

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 939 Relating to Alcohol.

BEFORE THE:

House Committee on Consumer Protection & Commerce

DATE: Tuesday, February 4, 2025

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 329

Chair Matayoshi, Vice-Chair Chun, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 939 for your consideration.

H.B. 939 amends section 244D-1, Hawaii Revised Statutes (HRS) by inserting a new definition for “low alcohol by volume spirits beverage” to mean any alcoholic beverage containing no more than five per cent alcohol by volume, including distilled spirits mixed with other nonalcohol or alcohol components.

The bill also amends section 244D-4, HRS, to specify a \$0.85 per wine gallon tax on low alcohol by volume spirits beverages commencing July 1, 2025, and the bill takes effect on the same date.

DOTAX requests that the effective date of the tax and the bill both be amended to January 1, 2026, to allow time to implement its provisions. Thank you for the opportunity to provide comments on this measure.

HB-939

Submitted on: 2/1/2025 12:36:23 PM

Testimony for CPC on 2/4/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Paula Hegele	MAUI WINE, LTD	Support	Written Testimony Only

Comments:

This change is appropriate for a low alcohol beverage and follows industry standards. It also encourages the production and innovation for lower alcohol beverages in our industry.

Paula J. Hegele

Maui Wine, Ltd.



LANIKAI
BREWING CO.

Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

HB939

Aloha members of of the CPC committee,

As a local brewer and distiller located in Kailua Hawaii, I am writing in SUPPORT of HB 939.

The premise of the bill is to carve out a category that already exists and to clarify language. HB939 establishes a “Low Alcohol by volume spirits based beverage” The most common versions of these are made by Truly and White Claw. By establishing this category and relative taxation proposed, this allows locally owned Hawaii manufacturers to compete against low priced imports that are eroding our local manufacturing.

Note that most all language for “low alcohol” supports 7% ABV or less, so I support with amendments to make sure all proposed language is as unified as possible.

Steve Haumschild, MBA

Steven R Haumschild

CEO & Brewmaster, Certified Cicerone®
Lanikai Brewing Company, Lanikai Spirits both Island Inspired™
Brewery/Distillery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 everyday 12p-10p
***Coming soon Brewpub on North Shore of Oahu
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

**Testimony in Support of H.B. 939
Relating to Alcohol**

Hearing Date: Tuesday, February 4, 2025

Time: 2:00 PM

Place: Conference Room 329, State Capitol, 415 South Beretania Street

Committee on Consumer Protection & Commerce

Chair Matayoshi, Vice Chair Chun, and Members of the Committee:

I write in **support** of H.B. 939, which establishes a new tax category for low alcohol by volume (ABV) spirits beverages, aligning tax rates with similar alcoholic products.

This bill is a necessary and fair modernization of Hawaii's liquor tax structure. The growing popularity of low-ABV spirits beverages reflects consumer demand for lighter, lower-alcohol options. However, under current law, these beverages are taxed at the same rate as higher-proof distilled spirits, despite having alcohol content more comparable to beer, wine, and cooler beverages. By creating a distinct category and setting a fair tax rate of \$0.85 per wine gallon, this bill ensures regulatory consistency, supports industry growth, and provides consumers with a wider range of affordable beverage choices.

Additionally, this change will encourage responsible drinking by making lower-alcohol alternatives more accessible. It will also provide clarity to both consumers and businesses while maintaining essential tax revenue for the state.

For these reasons, I respectfully urge the committee to pass H.B. 939.

Mahalo for your time and consideration.

Sincerely,

Justin Guerber

Kauai Beer Company
4265 Rice st
Lihue, HI 96766
justin@kauaibeer.com

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR; New Tax Rate for Low Alcohol by Volume Spirits Beverage

BILL NUMBER: HB 939, SB 641

INTRODUCED BY: HB by TODD, QUINLAN; SB by KEOHOKALO, CHANG, FEVELLA, KIM

EXECUTIVE SUMMARY: Defines “low alcohol by volume spirits beverage.” Establishes a tax on low alcohol by volume spirits beverages at a rate of \$0.85 per wine gallon.

