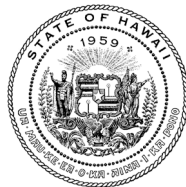


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1991, Relating to the Liquor Tax

BEFORE THE:

House Committee on Consumer Protection & Commerce

DATE: Tuesday, February 3, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 329

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

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1991 for your consideration.

Sections 2 and 3 of H.B. 1991 amend the definition of liquor in section 244D-1, Hawaii Revised Statutes (HRS), by deleting the current liquor categories and definitions of beer, draft beer, cooler beverage, distilled spirits, sparkling wine, still wine, and wine, and inserting alcohol-by-volume categories taxed at new rates under section 244D-4(a), HRS.

The new alcohol-by-volume rates listed under Section 3 are to take effect on July 1, 2026, as follows:

- (1) \$1.00 per gallon on beverages 9.9 per cent alcohol by volume or lower;
- (2) \$1.75 per gallon on beverages 10 per cent to 15 per cent alcohol by volume.
- (3) \$6.00 per gallon on beverages 16 per cent to 40 per cent alcohol by volume;
and
- (4) \$6.50 per gallon on beverages above 40 per cent alcohol by volume.

All other quantities of liquor sold or used will be taxed at a "proportionate" rate based on these new alcohol-by-volume category rates.

Sections 4 and 5 of H.B. 1991, replaces “liquor” with “alcohol-by-volume” in Chapter 244D, Sections 244D-6 and 244D-9, while keeping all return, form, and recordkeeping rules the same.

The bill takes effect upon its approval.

DOTAX recommends amending the tax rates in section 3 of the bill to avoid gaps between the enumerated alcohol by volume amounts (e.g., 15.5 percent alcohol by volume). DOTAX also recommends amending the lowest rate (i.e., \$1.00 per gallon) by incorporating a floor of 0.5 percent alcohol by volume, which is the minimum amount of alcohol by volume needed to fall within the definition of “liquor” under section 281-1, HRS:

- (1) \$1.00 per gallon on beverages containing 0.5 per cent or more alcohol by volume but not more than 10 per cent alcohol by volume;
- (2) \$1.75 per gallon on beverages containing more than 10 per cent alcohol by volume but not more than 15 per cent alcohol by volume.
- (3) \$6.00 per gallon on beverages containing more than 15 per cent alcohol by volume but not more than 40 per cent alcohol by volume; and
- (4) \$6.50 per gallon on beverages containing more than 40 per cent alcohol by volume;

Further, DOTAX recommends that the effective date of the bill be amended to January 1, 2027, to provide sufficient time for form and instruction changes, and notice to taxpayers.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Replace current tax categories with alcohol-by-volume categories, adjusts tax rates for inflation

BILL NUMBER: HB 1991

INTRODUCED BY: MATAYOSHI, EVSLIN, HUSSEY, ILAGAN, IWAMOTO, LA CHICA, LEE, M., MARTEN, TAKAYAMA, TARNAS, Amato

EXECUTIVE SUMMARY: Replaces the defined liquor categories subject to the liquor tax with alcohol-by-volume categories. Adjusts the liquor tax rates for inflation.

SYNOPSIS: Amends section 244D-1, HRS, by deleting the definitions of beer, cooler beverage, distilled spirits, draft beer, sparkling wine, still wine, and wine.

Amends section 244D-4, HRS, by adding a new rate schedule effective July 1, 2026:

Tax Rate Per Gallon	Alcohol Content
\$1.00	9.9% or lower
\$1.75	10% to 15%
\$6.00	16% to 40%
\$6.50	More than 40%

Makes other technical and conforming amendments.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The apparent purpose of the bill is to allow seltzer beverages to qualify for a lower tax rate (\$1.00 per wine gallon), as opposed to the higher tax rate (\$6 or \$6.50 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.

The preamble to the bill points out that liquor tax rates have been unchanged since 1998, and that an inflation adjustment to the rates, using a consumer price index, may be appropriate; however, the bill does not include any future escalation to the rates as would be expected where such a rationale has been expressed.

Digested: 1/30/2026



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

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BigIslandBrewHaus@Yahoo.Com

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Thomas Kerns
President / Brewmaster
Big Island Brewhaus

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scott Z. Matayoshi, Chair
Rep. Tina Nakada Grandinetti, Vice Chair

NOTICE OF HEARING

DATE: Thursday, February 3, 2026
TIME: 2:00 PM
PLACE: VIA VIDEOCONFERENCE
Conference Room 329
State Capitol
415 South Beretania Street

STRONGLY OPPOSE HB 1991

I am Thomas Kerns, owner and brewmaster at Big Island Brewhaus. We are an independent craft brewery and restaurant producing 100% of our beer in Hawaii. Big Island Brewhaus is 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 other local liquor manufacturers in Hawaii embrace the responsible consumption of alcohol.

Taxing alcohol strictly based on ABV (alcohol by volume) sounds logical on the surface ("more alcohol = more tax"), but in practice it creates some real drawbacks.

1. It punishes lower-ABV products that are actually better for moderation

ABV-based taxes don't distinguish *how* people drink—only how strong the liquid is.

- A 5% beer consumed socially over time can end up taxed similarly (or worse) than a 40% spirit consumed in shots
- This discourages lower-strength, sessionable options that public-health experts often prefer people to choose

Outcome: consumers may actually be nudged toward higher-ABV products with “more bang for the buck.”

2. It hurts craft, local, and small producers disproportionately

Small brewers, wineries, and distillers often:

- Make flavor-forward or specialty products (IPAs, barrel-aged beers, imperial stouts, craft cocktails)
- Can't dilute or reformulate easily without sacrificing quality or brand identity

Large multinationals can engineer around ABV taxes far more easily.

Outcome: regressive on innovation, favors mass-produced alcohol.

3. It ignores serving size and consumption context

ABV alone doesn't reflect how alcohol is actually consumed:

- Beer and wine are usually consumed in larger volumes, slower
- Spirits are consumed in smaller volumes, faster
- RTDs blur the line entirely

ABV taxation assumes all alcohol is consumed the same way, which simply isn't true.

4. It creates odd product distortions

ABV thresholds encourage manufacturers to:

- Reformulate to sit *just under* a tax cliff
- Add sugar, flavoring, or carbonation instead of alcohol
- Increase container size rather than alcohol content

Outcome: less transparency, more “gaming the system.”

