

KAUA'I + HAWAI'I

Dear Hawaii State Legislators:

With support from our Hawaii craft distillers and brewers, Kōloa Rum Company is asking for your help in support of SB 976 authorizing statewide and interstate direct-to-consumer (DtC) shipping from direct shipment of distilled spirits and beer by certain licensees and requires the liquor commissions of each county to adopt requisite rules and regulations.

- Permit licensed distilleries within the State of Hawaii to sell and ship products they produce directly to consumers, aged 21 and over, within the State, and other states that allow in- and out-of-state DtC shipments.
- Allow third-party delivery companies the ability to deliver spirits, obtained at a Hawaii distillery, directly to consumers aged 21 and over; and
- Allow adult employees of distilleries to directly deliver their Hawaii-made spirits to consumers aged 21 and over.

Prior to COVID-19, many states—43 in total—allowed DtC sales from wineries; however, only a small number of states permitted such sales from distilleries and breweries. Since then, at least nine (9) states and the District of Columbia now permit DtC shipping by breweries and distilleries.

By making this law, consumers, small and medium sized businesses, and the state will stand to benefit, and it can be done without causing negative consequences such as increasing underage consumption of alcohol, or threats to the 3-tier system regulating the distribution and sale of beverage alcohol products.

This legislation will strengthen economic competition as many of our small craft manufacturers do not produce the volume necessary to sign with a distributor compared to major producers. Moreover, existing regulations are stifling the growth of the craft alcohol beverage industry, which could be easily fixed by modernizing and leveling DtC shipping laws.

The pandemic accelerated the ability and expectation to shop online, and public sentiment supports such adjustments to alcohol laws. Consumer data shows there is overwhelming support for increasing access to distilled spirits and beer through DtC delivery, with such surveys revealing:

- 82 percent of regular craft alcohol drinkers approve of updating laws to authorize DtC.
- 76 percent of consumers would consider purchasing spirits online shipped directly from craft producers to them from outside or within their state.
- 75 percent of consumers agree wine and spirits should be subject to the same laws pertaining to OTC across states.
- Close to one in two (45 percent) have purchased alcohol online direct from a winery.
- 38 percent of respondents report having purchased alcohol online from a producer that was shipped from outside of their state.

Mahalo for your consideration and support!

Bob Gunter President & CEO





COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair Senator Carol Fukunaga, Vice Chair

COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS

Senator Glenn Wakai, Chair Senator Stanley Chang, Vice Chair

Re: Testimony in Support of SB976: Authorizing Direct-to-Consumer Shipping for Beer and Spirits

Aloha Chairs, Vice Chairs, and Members of the Committees,

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 O'ahu. 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.

I write to you today on the 20th anniversary of Maui Brewing Co. in strong support of SB976, which would expand direct-to-consumer (DtC) shipping laws to include Hawai'i's breweries and distilleries. This legislation would allow small craft producers to ship products directly to consumers within Hawai'i and to states with reciprocal DtC shipping laws. It modernizes outdated regulations and promotes fairness across all beverage alcohol categories.

Currently, Hawai'i permits the direct shipping of wine to consumers under established safeguards for age verification, tax collection, and licensing. Beer and spirits should also benefit from this proven system, ensuring:

- Expanded Hawaiian Exports: DtC shipping allows small producers to reach global markets, showcasing Hawai'i's vibrant craft beverage scene.
- Economic Recovery: By creating new revenue streams, this bill supports economic growth, especially in light of reduced tourism.
- Fairness: Allowing wine to ship directly while excluding beer and spirits is inequitable. This bill levels the playing field.

Public sentiment supports modernized DtC shipping laws:

• 82% of alcohol drinkers support updating laws for DtC shipping.

- 76% of consumers would purchase spirits online if allowed.
- DtC shipping is already allowed for wine in 47 states plus DC, and 11 for beer and 8 plus DC for spirits.

