

STAND. COM. REP. NO.

1165

Honolulu, Hawaii

MAR 25 2021

RE: H.B. No. 137  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 137, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LIQUOR,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Provide that violations of liquor tax law shall be referred to the Director of Taxation for investigation;
- (2) Repeal the general right of inspection without a warrant for potential violations of liquor tax law;
- (3) Repeal the discretionary power of the county liquor commissions to deny a license to any person the commission finds is not fit and proper to hold a license;
- (4) Require applications for liquor licenses to be notarized;
- (5) Provide the administrator of the county liquor commissions discretion over whether to refer applications for investigation; and



- (6) Repeal the requirement that investigative reports to the county liquor commissions include any and all matters that are relevant to the application or license in the judgment of the investigator.

Your Committee received testimony in support of this measure from the City and County of Honolulu Liquor Commission, Beer Lab HI, Hawaiian Craft Brewers Guild, and one individual. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that liquor commission investigators do not have the expertise to competently investigate tax law, nor do they have training in forensic accounting. Further, certain existing laws regarding liquor licensing processes are arbitrary, contrary to other provisions in state law, and can be overly burdensome. Additionally, the term "fit and proper" can be construed as vague and determining whether a person should be disqualified from holding a liquor license should be based on clear and articulable facts and standards as presently outlined in statute, rather than an investigator's subjective opinion. This measure streamlines the licensing process to clarify the Department of Taxation's role, and removes undefined, arbitrary, and capricious language while retaining adequate safeguards and community considerations.

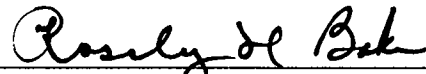
Your Committee has amended this measure by:

- (1) Clarifying that county liquor commissions may grant a license to a corporation that has been convicted of a felony where the commission finds that the corporation's officers and shareholders of twenty-five per cent or more of outstanding stock meet the statutory requirements to hold a license;
- (2) Inserting an effective date of January 5, 2022; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 137, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 137, H.D. 1, S.D. 1, and be referred to your Committees on Judiciary and Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



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ROSALYN H. BAKER, Chair