SYNOPSIS: Amends section 244D-1, HRS, adding a definition for “Low alcohol by volume spirits beverage” as any alcoholic beverage containing no more than 5% alcohol by volume. Includes distilled spirits mixed with other ingredients, including both nonalcohol and alcohol components.

Amends section 244D-4, HRS, beginning July 1, 2025, to impose a tax of \$0.85 per wine gallon on Low alcohol by volume spirits beverages.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: The apparent purpose of the bill is to allow seltzer beverages to qualify for a lower tax rate (\$0.85 per wine gallon) for “cooler beverages,” which are now applicable to wine- or beer-based beverages, as opposed to the higher tax rate (\$5.98 per wine gallon) on distilled spirits. Assuming that such beverages have a much lower alcoholic content than distilled spirits, a lower tax rate may be appropriate.

Digested: 2/2/2025



February 3, 2025

[COMMITTEE ON CONSUMER PROTECTION & COMMERCE](#)

Rep. Scot Z. Matayoshi, Chair
Rep. Cory M. Chun, Vice Chair

Re: Support with Amendments of HB939: Definition of low Alcohol by Volume Spirits Beverage

Aloha Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

I am submitting testimony in strong support of HB939 with amendments to define the category of low alcohol by volume spirits beverages

Why this change is necessary

HRS 244D currently applies a cooler beverage tax rate to beer and wine-based beverages, recognizing that these drinks contain a mix of alcohol and non-alcoholic components. However, the statute does not account for low-alcohol, spirits-based beverages.

As a result, locally produced spirits-based ready-to-drink (RTD) beverages are taxed as if their entire volume is alcohol. This means a 12-ounce can with just 1 ounce of spirits and 11 ounces of non-alcoholic mixer is taxed as if it contains 12 ounces of pure spirits.

This outdated structure imposes an excessively high tax burden more than \$13 per case which in many cases exceeds production costs. Consequently, it has severely hindered the growth of Hawaii's local distilleries. Today, there is only one locally produced spirits-based RTD beverage despite the increasing number of distilleries statewide.

Proposed Amendment

To modernize HRS 244D and align it with today's industry landscape, we respectfully request the following amendment to HB939:

Low alcohol by volume spirits beverage means any alcoholic beverage containing no more than seven five per cent alcohol by volume. Low alcohol by volume spirits beverage includes distilled spirits mixed with other ingredients, including both non-alcoholic and alcoholic components

This definition mirrors the existing cooler beverages classification, providing clarity, consistency, and fairness in the tax structure.

Conclusion

HB939 is a practical and necessary update that will:

- Encourage local distillery growth

Brewery Location: 4350 Waialo Rd, Port Allen, HI 96705 Saloon and Whiskey Bar 5460 Koloa, HI 97656

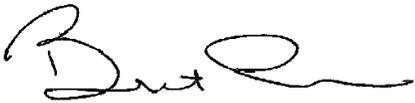
Mailing Address: PO Box 215, Elele, HI 96705

www.kauaiislandbrewing.com

- Boost Hawaii's craft beverage industry and economy
- Ensure our laws reflect modern consumer expectations

I appreciate the opportunity to submit this testimony and urge you to support HB939 with the proposed amendment.

Mahalo,

A handwritten signature in black ink, appearing to read "Bret Larson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bret Larson
Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com



February 3, 2025

[COMMITTEE ON CONSUMER PROTECTION & COMMERCE](#)

Rep. Scot Z. Matayoshi, Chair

Rep. Cory M. Chun, Vice Chair

Re: **Support with Amendment** of HB939: Definition of "low alcohol by volume spirits beverage".

Aloha Chair, Vice Chair, and Members of the Committee,

My name is Garrett W. Marrero, and I live in Kihei, Hawai'i. I am the CEO and Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. We distribute our beverages across Hawai'i, 26 states, and 2 countries. Since our founding in 2005, we have grown from 26 team members to over 400 statewide.