5. It can be regressive for consumers

ABV-based taxes tend to hit:

- Budget-conscious consumers harder
- People who choose beer or wine over spirits
- Local products that already cost more

This often results in higher prices without clear public-health benefit.

6. It doesn't clearly correlate with harm reduction

Evidence is mixed on whether ABV-only taxation actually:

- Reduces binge drinking
- Lowers alcohol-related harm
- Changes overall consumption patterns

Behavior matters more than chemistry alone:

- Price per drink
- Access
- Education
- Cultural norms

7. It complicates compliance and enforcement

- Requires constant ABV testing and verification
- Creates disputes over marginal differences (4.9% vs 5.1%)
- Adds cost and friction for both producers and regulators

A more balanced alternative (many economists prefer):

A hybrid system, such as:

- Base tax by category (beer, wine, spirits, RTDs)
- Moderate adjustment bands for ABV
- Small-producer relief
- Incentives for lower-ABV innovation

This preserves public-health goals without crushing local businesses or distorting markets.

This proposed tax increase hurts small independent manufacturers of liquor most. Heavy drinking and the problems caused by chronic alcoholism will not be solved by increasing tax rates on alcohol. A tax rate increase on liquor will drive consumers to substitute lower priced brands rather than stopping excessive consumption, hurting small independent craft beer manufacturers and small liquor brands the most. Raising taxes doesn't really deter heavy drinkers, it just punishes responsible ones with higher prices.

Raising tax rates will encourage consumers to choose lower priced brands and less expensive alcohol. Craft beverages produced locally tend to be more expensive compared to imported, large, mass-produced brands. The increased tax rate will result in a higher price point that will give shoppers and customers a reason to switch to something less expensive rather than reducing the amount of alcohol purchased and consumed. This legislation will have a negative impact on small independent craft beer manufacturers and other small liquor manufacturing businesses that tend to have higher price points.

According to the Tax Foundation, Hawaii is currently ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 2 years, will create hardship for this small business sector. It is already difficult for small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers and imported products. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

We support programs that treat excessive drinking and we support education to reduce heavy drinking, but do not believe this legislation to place a surcharge on liquor will have the intended result.

Raising tax rates at this crucial time would have crippling impacts as Hawaii craft beer manufacturers try to find ways to be proactive to stay in business.

Some pertinent information below regarding the intentions of this bill:

1. Excessive consumption of liquor is not reduced by increased tax rates. We fully support responsible consumption of alcohol, but raising taxes on alcoholic beverages does not achieve these ends. If it did, one would expect that states with the highest tax rates on alcohol would also have the lowest number of alcohol related deaths. This is not the case and no correlation is found. Comparing death rates by state as reported by the CDC with Tax Foundation data on state excise taxes on beer shows no correlation. Some states with the highest tax rates still have the highest numbers of alcohol related deaths (such as Alaska, which has the second highest rank in both categories) while some states with the lowest tax rates have the lowest numbers of deaths (New York has the 39th lowest tax rate and the absolute lowest alcohol related death rate).
2. Now is not the time to impose taxes on businesses struggling to survive. According to the Tax Foundation, Hawaii is ranked as having the 3rd highest excise tax rate on beer in the US. Further tax rate increases, even a surcharge for 2 years, will create hardship for this small business sector.
3. Small craft beer manufacturers have taken a much harder hit than other businesses during the pandemic. Small brewery businesses typically derive a higher percent of their overall revenue from sales of a range of unique beer styles at their brewpubs and tap rooms compared to other alcohol manufacturers that have more options for greater revenue.

It is already difficult for Hawaii's small independent craft beer manufacturers to sell their beer at a price point that isn't significantly higher compared to large manufacturers bringing beer into Hawaii. The cost of ingredients, equipment and other essentials for manufacturing craft beer make it very difficult to be competitive. An increase in tax rate will make it even more difficult for Hawaii's craft beer manufacturers to maintain sales and remain viable.

Sincerely,

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

HB-1991

Submitted on: 2/1/2026 2:06:36 PM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Steve Haumschild	Lanikai Brewing Company LLC DBA Lanikai Spirits	Oppose	In Person

Comments:

Aloha Chair, Vice Chair and members of the CPC committee,

Mahalo for the opportunity to testify. We are in OPPOSITION of this change in taxation.

This bill will nearly instantly support MAINLAND producers over LOCAL producers providing the mainland producers, who have significantly less expenses to out compete local producers. Our industry is strictly manufacturing and using local ingredients to manufacture using local labor.

Hawaii is already one of the top few taxed states on Alcohol and this bill will drive packaging up considerably continuing to favor importing verses producing locally.

Our government supports local manufacturing and local jobs and this bill will reduce significantly or kill both of these sectors in exchange for favor of MAINLAND companies coming to our shores.

We are in OPPOSITION to this bill to save local manufacturing and jobs



Testimony to the House Committee on Consumer Protection & Commerce

Representative Scot Z. Matayoshi, Chair

Representative Tina Nakada Grandinetti, Vice Chair

Tuesday, February 3, 2026, at 2:00PM

Conference Room 325 & Videoconference

RE: HB1991 Relating to Liquor Tax

Aloha e Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber offers comments on House Bill 1991 (HB1991), which replaces the defined liquor categories subject to the liquor tax with alcohol-by-volume categories and adjusts the liquor tax rates for inflation.

HB1991 is positioned to negatively impact stakeholders belonging to our Small Business pillar within our 2030 Blueprint for Hawaii: An Economic Action Plan. By increasing liquor taxes across all types of alcohol, higher prices are passed along to the consumer, further emphasizing Hawaii's high cost of living. Burdening local alcoholic beverage producers adds yet another challenge for those businesses already contending with a rising minimum wage, tariffs, and decreasing demand for alcohol.

It is for these reasons, the Chamber humbly asks the House Committee on Consumer Protection and Commerce to consider the negative impacts of an excise tax increase by alcohol percentage. HB1991's revised tax structure will increase pressure on consumers and businesses in an economic environment that has already applied significant pressure in the way of inflation and general cost of living. Mahalo for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.



Maui Hotel & Lodging
ASSOCIATION

HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Rep. Cory M. Chun

Rep. Nicole E. Lowen

Rep. Greggor Ilagan

Rep. Lisa Marten

Rep. Linda Ichiyama

Rep. Adrian K. Tam

Rep. Kim Coco Iwamoto

Rep. Elijah Pierick

Rep. Sam Satoru Kong

February 2, 2026

HB1991

TESTIMONY IN OPPOSITION

Relating to Liquor Tax Reform

Aloha Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

Thank you for the opportunity to provide testimony in **opposition** to **HB1991**.

