produce ready-to-drink
17 cocktails.



1 SECTION 2. Section 244D-1, Hawaii Revised Statutes, is
2 amended by amending the definition of "cooler beverage" to read
3 as follows:

4 "Cooler beverage" means ~~either~~ a:

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

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

16 (3) Spirit beverage cooler containing distilled spirits
17 and added natural or artificial blending material,
18 such as fruit juices, flavors, flavorings, colorings,
19 or preservatives, and that contains less than twelve
20 per cent of alcohol by volume."



1 PART II

2 SECTION 3. The legislature finds that the current taxation
3 scheme on beer is confusing and burdensome. A lower tax rate is
4 imposed on draft beer, which is statutorily defined as beer in
5 an individual container of seven gallons or larger. However,
6 the container size requirement does not align with industry
7 practices. Many beer sellers, including many local small
8 brewers, dispense what is commonly referred to as draft beer
9 from containers smaller than seven gallons.

10 The legislature further finds that the higher tax rate
11 applied to non-draft beer discourages the business of local
12 brewers, who may be unable to distribute in larger containers or
13 who may benefit from individually packaging their beer.

14 The purpose of this part is to eliminate the tax disparity
15 between beer dispensed from containers of seven gallons or more
16 and beer in all other packaging.

17 SECTION 4. Section 244D-1, Hawaii Revised Statutes, is
18 amended as follows:

19 1. By amending the definition of "distilled spirits" to
20 read:



1 "Distilled spirits" means an alcoholic beverage obtained
2 by the distillation of fermented agricultural products, and
3 includes alcohol for beverage use, spirits of wine, whiskey,
4 rum, brandy, and gin, including all dilutions and mixtures
5 thereof, but does not include beer, [~~draft beer~~], cooler
6 beverage, or wine."

7 2. By amending the definition of "liquor" to read:

8 "\"Liquor\" has the same meaning as set forth in section
9 281-1 and includes alcohol, and the liquor categories: beer,
10 [~~draft beer~~], cooler beverage, distilled spirits, and wine."

11 3. By repealing the definition of "draft beer".

12 [~~"\"Draft beer\" means beer in an individual container of
13 seven gallons or more.\"~~]

14 SECTION 5. Section 244D-4, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) Every person who sells or uses any liquor in the
17 State not taxable under this chapter, in respect of the
18 transaction by which the person or the person's vendor acquired
19 the liquor, shall pay a gallonage tax which is hereby imposed at
20 the following rates for the various liquor categories defined in
21 section 244D-1:



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

- 3 (1) \$5.92 per wine gallon on distilled spirits;
- 4 (2) \$2.09 per wine gallon on sparkling wine;
- 5 (3) \$1.36 per wine gallon on still wine;
- 6 (4) \$0.84 per wine gallon on cooler beverages;
- 7 (5) \$0.92 per wine gallon on beer other than draft beer;
- 8 and

9 (6) \$0.53 per wine gallon on draft beer;

10 ~~[On]~~ For the period July 1, 1998, [and thereafter,] to
11 June 30, 2019, the tax rate shall be:

- 12 (1) \$5.98 per wine gallon on distilled spirits;
- 13 (2) \$2.12 per wine gallon on sparkling wine;
- 14 (3) \$1.38 per wine gallon on still wine;
- 15 (4) \$0.85 per wine gallon on cooler beverages;
- 16 (5) \$0.93 per wine gallon on beer other than draft beer;
- 17 and
- 18 (6) \$0.54 per wine gallon on draft beer;

19 For the period July 1, 2019, and thereafter, the tax rate
20 shall be:

- 21 (1) \$5.98 per wine gallon on distilled spirits;



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- 1 (2) \$2.12 per wine gallon on sparkling wine;
- 2 (3) \$1.38 per wine gallon on still wine;
- 3 (4) \$0.85 per wine gallon on cooler beverages; and
- 4 (5) \$0.54 per wine gallon on beer;

5 and at a proportionate rate for any other quantity so sold or
6 used."

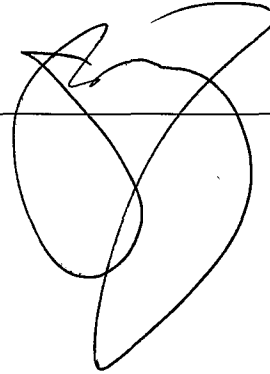
PART III

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

10 SECTION 7. This Act shall take effect on July 1, 2019.

11

INTRODUCED BY: _____

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S.B. NO. 1006

Report Title:

Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

Description:

Includes certain spirits-based beverages in the definition of cooler beverage. Repeals definition of draft beer. Applies the same tax rate to all beer.

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