
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[~~r~~
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15 or withdrawn, and any other information as may be required by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 is an unfit or improper person to hold a
2 license in the partner's or limited partner's own right pursuant
3 to section 281-45, it may in its discretion revoke the license
4 or suspend the license until the unfit or improper partner or
5 limited partner is removed or replaced by a fit and proper
6 person pursuant to section 281-45."

7 2. By amending subsections (h) and (i) to read:

8 "(h) If any licensee without prior approval, approval of a
9 temporary license, or approval of a management agreement
10 transfers to any other person the licensee's business for which
11 the licensee's license was issued, either openly or under any
12 undisclosed arrangement, whereby any person, other than the
13 licensee, comes into exclusive possession or control of the
14 business or takes in any partner or associate who would be unfit
15 or improper to hold a license pursuant to section 281-45, the
16 commission may in its discretion suspend or cancel the license.
17 For purposes of this subsection, "management agreement" means a
18 written agreement under which a licensee allows a manager to
19 manage and operate the licensee's business on behalf of the
20 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 to hold a license
15 in the transferee's own right pursuant to section 281-45, it
16 shall not approve the transfer. If any transfer is made without
17 the approval of the commission, the commission may in its
18 discretion revoke or suspend the license until it determines
19 that the transferee is a fit and proper person, and if the
20 commission finds that the transferee is not a fit and proper
21 person, until a retransfer or new transfer of the capital stock



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



1 the [~~transferee's,~~] officer's, [~~or~~] director's, manager's, or
2 member's own right pursuant to section 281-45, it may in its
3 discretion revoke the license or suspend the license until [~~a~~
4 ~~retransfer or new transfer of the capital stock is effected to a~~
5 ~~fit or proper person pursuant to section 281-45 or until~~] the
6 unfit or improper [~~transferee,~~] officer, [~~or~~] director, manager,
7 or member is removed or replaced by a fit and proper person
8 pursuant to section 281-45."

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

10 "(k) The conversion of an entity into any other form of
11 entity or the merger of any entity with any other entity shall
12 not be deemed a transfer of the license; provided that the
13 licensee, [~~prior to the date~~] within thirty days of the
14 conversion or merger, shall apply for and secure the approval of
15 the commission without any requirement for publication of
16 notice. The foregoing shall not preclude compliance with
17 subsection (e) upon a change in any of the partners [~~or~~
18 ~~members,~~] or with subsection (i) upon change of any
19 shareholders, officers, [~~or~~] directors, managers, or members of
20 any entity occurring concurrently with a conversion or merger.



1 As used in this subsection, "entity" means a corporation,
2 partnership, limited partnership, limited liability partnership,
3 or limited liability company.

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

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

16 "**§281-45 No license issued, when.** No license shall be
17 issued under this chapter:

18 (1) To any minor or to any person who has been convicted
19 of a felony and not pardoned, or to any other person
20 not deemed by the commission to be a fit and proper
21 person to have a license; provided that the commission



1 may grant a license under this chapter to a
2 corporation or limited liability company that has been
3 convicted of a felony where the commission finds that
4 the corporation's officers [~~and~~], directors, and
5 shareholders of twenty-five per cent or more of
6 outstanding stock or a limited liability company's
7 managers and members holding twenty-five per cent or
8 more of the membership interests are fit and proper
9 persons to have a license;

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



1 companies or [~~entities~~] corporations or limited
2 liability companies ultimately solely owned by a
3 publicly-traded company, only the officers [~~and~~],
4 directors, managers, or members designated as primary
5 decision-makers shall be considered to determine
6 disqualification under paragraph (1);

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



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

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

17 (5) To any applicant who has had any liquor license
18 revoked less than two years previous to the date of
19 the application for any like or other license under
20 this chapter."



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

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

6 SECTION 5. This Act shall take effect on January 1, 2050.



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 1/1/2050. (HD1)

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