This past week marks 20 years since we opened our doors. Over this time, I have worked closely with many Representatives and Senators to support common-sense legislation that strengthens Hawai'i's beverage industry. As a result, more than 40 new businesses have entered the market, benefiting from a modernized legal framework that fosters small and independent entrepreneurs while keeping Hawai'i aligned with industry advancements.

Today, I submit testimony in **strong support of HB939 with amendment** to define the category of "low alcohol by volume spirits beverages."

HRS 244D currently applies a "cooler beverage" tax rate to beer- and wine-based beverages, recognizing that these drinks contain a mix of alcohol and non-alcoholic components. However, the statute does not account for low-alcohol, spirits-based beverages.

As a result, locally produced spirits-based ready-to-drink (RTD) beverages are taxed as if their entire volume is alcohol. This means a 12-ounce can with just 1 ounce of spirits and 11 ounces of non-alcoholic mixer is taxed as if it contains 12 ounces of pure spirits.

This outdated structure imposes an excessively high tax burden—more than \$13 per case—which in many cases exceeds production costs. This is in stark contrast to beverages of the same abv made from beer and wine bases, currently "cooler beverages" are taxed at approximately \$2 per case. Consequently, it has severely hindered the growth of Hawai'i's local distilleries. Today, there are only two locally produced spirits-based RTD beverage despite the increasing number of distilleries statewide.

To modernize HRS 244D and align it with today's industry landscape, we respectfully request the following amendment to HB939:

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

"Low alcohol by volume spirits beverage" means any alcoholic beverage containing no more than seven ~~five~~ per cent alcohol by volume. "Low alcohol by volume spirits beverage" includes distilled spirits mixed with other ingredients, including both nonalcohol and alcohol components."

This definition mirrors the existing "cooler beverages" definition currently in place, providing clarity, consistency, and fairness in the tax structure.

HB939 is a practical and necessary update that will:

- Encourage local distillery growth
- Boost Hawai'i's craft beverage industry and economy
- Ensure our laws reflect modern consumer expectations

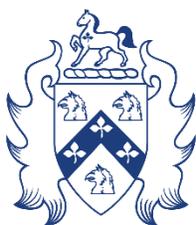
I appreciate the opportunity to submit this testimony and urge you to support HB939 with the proposed amendment. Please feel free to reach out with any questions or further discussion—I remain committed to serving our State.

Mahalo for your time and consideration!

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', with a long, sweeping flourish extending to the right.

Garrett W. Marrero
CEO/Founder



JOHNSON BROTHERS

• SINCE 1953 •

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Cory M. Chun, Vice Chair

Tuesday, February 4, 2025

Testimony in support of HB939

Good morning, Chair Matayoshi, Vice Chari Chun, and Members of the Committees:

My Name is Dwayne Kratt. I offer testimony on behalf of Johnson Brothers of Hawaii. Johnson Brothers of Hawaii has been in operation in Hawaii since 1988. We employ more than 130 team members with distribution facilities on Oahu, Maui, Kauai, and the Big Island. These locations also serve our customers on the islands of Molokai and Lanai. Additionally, our state-of-the-art Hawaii headquarters is in Kapolei.

HB939 would reform the tax rate on low-proof spirit based alcohol beverages so that the tax rate is fairer and more equitable when compared to like products with similar levels of alcohol. This legislation is narrowly written as it would only lower the tax on these spirit-based products that are 5% ABV or less.

Currently, spirits based low-proof, ready-to-drink beverages are taxed at a rate of \$5.98 a gallon. This tax rate is:

- 6 times higher than malt beverages with similar alcohol by volume or ABV which is taxed at .93 gallon.
- 11 times higher per gallon than draft malt beverages taxed at .54 cents per gallon.
- And 7 times higher than the wine cooler rate of .85 per gallon.

This dramatic tax difference on products with roughly the same amount of alcohol by volume creates an unfair marketplace especially when these products generally compete against malt or sugar-based seltzers that are taxed at the much lower beer rate.

In response, this legislation creates a new spirit-based category for alcohol beverages containing spirits at 5% ABV or less. The tax rate for these products will be .85 cents per gallon for products containing 5%

ABV or less. This tax rate is the same as the current tax rate on cooler beverages which generally contains the same amount of alcohol by volume.