We appreciate the Legislature's recognition that liquor tax rates have not been updated since 1998 and that inflation has significantly affected the real value of those revenues. We also

acknowledge the stated public health and revenue goals underlying the proposal, and the effort to modernize the tax structure by moving to alcohol-by-volume categories.

However, while the intent of this bill is understandable, we respectfully **oppose** the measure due to concerns about its economic impact, implementation challenges, and unintended consequences—particularly for local businesses and consumers in Hawai'i.

First, the proposed tax increases represent a substantial and immediate cost increase across nearly all categories of alcoholic beverages. For many locally owned retailers, restaurants, bars, breweries, wineries, and distributors—already facing high operating costs, labor shortages, and thin margins—this change could significantly increase overhead and reduce competitiveness. Small and independent businesses are especially vulnerable, as they have limited ability to absorb or offset higher taxes without passing costs on to consumers.

Second, shifting from long-established product-based definitions to alcohol-by-volume categories may introduce new administrative and compliance burdens. Many businesses structure inventory, pricing, and reporting systems around existing statutory categories. Requiring reclassification, recalculation, and new reporting processes could increase accounting costs, create confusion during the transition period, and increase the risk of inadvertent noncompliance—particularly for smaller operators without dedicated compliance staff.

Third, while the bill aims to adjust rates for inflation, it applies nearly three decades of CPI-U increases at once, rather than through a phased or incremental approach. Implementing a large adjustment in a single step may have a disproportionate impact on consumers, especially those already facing rising costs for housing, food, and utilities. A sudden increase in alcohol prices could also drive unintended behavioral shifts, including cross-border purchasing, substitution toward higher-alcohol products, or growth in informal or unregulated sales.

Finally, although public health objectives are cited, there is limited evidence presented that the proposed rate structure will meaningfully reduce harmful consumption patterns in Hawai'i. Without complementary investments in education, treatment, and prevention programs, a tax increase alone may function primarily as a revenue measure rather than a targeted public health intervention.

For these reasons, we respectfully urge the Legislature to reconsider this approach. Alternatives such as a phased-in adjustment, targeted exemptions or credits for small local businesses, or a more gradual indexing mechanism going forward could better balance revenue needs with economic stability and fairness.

Thank you for the opportunity to testify and for your consideration of these concerns.

Respectfully submitted,

John Pele

Executive Director- Maui Hotel and Lodging Association



February 2, 2026

Representative Scot Z. Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair
Members of the Committee on Consumer Protection
and Commerce

RE: HB 1991 – Relating to the Liquor Tax
Hearing date: February 3, 2026 at 2:00 PM

Aloha Chair Matayoshi, Vice Chair Grandinetti and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of Anheuser-Busch providing comments and proposed amendments to HB 1991. Anheuser-Busch is one of America's best-loved breweries and has been one of the most popular brands for beer and other beverages in Hawaii for decades.

We appreciate the Legislature's intent to modernize Hawaii's liquor tax framework by moving toward an alcohol-by-volume structure, which can promote consistency and better align tax policy with alcohol content. However, while we support that policy direction in principle, we respectfully oppose HB 1991 as drafted because it results in a significant tax increase layered onto an already exceptionally high beer tax burden in Hawaii. Alcohol is one of the most highly taxed products in the United States. The federal government takes a categorical approach to alcohol taxation, taxing based on classification such as beer, wine, or spirits and states add their own taxes for products in each category.

Hawaii currently imposes one of the highest beer excise taxes in the nation. At \$0.93 per wine gallon on beer, Hawaii is the third highest taxed state for beer and exceeds the national average by approximately \$0.59. These taxes are already reflected in shelf prices and menu prices paid by Hawaii residents. Although HB 1991 reframes the tax using alcohol-by-volume classifications, the bill does not merely restructure the tax—it effectively increases the overall tax burden on all types of alcohol and compounds that increase by indexing rates to inflation, creating an automatic escalator with no future legislative review. Outside of the U.S., where ABV tax classifications are common, the mission of the law is to financially incentivize consumers to lower ABV products. This bill does not.

This proposal would raise the current beer tax by 8%, leading to a loss of retail sales in Hawaii of \$2,536,900. Additionally, the proposed amendments would increase the tax on draft beer by 85%.



From an economic perspective, beer excise taxes are largely passed through to consumers, which means higher prices for everyday purchases and reduced demand—particularly for locally owned bars and retailers that operate on thin margins. Hawaii's current lower tax structure for draft beer is removed in HB 1991, which would have a huge impact on bars and restaurants. The rate nearly doubles for draft beer. Hawaii's economy, which is driven in large part by hospitality and tourism, is also sensitive to price increases on regulated consumer goods such as alcohol. Additional tax pressure risks discouraging responsible consumption in licensed establishments and may impact customer behavior without meaningful public health outcomes.

We respectfully urge the Committee to distinguish between supporting a modernized alcohol-by-volume tax structure and endorsing a substantial tax increase. These objectives do not have to move together. A revenue-neutral transition to an ABV-based system would preserve legislative intent while avoiding unnecessary economic harm to consumers, small businesses, and the beer industry's distribution network in Hawaii. For these reasons, we ask the Committee to oppose HB 1991 unless it is amended to remove the significant tax increases and inflation indexing provisions.

Mahalo for your consideration,

Melissa Ameluxen, Vice President
Anheuser-Busch
U.S. State Government Affairs



Representative Scot Z. Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair
Members of the Committee on Consumer Protection and Commerce

RE: OPPOSITION: HB 1991 – Relating to the Liquor Tax

Aloha Chair Matayoshi, Vice Chair Grandinetti and members of the committee,

We appreciate the Legislature's intent to modernize Hawaii's liquor tax; however, we respectfully oppose HB 1991 as drafted because it results in a significant tax increase layered onto an already exceptionally high beer tax burden in Hawaii. Beer is an economic engine for Hawaii. It supports \$2.1 billion in economic output; over 12,000 jobs across the brewing, distributing, manufacturing and agricultural sectors; and \$365.1 million in taxes in Hawaii alone.

