
A BILL FOR AN ACT

RELATING TO LIQUOR LICENSES.

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

1 SECTION 1. Section 281-41, Hawaii Revised Statutes, is
2 amended as follows:
3 1. By amending subsection (e) to read:
4 "(e) Where a license is held by a partnership, limited
5 partnership, or limited liability partnership, [~~or a limited~~
6 ~~liability company,~~] the admission or withdrawal of a partner,
7 limited partner, or partner of a limited liability partnership [~~,~~
8 ~~member of a member managed limited liability company, or manager~~
9 ~~of a manager managed limited liability company]~~ shall not be
10 deemed a transfer of the license; provided that the licensee
11 shall, within thirty days from the date of the admission or
12 withdrawal, so notify the commission in writing, stating the
13 name of the partner, [~~member, or manager,~~] limited partner, or
14 partner of a limited liability partnership who has been admitted
15 or withdrawn, and any other information as may be required by
16 the commission. If the commission finds that the partner or
17 limited partner for whom notification is required as specified



1 in this subsection does not meet statutory requirements to hold
2 a license in the partner's or limited partner's own right
3 pursuant to section 281-45, it may, in its discretion, revoke
4 the license or suspend the license until the partner or limited
5 partner is removed or replaced by a partner or limited partner
6 who meets the statutory requirements to hold a license pursuant
7 to section 281-45."

8 2. By amending subsections (h) and (i) to read:
9 "(h) If any licensee without prior approval, approval of a
10 temporary license, or approval of a management agreement
11 transfers to any other person the licensee's business for which
12 the licensee's license was issued, either openly or under any
13 undisclosed arrangement, whereby any person, other than the
14 licensee, comes into exclusive possession or control of the
15 business or takes in any partner or associate who would [be
16 ~~unfit or improper~~ not meet statutory requirements to hold a
17 license pursuant to section 281-45, the commission may in its
18 discretion suspend or cancel the license. For purposes of this
19 subsection, "management agreement" means a written agreement
20 under which a licensee allows a manager to manage and operate
21 the licensee's business on behalf of the licensee.



1 (i) If the licensee is a corporation[7] or limited
2 liability company, a change in ownership of any outstanding
3 capital stock or membership interest shall not be deemed a
4 transfer of a license; provided that, in the case of a change in
5 ownership of twenty-five per cent or more of the voting capital
6 stock or membership interest or in the case of change in
7 ownership of any number of shares of the stock or membership
8 interest that results in the transferee thereof becoming the
9 owner of twenty-five per cent or more of the outstanding voting
10 capital stock[7] or membership interest, the corporate or
11 limited liability company licensee shall, within thirty days of
12 the date of the transfer, apply for the approval of the transfer
13 from the commission in writing. If the commission finds that
14 the transferee [~~is an unfit or improper person~~] does not meet
15 statutory requirements to hold a license in the transferee's own
16 right pursuant to section 281-45, it shall not approve the
17 transfer. If any transfer is made without the approval of the
18 commission, the commission may in its discretion revoke or
19 suspend the license until it determines that the transferee [~~is~~
20 ~~a fit and proper person,~~] meets the statutory requirements to
21 hold a license, and if the commission finds that the transferee



1 ~~[is not a fit and proper person,]~~ does not meet the statutory
2 requirements to hold a license, until a retransfer or new
3 transfer of the capital stock or membership interest is made to
4 a ~~[fit and proper]~~ person who meets the statutory requirements
5 to hold a license pursuant to section 281-45. In addition, the
6 corporate or limited liability company licensee, if not a
7 publicly-traded company, or an entity ultimately solely owned by
8 a publicly-traded company, shall, within thirty days from the
9 date of election or admission of any officer ~~[or]~~, director,
10 manager, or member, notify the commission in writing of the
11 name, age, and place of residence of the officer ~~[or]~~,
12 director~~[-]~~, manager, or member, and any other information as
13 may be required by the commission. A publicly-traded
14 corporation or limited liability company, or ~~[an entity]~~ a
15 corporation or limited liability company ultimately solely owned
16 by a publicly-traded company, shall, within thirty days from the
17 date of election or admission of any replacement of an officer,
18 director, manager, or member designated as a primary decision-
19 maker regarding the purchase and sale of liquor, notify the
20 commission in writing of the name, age, and place of residence
21 of the officer~~[-]~~, director, manager, or member. If the



1 commission finds that the [~~transferee,~~] officer, [~~or~~] director,
2 manager, or member for whom notification is required to be given
3 as specified in this subsection, [~~is an unfit or improper~~
4 ~~person~~] does not meet statutory requirements to hold a license
5 in the [~~transferee's,~~] officer's, [~~or~~] director's, manager's, or
6 member's own right pursuant to section 281-45, it may in its
7 discretion revoke the license or suspend the license until [a
8 ~~retransfer or new transfer of the capital stock is effected to a~~
9 ~~fit or proper person pursuant to section 281-45 or until the~~
10 ~~unfit or improper transferee,~~] the officer, [~~or~~] director,
11 manager, or member is removed or replaced by a [~~fit and proper~~]
12 person who meets statutory requirements to hold a license
13 pursuant to section 281-45."