Do we believe this legislation will cost Hawaii tax revenue?

No, we don't. First, the narrow definition of legislation at 5% ABV is limiting in that it will not capture many spirit-based RTDs that range from more than 5% ABV up to 12.5%. Second, and more significant, sales of these spirit based RTDs compete against malt or sugar-based seltzers and are priced at retail at a more premium price. This means as consumers switch to these spirit based cocktails, we believe increment sales taxes will be generated through the sale of these products. Bottom line, this amendment will not cause a net decrease in alcohol excise taxes or sales taxes generated by sales of these products and in fact, it is quite possible there will be a modest increase in total alcohol beverage excise tax and sales tax generation.

Is this proposal outside the norm of what other states are doing?

The answer to this question is also no. In 25 states, these low alcohol spirit-based products are taxed at a lower rate than compared to "full proof spirits" which are generally 40% ABV.

But what about spirits always being taxed at a higher rate than malt beverages?

While in a vacuum there is truth to this sentiment as the original "thought leaders" who shaped Post Prohibition America certainly advocated for higher taxes on spirits versus malt beverages. However, the rationale behind this policy preference was driven by the fact that distilled spirits contain more alcohol by volume (ABV) than malt beverages. In fact, it is fair to assume that these policy makers would have proposed a lower tax rate for low ABV spirits if these products were in existence at that time as they also advocated for higher tax rates for higher ABV "strong beer" (See Toward Liquor Control – Suggested Method of Computation of Liquor Taxes – Illustrative Rates Per Gallon)

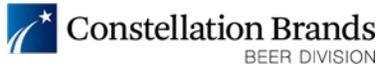
Bottom line is alcohol is alcohol — it doesn't matter if the alcohol is derived from brewing, fermentation, or distilling. The common metric here is alcohol by volume. When the ABV is roughly the same, it doesn't matter if the product is a beer, a wine, or a spirit. Anyone who suggests otherwise is incorrect.

In conclusion, we are simply asking for more equitable treatment for similar products. It is for these reasons that we ask you to pass HB939. Thank you for your consideration.

Dwayne Kratt - Johnson Brothers of Hawaii, Inc.



BOSTON BEER co.
• ESTD. 1984 •



February 3, 2025

Chairman Scot Matayoshi & Members of the Consumer Protection & Commerce Committee
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chairman Matayoshi & Members of the Consumer Protection & Commerce Committee:

Today, we write to oppose H.B. 939, a proposal that would provide a tax break to distilled beverages by creating a new category of “low alcohol by volume spirits beverages” with an excise tax rate lower than beer. We represent brewers, beer importers, and wholesalers of all sizes in Hawaii. Our members produce beer products – as well as some of the country’s leading liquor-based canned cocktails.

The beer industry supports a tax and regulatory framework that treats liquor, wine, and beer as clearly distinct categories – rather than being taxed based on alcohol by beverage (ABV). Every state and the federal government has done this since the repeal of Prohibition in 1933, and it is vital to maintain these distinct categories due to the notable differences in how these products are made and consumed. This change would blur the lines between distinctly different alcohol categories. Beer, wine and liquor are not the same, and this legislation would send a confusing message to consumers. It’s also worth noting that 86% of beer has an average alcohol by volume (ABV) of 5% or less

Furthermore, granting these canned cocktails greater market access could prove dangerous in the long run as big liquor companies have already admitted that they see these ready-to-drink canned cocktails as a recruitment tool to get customers interested in higher ABV products, such as a full handle of hard liquor. CEOs of some of the world’s largest liquor producers have confirmed that these new ready-to-drink canned cocktails serve as “[a consumer recruitment vehicle](#)” (Brown-Foreman) and are “[a great way to recruit people into the franchise](#)” (Pernod Ricard).