Alcohol is one of the most highly taxed products in the United States. The federal government takes a categorical approach to alcohol taxation, taxing based on classification such as beer, wine, or spirits and states add their own taxes for products in each category.

Hawaii currently imposes one of the highest beer excise taxes in the nation. At \$0.93 per wine gallon for non-draft beer, Hawaii is the third-highest taxed state for beer and exceeds the national average by approximately \$0.59. These taxes are already reflected in shelf prices and menu prices paid by Hawaii residents. Although HB 1991 reframes the tax using alcohol-by-volume (ABV) classifications, the bill does not merely restructure the tax—it effectively increases the overall tax burden on all types of alcohol and compounds that increase by indexing rates to inflation, creating an automatic escalator with no future legislative review.

For beer under 10% ABV, which encompasses the vast majority of the category, this proposal would raise the current non-draft beer tax by 8% and the draft beer tax by 85%, leading to a loss of retail sales in Hawaii of over \$2.5 million, according to economic modeling.

Beer excise taxes are largely passed through to consumers, leading to higher prices for everyday purchases and reduced demand, with a disproportionately negative impact on locally owned bars and retailers already operating on thin margins. Further, Hawaii's current lower tax structure for draft beer is removed in HB 1991, which would compound the impact on bars and restaurants. If passed, the rate would nearly double for draft beer. Hawaii's economy, which is driven in large part by hospitality and tourism, is also sensitive to price increases on regulated consumer goods such as alcohol. Additional

tax pressure risks discouraging responsible consumption in licensed establishments and may impact customer behavior without meaningful public health outcomes.

HB 1991 is a bad deal for consumers – alcohol taxes end up costing consumers far more than the tax itself, as the tax is marked up through the distribution system and then a final sales tax at the point of purchase.

Alcohol taxes are highly regressive, placing the heaviest excise tax burden on low- and middle-income consumers who can least afford it. As the Progressive Policy Institute noted in late 2020, “...progressives need to face the regressive and almost punitive nature of excise taxes in general.”

We respectfully urge the Committee to reject this substantial tax increase. A revenue-neutral transition to a modernized system would preserve legislative intent while avoiding unnecessary economic harm to consumers, small businesses, and the beer industry’s distribution network in Hawaii. For these reasons, we ask the Committee to oppose HB 1991 unless it is amended to remove the significant tax increases and inflation indexing provisions.

Mahalo for your consideration,

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

Brian Crawford

President & CEO



info@beerlabhi.com
www.beerlabhi.com

HB 1991- Relating to Liquor Tax

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair
Rep. Tina Nakada Grandinetti, Vice Chair

Strongly Oppose

We do not need any tax increases on breweries, alcohol or restaurants this year.

We've seen restaurants closing left and right citing rising cost, high operating expenses and increases in minimum wages.

Last year we have seen 4 breweries close which is close to a quarter of the whole industry.

The increase proposed by this bill would almost double the tax burden of breweries by increasing it from \$0.54 per gallon to \$1.00 per gallon.

I do not believe it is the time to increase taxes on a hurting industry.

Thank you,

Nicolas Wong
Founder/Owner
Beer Lab HI
nicolas@beerlabhi.com
808 5427015

Representative Scot Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair
Consumer Protection and Commerce Committee

Tuesday, February 3, 2026; 2:00 PM
Conference Room 329

RE: HB 1991 Relating to the Liquor Tax – Comments

Aloha Chair Matayoshi, Vice Chair Grandinetti and members of the Committee:

I write today on behalf of the Distilled Spirits Council of the United States, the national trade association representing the leading distilled spirits producers and supply chain partners regarding HB 1991 Relating to the Liquor Tax.

We thank the Chair for introducing and hearing this bill. The idea of a taxing structure based on alcohol by volume is intriguing. Many products in today's market have the same or similar alcohol content but are taxed differently based on whether it is a distilled spirit, wine, or beer. We are in the process of analyzing how this new tax structure would impact Hawai'i consumers and our members, and we will share information as soon as possible.

We appreciate the opportunity to provide comments.

Best regards,

P Adam Smith
Vice President
Distilled Spirits Council
adam.smith@distilledspirits.org
(916) 833-5112



2 February 2026

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Re: Testimony in **STRONG OPPOSITION** to HB1991

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 Co-Founder of Maui Brewing Co., operating locations in Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. Now sold in 6 States and 2 Countries, employing more than 500 teammates across Hawai'i.

Thank you for the opportunity to submit testimony. I respectfully offer these comments in **STRONG OPPOSITION** to shifting Hawai'i's alcohol tax structure to a system based solely on alcohol by volume (ABV), and to highlight the disproportionately negative impacts such a change would have on small, local producers and consumers—particularly in a state with already the highest alcohol excise tax rates in the nation.

It has been suggested that Hawai'i's liquor tax rates have remained unchanged since 1998 and therefore should be “reset” to keep pace with inflation.¹ While this is factually correct, it overlooks the economic reality facing local beverage alcohol producers. Hawai'i producers have absorbed substantial increases in labor, energy and refrigeration, shipping and interisland freight, raw materials and packaging, and regulatory compliance—often far beyond general inflation.² Beverage alcohol pricing—particularly for locally produced beer—has not increased at a pace comparable to these rising costs, resulting in severely compressed margins. Local producers cannot simply pass these costs on to consumers without losing shelf space to large mainland and multinational competitors.

An ABV-based alcohol tax would also be a major departure from how alcohol is typically taxed across the United States. All other states use beverage-category excise taxes (beer, wine, spirits) imposed on a per-gallon basis, not a single ABV-only structure.³

Hawai'i's current gallonage rates are established in statute (e.g., \$0.93 per wine gallon for packaged beer, \$0.54 for draft beer, \$1.38 for still wine, \$2.12 for sparkling wine, and \$5.98 for distilled spirits).⁴ Hawai'i's beer excise tax is among the highest in the United States (third-highest as of 2025, according to the Tax Foundation).⁵ It is important to note that these rates were already the highest in 1998. And that the two states with Higher rates have a low-rate for small producers thereby making Hawai'i number one most expensive tax.