14 3. By amending subsections (k) and (l) to read:

15 "(k) The conversion of an entity into any other form of
16 entity or the merger of any entity with any other entity shall
17 not be deemed a transfer of the license; provided that the
18 licensee, [~~prior to the date~~] within thirty days of the
19 conversion or merger, shall apply for and secure the approval of
20 the commission without any requirement for publication of
21 notice. The foregoing shall not preclude compliance with



1 subsection (e) upon a change in any of the partners [~~e~~
2 ~~members,~~] or with subsection (i) upon change of any
3 shareholders, officers, [~~e~~] directors, managers, or members of
4 any entity occurring concurrently with a conversion or merger.

5 As used in this subsection, "entity" means a corporation,
6 partnership, limited partnership, limited liability partnership,
7 or limited liability company.

8 (1) Any officer [~~e~~], director, partner, limited partner,
9 manager, or member not designated as a primary decision-maker
10 shall be prohibited from coercing, pressuring, or otherwise
11 unduly influencing the decision of a designated primary
12 decision-maker to engage in any unlawful activity relating to
13 the purchase and sale of liquor. If the commission finds that
14 coercion, pressure, or other undue influence has been placed on
15 a primary decision-maker by any officer [~~e~~], director, manager,
16 or member who is not a designated primary decision-maker, the
17 commission may in its discretion suspend or cancel the license."

18 SECTION 2. Section 281-45, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§281-45 No license issued, when. No license shall be
21 issued under this chapter:



1 (1) To any minor or to any person who has been convicted
2 of a felony and not pardoned~~[, or to any other person~~
3 ~~not deemed by the commission to be a fit and proper~~
4 ~~person to have a license]~~; provided that the
5 commission may grant a license under this chapter to a
6 corporation or limited liability company that has been
7 convicted of a felony where the commission finds that
8 the corporation's officers ~~[and]~~, directors, and
9 shareholders of twenty-five per cent or more of
10 outstanding stock ~~[are fit and proper persons to have~~
11 ~~a license]~~ meet the statutory requirements to hold a
12 license;

13 (2) To a corporation the officers and directors of which,
14 or any of them, would be disqualified under
15 paragraph (1) from obtaining the license individually,
16 or a stockholder of which, owning or controlling
17 twenty-five per cent or more of the outstanding
18 capital stock, or to a general partnership, limited
19 partnership, limited liability partnership, or limited
20 liability company whose partner or member holding
21 twenty-five per cent or more interest of which, or any



1 of them would be disqualified under paragraph (1) from
2 obtaining the license individually; provided that for
3 publicly-traded corporations and limited liability
4 companies or [entities] corporations or limited
5 liability companies ultimately solely owned by a
6 publicly-traded company, only the officers [~~and~~],
7 directors, managers, or members designated as primary
8 decision-makers shall be considered to determine
9 disqualification under paragraph (1);

- 10 (3) Unless the applicant for a license or a renewal of a
11 license, or in the case of a transfer of a license,
12 both the transferor and the transferee, present to the
13 issuing agency a tax clearance certificate from the
14 department of taxation showing that the applicant or
15 the transferor and transferee do not owe the state
16 government any delinquent taxes, penalties, or
17 interest; or that the applicant, or in the case of a
18 transfer of a license, the transferor or transferee,
19 has entered into an installment plan agreement with
20 the department of taxation for the payment of
21 delinquent taxes in installments and that the



1 applicant is or the transferor or transferee is, in
2 the case of a transfer of a license, complying with
3 the installment plan agreement; provided that when the
4 applicant or the transferor or transferee, in the case
5 of a transfer of a license, is validly challenging a
6 tax assessment, penalty, or other proceeding that
7 prevents the issuance of a signed certificate from the
8 appropriate federal or state tax agency, the
9 commission shall issue a license that is valid for the
10 period of time necessary to resolve the challenge;

11 (4) To an applicant for a class 2, class 4 except for
12 convenience minimarts, class 5, class 6, class 11,
13 class 12, class 13, class 14, class 15, class 17, or
14 class 18 license unless the applicant for issuance of
15 a license or renewal of a license, or in the case of a
16 transfer of a license, both the transferor and the
17 transferee, present to the issuing agency proof of
18 liquor liability insurance coverage in an amount of
19 \$1,000,000; or

20 (5) To any applicant who has had any liquor license
21 revoked less than two years previous to the date of



1 the application for any like or other license under
2 this chapter."

3 SECTION 3. This Act does not affect rights and duties that
4 matured, penalties that were incurred, and proceedings that were
5 begun before its effective date.

6 SECTION 4. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on January 5, 2022.



Report Title:

Liquor Licensing; Transfer of Licenses; Limited Liability
Companies

Description:

Applies liquor licensing provisions related to the transfer of
licenses and the denial of licenses to limited liability
companies. Effective 1/5/2022. (SD1)

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