During the last legislative session, more than a dozen U.S. states rejected proposals similar to H.B. 939 due to concerns about the impact of such legislation. In fact, two separate studies – one by the [Maryland Alcohol and Tobacco Commission \(ATC\)](#) and one by [Public Sector Consultants](#) – show that these types of bills result in lost revenue for states and increased consumer prices. Notably, consumers in Michigan saw a 44 percent increase in prices for hard liquor canned cocktails, while consumers in Nebraska saw a shocking 65 percent increase in prices for hard liquor canned cocktails once their states passed legislation similar to H.B. 939. Further, these two studies found that Michigan and Nebraska lost out on a significant amount of tax revenue once these bills were enacted, with Michigan losing an estimated \$2.6 million and Nebraska losing an estimated \$1.8 million.

If this legislation were enacted, we estimate that about 46 percent of canned cocktails would be reclassified, decreasing vital tax revenue and costing Hawaii nearly \$5 million over 5 years (2026-2030) in lost revenue.

Liquor, wine and beer are different types of alcohol beverages and should be taxed as such. We oppose H.B. 939 and encourage Hawaii to maintain clear tax distinctions between these three categories of alcohol beverages.

Thank you for your consideration on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Crawford". The signature is fluid and cursive, with the first name "Brian" and last name "Crawford" clearly distinguishable.

Brian Crawford
President & CEO



Sally Jefferson
Director, Western States

HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2025

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
February 4, 2025

Testimony in Opposition to HB 939

Chair Matayoshi, Vice Chair Chun and Members of the Committee:

Thank you for the opportunity to provide testimony in **opposition** to HB 939 RELATING TO ALCOHOL which would provide a substantial state tax break to “low alcohol by volume spirits beverages”. Wine Institute is a public policy association representing more than 1,000 California wineries and associate members. California wineries produce 90% of the wine produced in the United States and provide a significant portion of the wine sold in licensed establishments in Hawaii.

We are opposed to this legislation which sharply reduces the gallonage tax rate for spirit-based ready-to-drink products (RTDs) based entirely on alcohol by volume (ABV), without any regard to the method of production and raw material used. If the Legislature wishes to consider reducing taxes on alcohol beverages, it should evaluate the tax rates on all alcohol beverage categories rather than solely providing a special tax break to the fastest growing segment of spirits products.

Wine and distilled spirits are very different beverages in many ways, which is why state and federal excise taxes have treated them differently since the end of prohibition. The federal government (and most states including Hawaii) have controlled and taxed wine, beer and spirits based on two factors: 1) the license of the producer and its raw material (e.g., wineries fermenting grapes, breweries brewing grains and distilleries distilling other natural products), and 2) the ABV of the finished product. The federal government continues to regulate the producer, formula, labeling and containers of all alcohol, and it continues to charge federal excise tax rates based on both factors including taxing spirit RTD products at the same level as distilled spirits, just as most states do as well.

While proponents of these types of bills claim this proposal would benefit Hawaii consumers, recent research has shown the contrary. As shown in the graph below, Public Sector Consultants,

a nonpartisan public policy firm, analyzed pricing trends of hard liquor based ready-to-drink products from 2017-2022 in Michigan and Nebraska to determine if claims of consumer price reductions were accurate after those states lowered tax rates for spirit RTD products. According to their analysis and findings prices **jumped 44%** in Michigan and **65%** in Nebraska. These increases far outpaced inflation and the rapid overall increase in the consumer price index. Despite these claims, consumers are not benefiting from lower prices in either state since taxes were reduced on spirit-based RTDs.

Hard liquor based Ready-to-drink Four-week per Unit Prices, 2017-2022



Source: IRI Multi-Outlet (MULO) and PSC analysis

Public Sector Consultants (PSC) released an examination of spirit-based RTDs and their pricing trends from 2017-2022.12 PSC examined RTD pricing before and after the alcohol excise tax changes in Michigan and Nebraska. The chart above shows prices across the board have remained relatively similar since 2017 even after the alcohol excise tax was lowered in Michigan and Nebraska.