Independent research reinforces why an ABV-only approach would be inequitable—especially for beer and the small producers who make it. Findings in the “Cost Comparability Study” prepared for the

Handcrafted Ales & Lagers Brewed with Aloha

605 Lipoa Parkway, Kihei, HI 96753

808.213.3002

Brewers of Europe show that when analyzed per liter of pure alcohol, beer production costs are approximately 2.5 times higher than spirits and 1.5 times higher than wine—largely because beer’s lower ABV requires substantially higher production volumes to deliver the same amount of alcohol.⁶ The study also finds that distribution costs per unit of alcohol are materially higher for beer (three times wine and eight times spirits), and retail handling costs per unit of alcohol are likewise far higher for beer due to volume, storage, and handling requirements.⁶

Beer is also far less shelf-stable than spirits. Beer requires refrigeration and freshness management and has a shorter product life cycle, while spirits require no cold storage and can remain on shelves indefinitely. In Hawai‘i, where electricity prices are the highest in the nation, these refrigeration and cold-chain realities further magnify cost burdens on local breweries and retailers.²

At the same time, many ready-to-drink canned cocktails advertise “real vodka” or “real rum” to position as premium products, yet advocate for tax structures that reduce or blur long-standing spirits tax treatment. This creates an uneven playing field: local breweries bear higher cost burdens per unit of alcohol, while large national spirits companies can leverage scale and marketing advantages.

Brewing is a highly capital-intensive and labor-intensive industry, particularly for small, local producers who employ local residents and invest in Hawai‘i-based manufacturing. A shift to ABV-only taxation would disproportionately burden these small producers and the consumers who rely on locally made options, likely leading to reduced consumer choice and increased shelf consolidation in favor of large mainland brands.

An ABV-based system also raises serious administrative and enforcement concerns: How would ABV be tested and at what cost? How often would testing be required? What variance from labeled ABV would be permitted? Would formulas or conversion methodologies be used, and which department would be responsible for reviewing and enforcing compliance—at what cost to the State? These unanswered questions introduce new costs and bureaucracy that would fall most heavily on small producers while increasing administrative burden on the State.

If the Legislature seeks fairness and sustainability, a more constructive alternative exists: creating a small producer tax classification, such as the framework proposed in SB2912. This would support local businesses and jobs, preserve consumer choice, and avoid the inequities of an ABV-only tax structure.

For these reasons, I respectfully urge the Committee to reject ABV-based alcohol taxation and **VOTE NO ON HB1991**.

Mahalo for the opportunity to support this testimony.

Sincerely,

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

Garrett W. Marrero
CEO/Founder

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



HIPHI Board

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Jonathan Ching
Kaiser Permanente

Tammy Ho
The Queen's Medical Center

Carissa Holley, MEd
Hale Makua Health Services

Joyce Lee-Ibarra, MS
JLI Consulting

Misty Pacheco, DrPH
University of Hawai'i at Hilo

Dina Shek, JD
Medical-Legal Partnership
For Children in Hawai'i

JoAnn Tsark, MPH
John A. Burns School of Medicine, Native
Hawaiian Research Office

Danette Wong Tomiyasu, MBA
Retired, Hawai'i State Department of
Health

HIPHI Initiatives

Coalition for a
Tobacco-Free Hawai'i

Community-Based Research &
Evaluation

Community Health
Worker Initiatives

Environmental Health

Hawai'i Climate Change and Health
Working Group

Hawai'i Drug & Alcohol-Free Coalitions

Hawai'i Immunization Coalition

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging &
Community Living

Public Health Workforce Development

Date: January 31, 2026

To: Rep. Scot Matayoshi, Chair
Rep. Tina Grandinetti, Vice Chair
Members of the House Committee on Consumer Protection & Commerce

RE: Strong Support for HB 1991, Relating to the Liquor Tax

Hrg: February 3, 2026, 2:00pm, House Conference Room 329

Hawai'i Public Health Institute (HIPHI)¹ is in **strong support of HB 1991**, which adjusts the liquor tax rates for inflation. This will help reduce underage drinking and excessive adult consumption, and reduce alcohol-related harms and costs to the state, which are estimated at \$937 million annually.

Public Health and Economic Benefits.

Findings from the University of Hawai'i Alcohol Tax Policy Study show significant public health and economic benefits to raising the price of alcohol. This study, specific to Hawai'i, shows how an alcohol tax increase would significantly reduce alcohol-related harms across our state. Some of the specific reduction in alcohol-related harms include underage drinking, fewer traffic crashes and DUIs, fewer ER visits and first responder calls-for-service, fewer violent crimes, including sexual assault, intimate partner violence and forcible rapes, and reductions in consumption rates for both youth and adults. *An increase in the liquor excise tax by \$0.10 per drink would result in 570 fewer ER visits per year, 4,675 fewer co-occurring alcohol & mental health disorders per year, 351 fewer DUI arrests per year.*² These consequences can be reduced with this proposed measure.

Alcohol Taxes are Effective Strategies to Reduce Alcohol-Related Harms.

The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive alcohol use in communities. Reductions in underage drinking would lead to less

¹ Hawai'i Public Health Institute's mission is to advance health and wellness for the people and islands of Hawai'i. We do this through expanding our understanding of what creates health of people and place, fostering partnerships, and cultivating programs to improve policies, systems, and the environments where people live, learn, work, age, and play.

² The Potential Economic and Social Effects of an Alcohol Tax Increase in Hawai'i, (February 10, 2022) University of Hawai'i, Retrieved January 31, 2026 from https://www.researchgate.net/publication/367212148_The_Potential_Economic_and_Social_Effects_of_an_Alcohol_Tax_Increase_in_Hawaii%27i



alcohol-related violence and harms in our state.³ The proposed tax increase creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying under \$25 more per year with this increased tax, non-excessive drinkers would be paying under \$5 more per year, while those who do not purchase alcohol pay nothing.⁴

A nominal tax adjustment will generate approximately \$50M in additional revenue each year.

The UH Alcohol Tax Study estimated that just \$0.10 per drink would generate nearly \$60M in additional revenue to the state.⁵ While the proposed tax adjustment equates to less than a dime-per-drink, it will still bring in an estimated \$50M in additional revenue. Moreover, the state excise tax has not been raised in over a quarter of a century (1998), which has significantly reduced state alcohol tax revenue generation over the past twenty-seven years.

Excessive alcohol consumption costs money and lives in our community.

Alcohol does not pay for itself. According to the CDC, the consequences of excessive alcohol cost the State nearly \$1 billion per year. This equates to \$1.58 per drink. The liquor tax is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and Fetal Alcohol Spectrum Disorders.⁶

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

Mahalo,

A handwritten signature in black ink, appearing to read "Rick Collins" followed by the letters "CPS" in a larger, stylized font.