Concerns about underage access and harm to the three-tier system are unfounded. Existing DtC shipping laws for wine have demonstrated the effectiveness of safeguards, and the same can apply to beer and spirits.

SB 976 builds upon Hawai'i's established framework for DtC wine shipping under HRS 281-33.6. Expanding it to beer and spirits would:

- Support small craft producers lacking traditional distribution opportunities.
- Increase exports of authentic Hawaiian products.
- Generate additional state tax revenue.

We appreciate the Legislature's consideration of this commonsense measure, which has received strong support in the past. Opposition from wholesalers should be seen as protectionist, as this bill strengthens competition without dismantling the three-tier system. In fact these same wholesalers made the same arguments when wine sought the ship DtC options, they were proven wrong.

Thank you for the opportunity to submit this testimony in strong support of SB 976. It's a practical step that will grow Hawai'i's craft beverage industry, boost the economy, and align our laws with modern consumer expectations.

Mahalo for your time and consideration!

Sincerely,

Garrett W. Marrero CEO/Founder

HAWAII LIQUOR WHOLESALERS ASSOCIATION FIVE WATERFRONT PLAZA 500 ALA MOANA BLVD STE 400 HONOLULU, Hawaii 96813

January 27, 2025



Senate Committee on Commerce and Consumer Protection Senator Jarrett Keohokalole, Chair Senator Carol Fukunaga, Vice Chair State Capitol 415 South Beretania Street Honolulu, HI 96813

Senate Committee on Energy and Intergovernmental Affairs Senator Glenn Wakai, Chair Senator Stanley Chang, Vice Chair State Capitol 415 South Beretania Street Honolulu, HI 96813

Re: Senate Bill 976

Hearing Date: January 29, 2025, 9:45 AM

Dear Chair Keohokalole, Chair Wakai, Vice Chair Fukunaga, Vice Chair Chang and Committee Members:

The Hawaii Liquor Wholesalers Association respectfully submits the following written testimony in **opposition** to SB 976 Relating to Intoxicating Liquor.

Section 1 would amend HRS Chapter 281 to allow direct shipment of unlimited amounts of any beer or distilled spirits from outside each county to persons within the county. The current three tier system of manufacturers, distributors and retailers works and has been in place for many years. Changing the system by allowing out of state and in state producers to ship beer and distilled spirits directly to consumers will have adverse consequences.

First, direct shipment will allow minors easy access to liquor. States that have allowed direct shipment have found that there is little or no oversight of the final delivery of the product. One study showed that 45% of orders placed by underage purchasers were successfully received. Direct shipment also increases the likelihood of counterfeit or adulterated product making its way to consumers. Out of the county and out of state shippers have no ties to the local county community and would feel less responsible for sales to minors and for any liability for underage drinking or counterfeit product. This would create numerous oversight issues regarding liability

Senate Committee on Commerce and Consumer Protection Senate Committee on Energy and Intergovernmental Affairs January 27, 2025 Page 2 of 3

of the producers and shippers. The current three-tier liquor distribution system is intended to protect consumers and has worked to help prevent sales to minors and ensure the integrity of the liquor distribution.

Allowing direct shipment to Hawaii residents would create marketplace disruption and the possibility of monopolies formed by the largest beer and spirits producers. The current three-tier system of manufacturers, distributors, and retailers has successfully prevented liquor monopolies, helping lead to a boom in craft distilling and a diverse marketplace. Direct shipments will make monopolies easier because big players can dominate the online advertising space and in-person large event advertising. Monopolies will only hurt local manufacturers, wholesalers, and related business, which will result in loss of sales and jobs to Hawaii residents.