Hard Liquor-based Ready-to-drink Pricing Trends, 2017-2022 – Public Sector Consultants
Ready-to-Drink Alcohol Tax Report, Maryland Alcohol and Tobacco Commission

Additionally, the Maryland Alcohol Beverage Commission released a study in 2023 that included an examination of proponents’ claims that the popularity of spirit RTDs and their sales growth would more than offset state revenue losses as a result of lower tax rates on these products. To date, those claims have not panned out. In looking at Michigan and Nebraska, the Commission determined that those states lost significant tax revenue as a result, with MI losing an estimated \$2.6 million and NE losing an estimated \$1.8 million.

Given our serious concerns, we respectfully urge you to defer action on this legislation. Thank you for the opportunity to comment on HB 939.



BOSTON BEER co.
• ESTD. 1984 •



MARK ANTHONY BRANDS

February 3, 2025

LATE

Chairman Scot Matayoshi & Members of the Consumer Protection & Commerce Committee
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chairman Matayoshi & Members of the Consumer Protection & Commerce Committee:

Today, we write to oppose H.B. 939, a proposal that would provide a tax break to distilled beverages by creating a new category of “low alcohol by volume spirits beverages” with an excise tax rate lower than beer. We represent brewers, beer importers, and wholesalers of all sizes in Hawaii. Our members produce beer products – as well as some of the country’s leading liquor-based canned cocktails.

The beer industry supports a tax and regulatory framework that treats liquor, wine, and beer as clearly distinct categories – rather than being taxed based on alcohol by beverage (ABV). Every state and the federal government has done this since the repeal of Prohibition in 1933, and it is vital to maintain these distinct categories due to the notable differences in how these products are made and consumed. This change would blur the lines between distinctly different alcohol categories. Beer, wine and liquor are not the same, and this legislation would send a confusing message to consumers. It’s also worth noting that 86% of beer has an average alcohol by volume (ABV) of 5% or less

Furthermore, granting these canned cocktails greater market access could prove dangerous in the long run as big liquor companies have already admitted that they see these ready-to-drink canned cocktails as a recruitment tool to get customers interested in higher ABV products, such as a full handle of hard liquor. CEOs of some of the world’s largest liquor producers have confirmed that these new ready-to-drink canned cocktails serve as “[a consumer recruitment vehicle](#)” (Brown-Foreman) and are “[a great way to recruit people into the franchise](#)” (Pernod Ricard).

During the last legislative session, more than a dozen U.S. states rejected proposals similar to H.B. 939 due to concerns about the impact of such legislation. In fact, two separate studies – one by the [Maryland Alcohol and Tobacco Commission \(ATC\)](#) and one by [Public Sector Consultants](#) – show that these types of bills result in lost revenue for states and increased consumer prices. Notably, consumers in Michigan saw a 44 percent increase in prices for hard liquor canned cocktails, while consumers in Nebraska saw a shocking 65 percent increase in prices for hard liquor canned cocktails once their states passed legislation similar to H.B. 939. Further, these two studies found that Michigan and Nebraska lost out on a significant amount of tax revenue once these bills were enacted, with Michigan losing an estimated \$2.6 million and Nebraska losing an estimated \$1.8 million.

If this legislation were enacted, we estimate that about 46 percent of canned cocktails would be reclassified, decreasing vital tax revenue and costing Hawaii nearly \$5 million over 5 years (2026-2030) in lost revenue.

Liquor, wine and beer are different types of alcohol beverages and should be taxed as such. We oppose H.B. 939 and encourage Hawaii to maintain clear tax distinctions between these three categories of alcohol beverages.

Thank you for your consideration on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Crawford". The signature is fluid and cursive, with the first name "Brian" and last name "Crawford" clearly distinguishable.

Brian Crawford
President & CEO



Date: February 4, 2025

To: The Honorable Representative Matayoshi, Chair
The Honorable Representative Chun, Vice Chair
Members of the House Committee on Consumer Protection & Commerce

Re: Opposition of HB939, Relating to Alcohol

Hearing: Tuesday, February 4, 2025, at 2:00pm, Conference Room 329

Position: Opposition

Aloha, my name is Rick Collins, the Director of the Hawai'i Alcohol Policy Alliance (Alliance), a program of the Hawai'i Public Health Institute.¹ I am submitting testimony on behalf of the Alliance in OPPOSITION to HB939. HB939 establishes a lower tax category on low alcohol by volume spirits beverages at a rate of \$0.85 per wine gallon.