Rick Collins
Project Director
Hawai'i Alcohol Policy Alliance

³ Guide to Community Preventive Services. Task Force Recommends Increasing Alcohol Taxes to Prevent Excessive Alcohol Use and Other Harms.

<https://www.thecommunityguide.org/news/increased-alcohol-taxes-can-prevent-excessive-alcohol-use-and-other-harms.html> Page last updated October 17, 2022.

⁴ Consumer Costs and Job Impacts from State Alcohol Tax Increases interactive web tool, Center on Alcohol Marketing and Youth, Boston University. https://wwwapp.bumc.bu.edu/BEDAC_Camv/ResearchToPractice/Price/AlcoholTaxTool

⁵ The Potential Economic and Social Effects of an Alcohol Tax Increase in Hawai'i, (February 10, 2022) University of Hawai'i, Retrieved January 31, 2026 from https://www.researchgate.net/publication/367212148_The_Potential_Economic_and_Social_Effects_of_an_Alcohol_Tax_Increase_in_Hawaii%27i

⁶ Addressing Excessive Alcohol Use: Hawaii Fact Sheet. <https://www.cdc.gov/alcohol/fact-sheets/states/excessive-alcohol-use-united-states.html#H>. Retrieved 01/31/26



HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
February 3, 2026

Testimony in Opposition to HB 1991

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

Thank you for the opportunity to provide testimony in **opposition** to HB 1991 RELATING TO THE LIQUOR TAX. Wine Institute is a public policy association representing more than 1,000 California wineries and associate members. California wineries produce 85% of the wine made in the United States and provide a significant portion of the wine sold in licensed establishments in Hawaii.

We strongly oppose HB 1991 because it would impose massive tax increases on wine and other alcohol beverages as a part of replacing Hawaii's longstanding excise tax system based on defined categories of alcohol beverages with a strictly alcohol-by-volume (ABV) based tax on "liquor".

Wine, beer and spirits are very different beverages in many ways which is why the Federal Government and all states have treated them differently since the end of prohibition and therefore have taxed them based on two factors: 1) the license type 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 production, formula, labeling and containers of all alcohol and charge federal excise tax rates based on both factors, just as Hawaii and all other states do. Wine Institute believes these factors must be considered as a part of any discussions to abolish the state's longstanding system for setting the gallonage tax rate for wine.

As currently proposed, HB 1991 would arbitrarily impose dramatic increases in the state's current gallonage tax in all wine categories with:

- a whopping 335% tax increase on cabernet sauvignons and red wine blends that have a 16% ABV, since it would treat these products as certain distilled spirits that have an ABV of up to 40%.

- a 27% tax increase on white, rose and certain red wines; and
- an almost 18% tax increase on cooler beverages.

These enormous tax hikes would not only unfairly burden responsible Hawaii wine consumers but our partners in the hospitality industry and retail community which continue to be in distress due to the serious economic fallout from retaliatory trade tariffs, escalating inflation costs, worker shortages and reduced consumer consumption of alcohol beverages.

Wineries have also been hard hit as they are still recovering from the pandemic-related restrictions and closures, trade tariffs, inflationary pressures, supply chain issues and increased transportation costs.

Given all these challenges, none of the tiers – wineries, distributors or retailers/restaurants - are in the position to absorb any additional costs, so any increase alcohol beverage taxes would be passed onto Hawaii consumers who have already suffered in many ways. Any increase in the excise tax on wine unfairly harms our consumers in the following ways:

- Hawaii wine consumers already pay a disproportionate share of taxes through the existing liquor tax imposed on wine. Hawaii's current gallonage tax on wine of \$1.38, is already high. Under HB 1991, the excise tax on wines with a 16% ABV would skyrocket to \$6.00/gal and jump up to \$1.75/gal for wines with an ABV of 10%-15%. Hawaii wine consumers also pay one of the highest prices for wine in the United States, given Hawaii's general excise tax of 4% or 4.5% and the significantly higher transportation costs to ship wine to Hawaii. The excise tax hikes proposed in this legislation would result in the cost of wine sold in Hawaii, being the highest in the nation.
- Alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes. Hawaii residents already struggle with unemployment, high housing, food, and fuel costs. Under this bill, they could be forced to pay significantly more for the simple pleasure of responsibly consuming wine.
- Excise taxes are amplified because they are levied at each transactional level. Since the taxes paid by suppliers are marked up twice more by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.

Wine Institute appreciates the opportunity to share our serious concerns with HB 1991 and respectfully urges that it be held in committee.



LATE

HB1991 Increase Alcohol Tax
COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Scot Matayoshi, Chair
Rep. Tine Nakada Grandinetti, Vice Chair
Tuesday, Feb. 3, 2026: 2:00: Room 329 Videoconference

ALOHA CHAIR, VICE CHAIR, AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the ad hoc leader of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment and prevention agencies and recovery-oriented services including transitional housing.

Hawaii Substance Abuse Coalition Supports HB1991 and offer Recommendations.

Alcohol Taxes Reduce Harm *and* Raise Revenue

1. Reviews of hundreds of studies show that tax increases reduce excessive drinking and related harms (e.g., crashes, disease). Young people and heavy drinkers are generally more sensitive to price increases, that taxes can have a bigger impact on risky consumption.
2. Substitution to cheaper alcohol can weaken the effect unless pricing policies are carefully designed.
3. Economists find that alcohol demand is generally *inelastic*, which means that a *10% price increase tends to reduce overall alcohol use by about 5% on average*. Different beverages respond somewhat differently to price changes.

RECOMMENDATIONS:

Alcohol tax revenue can support alcohol treatment if some of the revenue is allocated. There are there are strong public-health and policy reasons:

1. **Alcohol Creates Social and Healthcare Costs:** emergency room visits, liver disease, injuries and crashes, family and workplace harms.
2. **Treatment systems often remain underfunded** despite these costs, so dedicating alcohol tax funds can help close that gap for detox and rehab beds, outpatient programs, counseling, and medication, recovery housing.
3. It follows the **reasoning that the “user” pays** for the increased health burden pertaining to overuse.
4. **Revenue Declines if Consumption Falls.**

5. People are often more willing to **support alcohol taxes if they know the money is going to be treatment** rather than general budgets.

