

JAN 17 2025

A BILL FOR AN ACT

RELATING TO ALCOHOL.

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

1 SECTION 1. The legislature finds that the existing
2 definitions of alcoholic beverages under section 244D-1, Hawaii
3 Revised Statutes, are outdated and do not align with the modern
4 marketplace. Low-alcohol beverages differ significantly from
5 high-proof spirits. Low-alcohol beverages are ready-to-drink
6 and often feature an alcohol content comparable to beer or wine.
7 Conversely, high-proof spirits are substantially stronger. The
8 legislature finds that these differences and their respective
9 impacts warrant distinct regulatory treatment. Currently, all
10 beverages containing distilled spirits are taxed as if they
11 consist entirely of alcohol, regardless of actual alcohol
12 content. In this context, a beverage made with one ounce of
13 spirits and eleven ounces of water or juice is taxed as one
14 hundred per cent alcohol.

15 The legislature further finds that this inequitable tax
16 treatment discourages local distilleries from producing ready-
17 to-drink cocktails, despite the growing demand for these



1 products. While some companies on the continental United States
2 export small volumes of ready-to-drink cocktails to the State,
3 local production remains rare, largely due to the tax disparity.

4 The legislature also finds that taxing low-alcohol
5 beverages at the same rate as high-proof spirits undermines the
6 intent of the State's tax system.

7 Accordingly, the purpose of this Act is to establish a
8 clear definition of "low alcohol by volume spirits beverage" and
9 a corresponding tax rate lower than that of distilled spirits,
10 to encourage local distilleries to produce low-alcohol beverages
11 and enable fairer competition in the marketplace.

12 SECTION 2. Section 244D-1, Hawaii Revised Statutes, is
13 amended by adding a new definition to be appropriately inserted
14 and to read as follows:

15 "Low alcohol by volume spirits beverage" means any
16 alcoholic beverage containing not more than ten per cent alcohol
17 by volume and includes distilled spirits mixed with other
18 ingredients, including both nonalcohol and alcohol components."

19 SECTION 3. Section 244D-4, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:



1 "(a) Every person who sells or uses any liquor in the
2 State not taxable under this chapter, in respect of the
3 transaction by which the person or the person's vendor acquired
4 the liquor, shall pay a gallonage tax that is hereby imposed at
5 the following rates for the various liquor categories defined in
6 section 244D-1:

7 On [~~July 1, 1998,~~] July 1, 2025, and thereafter, the tax
8 rate shall be:

9 (1) \$5.98 per wine gallon on distilled spirits;

10 (2) \$2.12 per wine gallon on sparkling wine;

11 (3) \$1.38 per wine gallon on still wine;

12 (4) \$0.85 per wine gallon on cooler beverages;

13 (5) \$0.93 per wine gallon on beer other than draft beer;

14 [and]

15 (6) \$0.54 per wine gallon on draft beer; and

16 (7) \$1.10 per wine gallon on low alcohol by volume spirits
17 beverages;

18 and at a proportionate rate for any other quantity so sold or
19 used."

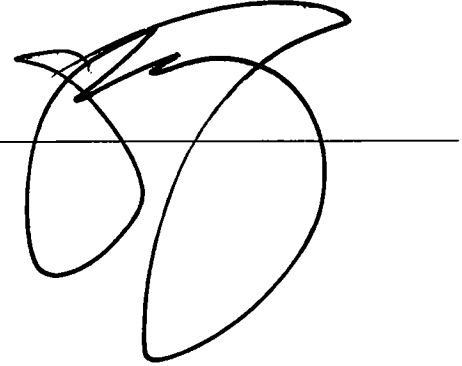
20 SECTION 4. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on June 30, 2025.

2

INTRODUCED BY: _____

A handwritten signature in black ink, consisting of several overlapping loops and a final flourish, positioned over the horizontal line following the text "INTRODUCED BY:".

S.B. NO. 980

Report Title:

Alcohol; Low Alcohol by Volume Spirits Beverage; Liquor Tax;
Liquor Law

Description:

Establishes a definition of "low alcohol by volume spirits beverage". Beginning 7/1/2025, establishes a tax on low alcohol by volume spirits beverages at a rate of \$1.10 per wine gallon. Takes effect 6/30/2025.

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