I wish to highlight the scientific evidence demonstrating how lowering the price of alcohol leads to increased alcohol availability (especially for youth) and exacerbates alcohol-related harms.

Alcohol is the 4th leading actual cause of death in the U.S., responsible for 178,000 deaths each year and burdening Hawai'i's economy with \$937.4 million in costs, demonstrating the need for strong state guidance.²

Lower Alcohol Prices Increase Underage Drinking

Lower tax rates on these products make them cheaper and more accessible, further increasing the likelihood of youth consumption. Youth are especially price-sensitive when it comes to alcohol purchases, and studies have demonstrated that lower alcohol prices lead to higher underage drinking rates.³

¹ Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

² Sacks JJ, Gonzales KR, Bouchery EE, Tomedi LE, Brewer RD. National and State Costs of Excessive Alcohol Consumption. *Am J Prev Med.* 2015; 49(5):e73-e79. doi:10.1016/j.amepre.2015.05.031

³ Chaloupka, F. J., Grossman, M., & Saffer, H. (2002). The effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research & Health*, 26(1), 22-34.



Low Alcohol Taxes are Associated with More Alcohol-Related Harms

While the intent to regulate and tax low-alcohol spirits beverages is acknowledged, the proposed tax rate of \$0.85 per wine gallon goes against the science in ensuring our communities are protected from the harms of alcohol. Research consistently demonstrates that higher alcohol taxes are associated with reduced alcohol consumption and related harms. A meta-analysis published in the *American Journal of Public Health* found that a 10% increase in alcohol prices is associated with a 7% reduction in alcohol-related mortality.⁴ Another study found that higher alcohol taxes significantly reduce excessive drinking and alcohol-related harms, including motor vehicle crashes and liver cirrhosis.⁵

This Category of Beverages is Especially Attractive to Youth

These new low-alcohol spirits beverages are designed and marketed in ways that are particularly attractive to youth. Many of these products resemble sodas or fruit-flavored drinks, use bright packaging, and contain sweetened flavors that appeal to younger consumers. Research has shown that flavored alcoholic beverages, often called "alcopops," are disproportionately consumed by underage drinkers, increasing their risk for binge drinking and alcohol-related harms.⁶ While HB939 takes a step toward regulating low-alcohol spirits beverages, the proposed tax rate is too low and will likely lead to more drinking and more harms in our community. By keeping these products cheap and widely accessible, the bill risks increasing underage drinking, adult excessive drinking, and alcohol-related harms.

We strongly urge you to oppose HB939 to ensure that we safeguard public health and safety over commercial convenience.

Mahalo for your consideration of our testimony in opposition to HB108. If you have any questions, please feel free to contact me at rick@hiphi.org or (808) 591-6508, x22.

Rick Collins

Director
Hawai'i Alcohol Policy Alliance

⁴ Wagenaar, A. C., Salois, M. J., & Komro, K. A. (2009). Effects of beverage alcohol price and tax levels on drinking: A meta-analysis of 1003 estimates from 112 studies. *American Journal of Public Health*, 99(11), 1950-1962.

⁵ Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., & Fielding, J. E. (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *American Journal of Preventive Medicine*, 38(2), 217-229.

⁶ Siegel, M., DeJong, W., Naimi, T. S., Fortunato, E. K., & Albers, A. B. (2011). Alcohol brand preferences of underage youth: Results from a pilot survey among a national sample. *Substance Abuse*, 32(4), 191-201.

HB-939

Submitted on: 2/1/2025 6:22:20 AM

Testimony for CPC on 2/4/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Alexandra Haban	Individual	Support	Written Testimony Only

Comments:

I strongly support HB 939, as it introduces an important new sector for low alcohol beverages under 5%, including ready-to-drink (RTD) coolers. This bill is a much-needed step toward offering more diverse and accessible beverage options for consumers. By establishing a taxation rate that is more reasonable, it encourages innovation within the industry, allowing businesses to create and sell these lower-alcohol products at a more competitive price.