States that allow direct shipment of wine have found problems in the States' ability to collect taxes. For example, Virginia found that nearly 40% of all shipments were unlicensed and thus nontaxed. There has been no accounting of the current volume of directly shipped wine and whether the proper general excise and liquor taxes are being paid. The justification for directly shipped wine was to help small local wineries sell their product. There is no similar justification here. Before any consideration is given to expanding direct shipment to other liquor, an audit should be conducted to determine whether the current direct ship program is working and whether the State is receiving all the taxes that should be paid on the direct shipments. Other states have found that direct ship programs have resulted in large amounts of illegal wine delivered to the state without payment of taxes or proper licensing. The impact to Hawaii's economy is significant where nonpayment of taxes and fees allows out of state shippers to undercut local suppliers and businesses. Hawaii risks the loss of millions of tax and license dollars and loss of jobs every year from illegal direct shipments.

Hawaii's wine and spirits wholesalers are strong economic drivers, providing reliable employment and investment in all counties. Hawaii's wine and spirits wholesalers alone, not including beer wholesalers, employ more than 650 people in Hawaii, who earn \$44 million in wages. The wine and spirits industry creates over 9,300 jobs in Hawaii and Hawaii receives over \$103 million in tax revenue from alcohol sales. Wine and spirits distributors service 6,845 retailers from 32 facilities throughout Hawaii.

Allowing direct to consumer sales would undoubtedly result in the loss of hundreds of jobs, millions in wages, and tax revenue. The cost to implement and enforce such shipments would require the hiring of additional employees and implementation of new procedures, with no assurance that such sales and shipment will be property enforced.

The current three-tier system has worked for many years. It would be a mistake to change it by allowing direct shipment of any liquor.

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Based on the above, we respectfully oppose SB 976. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALER'S ASSOCIATION

Bv:

Kenneth G. K. Hoo

Its Secretary

Submitted on: 1/28/2025 11:25:52 AM

Testimony for CPN on 1/29/2025 9:45:00 AM



Submitted By	Organization	Testifier Position	Testify
Steve Jefferson	Testifying for Kuleana Rum Works	Support	Written Testimony Only

Comments:

Dear Chair and Members of the Committee,

On behalf of Kuleana Rum Works, I am writing to express strong support for H.B. 108, which would allow direct shipment of beer and distilled spirits by licensed manufacturers in Hawai'i.

This bill is critical for small manufacturers like us, who face significant challenges in accessing traditional distribution channels. By enabling direct-to-consumer shipping, H.B. 108 provides an opportunity to reach our customers, grow our businesses, and contribute to Hawai'i's economy.

The pandemic highlighted the importance of flexibility and innovation in serving customers, and this measure aligns with modern consumer expectations while supporting local businesses. Importantly, the safeguards in the bill ensure responsible shipping and compliance with all applicable laws.

We urge your favorable consideration of H.B. 108 to support Hawai'i's local manufacturers and encourage economic growth.

Mahalo for your time and consideration.

Sincerely, Steve Jefferson Kuleana Rum Works





Senate Commerce & Consumer Protection Committee Hawai'i State Legislature

Dear Members of the Senate Commerce & Consumer Protection Committee:

My name is Sam DeWitt, State Government Affairs Director with the Brewers Association, a 501(c)6 national trade association dedicated to promoting and protecting small and independent craft brewers, their beer, and the growing community of craft beer enthusiasts. I write today in support of Senate Bill 976, a common sense bill that serves brewers and customers, both in the Islands and on the mainland.

For years, wine has had the ability to ship direct-to-consumer. They have done so successfully, and have established long-lasting relationships with their clientele by shipping their products both in- and out-of-state. The wine industry has been responsible and responsive to concerns about safety, and have shown direct shipping of beverage alcohol to be safe and secure for producers and consumers alike.

Their successes have informed what we feel is a great opportunity for growth within our industry, which is still suffering nationally from the effects of the pandemic and suffering acutely in Hawai'i due to the 2024 fires.

According to the 2024 Sovos ShipCompliant Direct-to-Consumer (DTC) <u>beer shipping report</u>, craft beer drinking respondents to a Harris Poll say if a brewery were able to legally offer DTC shipping, 86% of respondents would be likely to try a new beer from that brewery, 83% would purchase more frequently from that brewery, and 68% would likely subscribe to a beer club.