We appreciate the opportunity to testify and are available for questions.

LATE

Testimony in Opposition to H.B. 1991

Relating to the Liquor Tax

Chair, Vice Chair, and Members of the Committee:

Hana Koa Brewing Company LLC respectfully submit testimony **in opposition** to H.B. 1991.

While the intent to modernize the liquor tax and address public health concerns is understandable, the approach taken in this bill raises significant concerns regarding economic impact, fairness, and administrative burden, without clear evidence that it will meaningfully reduce harmful alcohol use.

Broad Tax Increases Are Not Well-Targeted

H.B. 1991 significantly restructures the liquor tax by replacing long-standing product-based categories with alcohol-by-volume classifications and imposing higher tax rates justified by inflation adjustments. However, excessive alcohol use is primarily driven by behavioral, social, and mental health factors, not price alone. Numerous studies show that individuals engaging in binge or harmful drinking are less responsive to price increases than moderate consumers.

As a result, this bill risks disproportionately impacting responsible drinkers while failing to effectively address the most dangerous patterns of alcohol use.

Economic Impact on Local Businesses and Workers

The proposed tax restructuring and rate increases will raise costs throughout the supply chain, affecting manufacturers, distributors, retailers, restaurants, bars, and hotels. These costs will inevitably be passed on to consumers, reducing demand and harming businesses that operate on narrow margins—particularly small, locally owned establishments.

Hawai'i's hospitality and tourism industries are central to the State's economy and remain vulnerable to cost pressures. This bill may unintentionally reduce sales, threaten jobs, and disadvantage local producers compared to large mainland suppliers better able to absorb increased costs.

Administrative and Compliance Concerns

Replacing established liquor categories with alcohol-by-volume classifications will impose new compliance and reporting requirements. Businesses will need to reclassify products, update systems, retrain staff, and adjust accounting practices. These changes increase

administrative complexity for both taxpayers and the Department of Taxation, without clear evidence of corresponding public benefit.

Loss of Legislative Oversight

Although the bill emphasizes inflationary erosion since 1998, it sets a precedent for restructuring and increasing excise taxes based primarily on CPI metrics rather than comprehensive policy review. Tax policy should remain subject to regular legislative scrutiny to ensure economic conditions, equity concerns, and industry impacts are properly considered.

Conclusion

H.B. 1991 places a significant financial and administrative burden on local businesses and consumers while offering uncertain public health benefits. More effective approaches would focus on targeted prevention, treatment, education, and enforcement strategies rather than broad tax restructuring and increases.

For these reasons, I respectfully urge the Legislature to oppose H.B. 1991.

Thank you for the opportunity to submit testimony.

Respectfully submitted,

Joshua Kopp

Hana Koa Brewing Company LLC

LATE

HB-1991

Submitted on: 2/2/2026 2:31:22 PM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert Dawson	Ko Hana Distillers	Oppose	Written Testimony Only

Comments:

My name is **Robert Dawson**, co-founder of **Kō Hana Distillers**. I am writing to **strongly oppose HB 1991**.

Kō Hana is a **farm-to-bottle** distillery. We grow native Hawaiian heirloom sugarcane and handle every step of production locally to build a **true Hawaiian product**. There is tremendous community support for a value-added agricultural industry that exports "Brand Hawaii" to the world. However, HB 1991 undermines this growing industry by imposing a tax structure that creates unnecessary barriers for local producers.

1. Penalizing Quality, Not Addressing Abuse Kō Hana produces premium agricultural rums designed for sipping and savoring, not high-volume consumption. We often bottle our spirits at higher proofs to preserve the authentic flavor profile of the sugarcane, not to increase potency. HB 1991's proposed ABV tier system penalizes this quality. It creates a higher tax bracket (\$6.50/gallon) for spirits above 40% ABV. This indiscriminately targets high-end artisanal products under the guise of public health, failing to distinguish between a \$60 bottle of sipping rum and cheap, high-volume alcohol. It effectively punishes us for producing a purer, less diluted product.

2. Unnecessary Administrative Chaos Currently, we operate under a clear "Distilled Spirits" category. Shifting to an ABV-based system requires a massive overhaul of compliance, accounting, and reporting for every batch we produce. For a standard bottle of 80-proof rum, this bill raises the tax by only **two cents** (from \$5.98 to \$6.00). We are being asked to shoulder a massive administrative burden and retool our entire compliance system for a negligible revenue difference. This distracts us from our core mission of growing Hawaii's agricultural exports.

3. Disrupting Industry Momentum The farm-to-bottle industry is gaining momentum and providing diversified jobs for the state. We need stability to continue this growth. Replacing the established tax categories with a complex tier system—coupled with automatic inflation adjustments starting in 2027—creates operational uncertainty. We need a stable regulatory environment to invest in farms and equipment, not a shifting tax structure that complicates our business model.

Conclusion We are working hard to build a farm-to-bottle industry that Hawaii can be proud of. This bill introduces complexity and penalties that run counter to that goal. I respectfully urge the committee to **hold this measure**.

Sincerely,

Robert Dawson Co-Founder, Kō Hana Distillers robert@kohanarum.com 808 224-7505



LĀHAINĀ
BREWING CO.

LATE

Oppose ABV-Based Alcohol Taxation

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

My name is Mary Anderson, Owner and President of Lahaina Brewing Co. I submit this testimony in opposition to shifting Hawai'i's alcohol tax system to an alcohol-by-volume (ABV) based structure.

While it has been stated that Hawai'i's alcohol tax rates have not changed since 1998, this does not reflect the reality facing local brewers. Over the past two decades, Hawai'i breweries have absorbed dramatic increases in labor, electricity, refrigeration, shipping, packaging, and regulatory compliance costs—far beyond inflation. At the same time, beer pricing has not risen at the same pace due to intense competition from large mainland and multinational brands. As a result, margins for local brewers are already severely compressed.

An ABV-based tax would make this situation worse. Beer is inherently more expensive to produce, transport, and store per unit of alcohol because it is lower in alcohol content and must be made, shipped, and refrigerated in much higher volumes. Independent research from the Brewers of Europe "Cost Comparability Study" shows that beer costs significantly more per unit of alcohol to produce and distribute than wine or spirits. An ABV-based tax ignores these realities and disproportionately penalizes beer.

Beer is also far less shelf-stable than spirits. It requires refrigeration and freshness management from brewery to retailer—especially costly in Hawai'i, which has the highest electricity prices in the nation. Spirits do not face these requirements.

