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# 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.

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.



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:



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 June  
11 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;



7 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 January 1, 2020.

**Report Title:**

Cooler Beverages; Draft Beer; Distilled Spirits; Liquor Tax

**Description:**

Includes certain spirits-based beverages in the definition of cooler beverage. Repeals the definition of draft beer. Applies the same tax rate to all beer. Effective 1/1/2020. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