States and brewers from across the country are currently missing out on this potential revenue. 69% of respondents say they would spend \$50 or more per month if allowed to do so, and 43% say they'd spend \$100 or more per month. State laws like Hawai'i's are lagging behind consumer demand, with 81% of craft beer drinkers having tried a beer while traveling that they wish they could purchase but is not available near their home, and 88% believing there should be greater legal access to DTC beer shipping.

While we understand and appreciate the opposition from our wholesale partners on this issue, I would like to remind them and the members of this committee that customers choosing to seek out beer direct shipping, who are willing to be patient and wait for the product, and are willing to pay a premium to ship the product to themselves, are highly unlikely to do any of that if the same product is available through normal wholesale channels like liquor stores, bars, and restaurants. The beers we're talking about aren't available in their local area, or they'd go down the street and purchase at the regular price and have it immediately instead of paying a premium and waiting a week or longer to receive it.

The point is that these beers don't currently exist in the wholesale marketplace, so wholesalers are not losing business or routes for their employees. Indeed, long term, it can open up new product lines for wholesalers in Hawai'i just as Hawai'ian breweries will benefit from gaining more exposure on the mainland. Senate Bill 976 is a simple, straightforward piece of legislation that will benefit many.

Thank you for your time and service to the people of Hawai'i; the Brewers Association respectfully asks for a Yes vote.

Sincerely, Sam DeWitt

State Government Affairs Director Brewers Association sam@brewersassociation.org 720.837.6935



Submitted on: 1/28/2025 12:27:14 PM

Testimony for CPN on 1/29/2025 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathleen Conant	Testifying for NAPALI BREWING COMPANY	Support	Written Testimony Only

Comments:

Dear Members of the Committee,

As the owner of a local, family-owned, small craft brewery with my husband, a Native Hawaiian, we strongly support SB976, the Direct to Consumer (DTC) Bill. This legislation is essential for creating fairness in the alcohol industry by allowing breweries, mead, and spirits producers like us to ship directly to consumers within the state and across state lines—putting us on parity with wine.

SB976 is carefully crafted to avoid any unintended changes to the existing wine shipping laws, addressing our needs independently to ensure that wine's rights are not affected. This bill is crucial for the survival and growth of small businesses like ours, and I urge you to support it.

Thank you for your time and consideration.

Mahalo Nui Loa,

Kati Conant

Owner

Napali Brewing Company

Submitted on: 1/28/2025 1:08:18 PM

Testimony for CPN on 1/29/2025 9:45:00 AM



Submitted By	Organization	Testifier Position	Testify
Eric Dill	Testifying for KOOLAU Distillery	Support	Written Testimony Only

Comments:

As a proud owner of a Hawaii-based craft distillery, I strongly support Hawaii House Bill HB108 and Senate Bill SB976, which would allow craft distilleries to ship products directly to consumers. This legislation represents a significant opportunity for small businesses like ours to expand into new markets, showcasing the unique and high-quality spirits that Hawaii is capable of producing. By enabling direct-to-consumer shipping, we can connect more directly with customers across the nation who are eager to experience the authentic taste of locally crafted Hawaiian spirits. This not only strengthens our business but also elevates Hawaii's reputation as a destination for exceptional craftsmanship and innovation in the beverage industry.

Allowing direct-to-consumer shipping aligns with Hawaii's broader goals of increasing export opportunities and promoting our state's brand as a producer of premium, world-class products. Each bottle we ship tells a story of Hawaii's natural beauty, cultural heritage, and dedication to quality. This legislation would help us build a global audience for Hawaiian craft spirits, ultimately driving economic growth and supporting our local farmers, suppliers, and communities. HB108 and SB976 empower local businesses to thrive while strengthening Hawaii's image as a place where authenticity and excellence are celebrated on a global scale.





COMMITTEE ON COMMERCE AND CONSUMER PROTECTION Senator Jarrett Keohokalole, Chair Senator Carol Fukunaga, Vice Chair

COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS Senator Glenn Wakai, Chair Senator Stanley Chang, Vice Chair

Re: Testimony in Support of SB976: Authorizing Direct-to-Consumer Shipping for Beer and Spirits

Aloha Chairs, Vice Chairs, and Members of the Committees,

My name is Bret Larson and I live in Wailua, Kauai, Hawai'i. I am owner and founder of Kauai Island Brewing Company, operating locations in Port Allen and Koloa on Kauai.

I write to you today in strong support of SB976, which would expand direct-to-consumer (DtC) shipping laws to include Hawai'i's breweries and distilleries. This legislation would allow small craft producers to ship products directly to consumers within Hawai'i and to states with reciprocal DtC shipping laws. It modernizes outdated regulations and promotes fairness across all beverage alcohol categories.

Currently, Hawai'i permits the direct shipping of wine to consumers under established safeguards for age verification, tax collection, and licensing. Beer and spirits should also benefit from this proven system, ensuring:

- Expanded Hawaiian Exports: DtC shipping allows small producers to reach global markets, showcasing Hawaiii's vibrant craft beverage scene.
- Economic Recovery: By creating new revenue streams, this bill supports economic growth, especially in light of reduced tourism.
- Fairness: Allowing wine to ship directly while excluding beer and spirits is inequitable. This bill levels the playing field.
- Public sentiment supports modernized DtC shipping laws:
- 82% of alcohol drinkers support updating laws for DtC shipping.
- 76% of consumers would purchase spirits online if allowed.
- DtC shipping is already allowed for wine in 47 states plus DC, and 11 for beer and 8 plus DC for spirits.
- Concerns about underage access and harm to the three-tier system are unfounded. Existing
 DtC shipping laws for wine have demonstrated the effectiveness of safeguards, and the same
 can apply to beer and spirits.

- SB 976 builds upon Hawai'i's established framework for DtC wine shipping under HRS 281-33.6. Expanding it to beer and spirits would:
- Support small craft producers lacking traditional distribution opportunities.
- Increase exports of authentic Hawaiian products.
- Generate additional state tax revenue.

We appreciate the Legislature's consideration of this commonsense measure, which has received strong support in the past. Opposition from wholesalers should be seen as protectionist, as this bill strengthens competition without dismantling the three-tier system. In fact, these same wholesalers made the same arguments when wine sought the ship DtC options, they were proven wrong.

Thank you for the opportunity to submit this testimony in strong support of SB 976. It's a practical step that will grow Hawai'i's craft beverage industry, boost the economy, and align our laws with modern consumer expectations.

Mahalo for considering our testimony and APPROVE SB976

Bret Larson

Kauai Island Brewing Company, LLC.

808-755-5926

bret@kauaiislandbrewing.com

Joshua Kopp Hana Koa Brewing Co. 962 Kawaiahao Street Honolulu, HI 96814



SB976 Relating to Intoxicating Liquor: Direct Shipment of Liquor Wednesday, January 29, 2025

Position: Support

I am Joshua Kopp, Head Brewer and Owner of Hana Koa Brewing Co. We are an independent craft brewery producing 100% of our beer in Hawaii. We are united with other members of the Hawaiian Craft Brewers Guild in our pursuit to promote economic activity and growth for Hawaii's beer manufacturers and enhance opportunities in our communities.

Our brewery along with the other member breweries of the Hawaiian Craft Brewers Guild embrace the responsible consumption of alcohol.

Direct to consumer shipping

This bill would allow us to pivot considering the challenges of operating in a more competitive economy. When the pandemic started, we borrowed money in order to purchase a canning line so we could more effectively sell product during the shutdown. This canning line has allowed us to stay afloat by selling to retail establishments and directly to customers through our taproom.

Currently we do not have a distributor as we are a small brewery. Having the ability to ship product to direct to customers inter island and to consumers in states that allow such a transaction would be a game changer. This could be a huge benefactor for the state's tax revenue.

This does a number of things for the state. On top of the increased tax revenue from sales, it also builds exposure for Hawaii's brewery tourism sector. Cities like Denver, Portland, and San Diego already have brewery tourism as a key focus in their tourism industry. By having the ability to send beer to mainland and interisland consumers, we would build this tourism sector through exposure. This would lead to flights, hotels, and other tourist activities being booked by consumers interested in brewery tourism.

We have suffered economic challenges these past few years along with other craft beer manufacturers across the State of Hawaii, with reduced sales and income. We along with other Hawaiian Craft Brewers Guild members are seeking ways to improve our financial stability and direct to consumer shipping offers a chance to increase production and enter new markets by shipping directly to consumers over the age of 21 in other states and within the State of Hawaii to neighbor islands.

We produce includes unique styles and tastes and wholesalers don't always take the time to learn about our products and brand. Enacting this legislation would have significant beneficial impact for our brewery and other small independent craft breweries across Hawaii.

Direct shipment of wine is already allowed. Adding language allowing export of craft beer and other liquor to other states and direct shipping between islands can be accomplished using a

similar process to what is already in place for wine. Adding language to existing statute benefits our brewery and other Hawaii craft beer and alcohol manufacturers, enabling increased production.

The ability of craft beer producers to access customers through direct shipping by permit helps meet our current needs as we struggle through the financial challenges brought about by our current economic climate. Hawaii's independent craft beer manufacturers are a vibrant and innovative small business sector. This legislation would contribute to stabilization and continuation of the growth of our brewery business.

We request the House Committee on Economic development pass this bill. Mahalo for considering our testimony in support of SB976.



Submitted on: 1/28/2025 2:02:08 PM

Testimony for CPN on 1/29/2025 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Justin Guerber	Testifying for Kauai Beer Company	Support	Written Testimony Only

Comments:

We at the Kauai Beer Company feel that shipping our beer directly to consumers would allow us to grow our business, as we would be able to sell our products to customers that we are otherwise unable to reach. Currently we only have limited distribution on Kauai, and at our current level, it does not make financial sense to pursue distribution in the rest of the state. Direct to consumer shipping would allow us to sell more of our beer and grow our production levels in a more organic manner. I anticipate we would need to hire multiple additional staff immediately if SB976 were to pass.



SUPPORT: SB 976 DIRECT TO CONSUMER

Please give your support to HB 108 to allow locally produced beer and spirits to direct ship to customers.

Hawaii supported the wine industry in 2001 and 2006, by allowing direct-to-consumer sales of our locally produced wines to customers on the mainland. At that time, this change was critical for the growth of our company, but in hindsight we had little knowledge of how significant this law was to our overall viability. Without the ability to ship DTC, I do not believe our business could have survived the last 4 years due to the disruption of travel during the pandemic and the Maui fires.

Please allow the same opportunity to other Hawaii businesses that produce locally made beers and spirits. In the last 20 years, the business of DTC has evolved with new technologies, shipping software and revenue tax systems that allow for the safe and legal handling of alcohol beverages to consumers.

Approval of this change allows for growth in manufacturing, greater exposure of Hawaii made products, consumer loyalty and convenience. Should you have any questions regarding how direct shipping has positively impacted Maui Wine, please don't hesitate to contact me.

Thank you for your time and consideration of this important economic opportunity.

Best regards,

Paula J. Hegele President



<u>SB-976</u> Submitted on: 1/28/2025 12:58:50 PM

Testimony for CPN on 1/29/2025 9:45:00 AM

 Submitted By	Organization	Testifier Position	Testify
David Hunt	Individual	Oppose	Written Testimony Only

Comments:

DIRTY FUEL. Dirty production!

Kill the bill.