Small, local breweries cannot absorb new taxes, testing costs, or compliance burdens the way large national companies can. An ABV-based system would push more local brands off shelves, reduce consumer choice, and accelerate consolidation toward mainland products.

Hawai'i already has among the highest alcohol tax rates in the country. Becoming the only state to adopt a fully ABV-based alcohol tax system would put local brewers at a unique and unnecessary disadvantage.

A better solution exists. Rather than restructuring taxes in a way that harms small producers, the Legislature should consider a small producer tax classification, such as the approach proposed in SB2912, to support local jobs, local manufacturing, and consumer choice.

For these reasons, I respectfully urge the Committee to reject ABV-based alcohol taxation.

Mahalo for the opportunity to provide testimony.

Name: Mary Anderson

Title: President/Owner

Brewery: Lahaina Brewing Co

Island: Maui



LATE

February 2, 2026

To: Rep. Scot Matayoshi, Chair
Rep. Tina Grandinetti, Vice Chair
Members of the House Committee on Consumer Protection & Commerce

RE: Strong Support for HB 1991, Relating to the Liquor Tax

Hrg: February 3, 2026, 2:00pm, House Conference Room 329

Position: Strong Support

I am submitting testimony in STRONG SUPPORT of HB 1991. which adjusts the liquor tax rates for inflation. This will help reduce underage drinking and excessive adult consumption, and reduce alcohol-related harms and costs to the state, which are estimated at \$937 million annually.

Public Health and Economic Benefits. Findings from the University of Hawai'i Alcohol Tax Policy Study show significant public health and economic benefits to raising the price of alcohol. This study, specific to Hawai'i, shows how an alcohol tax increase would significantly reduce alcohol-related harms across our state. Some of the specific reduction in alcohol-related harms include underage drinking, fewer traffic crashes and DUIs, fewer ER visits and first responder calls-for-service, fewer violent crimes, including sexual assault, intimate partner violence and forcible rapes, and reductions in consumption rates for both youth and adults. An increase in the liquor excise tax by \$0.10 per drink would result in 570 fewer ER visits per year, 4,675 fewer co-occurring alcohol & mental health disorders per year, 351 fewer DUI arrests per year. 2 These consequences can be reduced with this proposed measure.

Alcohol Taxes are Effective Strategies to Reduce Alcohol-Related Harms. The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive alcohol use in communities. Reductions in underage drinking would lead to less alcohol-related violence and harms in our state.

The proposed tax increase creates a nominal increase in costs to individual consumers. The individual who excessively consumes alcohol would be paying under \$25 more per year with this increased tax, non-excessive drinkers would be paying under \$5 more per year, while those who do not purchase alcohol pay nothing.

A nominal tax adjustment will generate approximately \$50M in additional revenue each year. The UH Alcohol Tax Study estimated that just \$0.10 per drink would generate nearly \$60M in additional revenue to the state. While the proposed tax adjustment equates to less than a dime-per-drink, it will still bring in an estimated \$50M in additional revenue. Moreover, the state excise tax has not been raised in over a quarter of a century (1998), which has significantly reduced state alcohol tax revenue generation over the past twenty-seven years.

Excessive alcohol consumption costs money and lives in our community. Alcohol does not pay for itself. According to the CDC, the consequences of excessive alcohol cost the State nearly \$1 billion per year. This equates to \$1.58 per drink. A dime a drink is a small down payment toward getting alcohol to pay for itself. Excessive drinking can also lead to a range of health and social problems, including unintentional injuries (i.e., motor vehicle crashes and drowning), sexual violence, HIV infection, unplanned pregnancy, alcohol poisoning, and FetalAlcohol Spectrum Disorders.

I urge you to support this critical public health issue.

Thank you for your time and consideration.

Michael Sparks

President SparksInitiatives
Kihei, HI



1050 Bishop St. PMB 235 |
Honolulu, HI 96813
P: 808-533-1292 | e:
info@hawaiiifood.com

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Jayson Watts, Mahi Pono, *Vice Chair*
Jill Tamura, Tamura Super Market, *Secretary/Treas.*
Lauren Zirbel, HFIA, *President and Executive Director*
Paul Kosasa, ABC Stores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

LATE

TO: Committee on Consumer Protection and Commerce

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: February 3, 2026

TIME: 2pm

RE: HB1991 Relating to the Liquor Tax

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

We respectfully oppose HB 1991.

HB 1991 is premised on the idea that Hawai'i's liquor tax rates must be increased to "catch up" with inflation. That premise is flawed. Excise taxes already rise with inflation automatically because they are embedded in product prices that increase over time.

As the price of beer, wine, and spirits rises due to inflation, supply chain costs, labor, energy, and transportation, the State already collects more tax revenue per unit sold through the General Excise Tax and through higher-priced taxable transactions throughout the distribution chain. Raising the statutory liquor excise on top of inflation is double counting inflation.

HB 1991 Is a Real Tax Increase, Not an Adjustment

HB 1991 replaces existing rates in HRS §244D-4 with higher alcohol-by-volume tax brackets that increase excise taxes on most products sold in Hawai'i:



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Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

- Beer tax increases from \$0.93 to \$1.00 per gallon
- Standard wine tax increases from \$1.38 to \$1.75 per gallon — a 27% increase
- Spirits taxes increase to as much as \$6.50 per gallon

These increases apply to everyday products — not luxury goods — including local beer, Maui-made fruit wines, and locally distilled spirits.

Inflation Is Not a Justification for Raising Excise Rates

If inflation alone were a valid justification for raising excise tax rates, no tax rate would ever stop increasing. That is not sound tax policy.

Inflation already:

- Raises retail prices
- Increases taxable value
- Expands state tax collections without legislative action

HB 1991 goes further by stacking a higher excise tax on top of already-inflated prices, accelerating price increases for consumers and shrinking margins for local producers and retailers.

Direct Impact on Local Businesses and Families

Local breweries, wineries, distilleries, restaurants, and grocery stores operate on thin margins and face some of the highest operating costs in the country. These tax increases will be passed directly to consumers at the shelf and bar.

For Hawai'i families already struggling with high food and housing costs, HB 1991 means:

- Higher prices for locally made products
- Reduced competitiveness of Hawai'i producers
- Less disposable income circulating in the local economy



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Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

This bill penalizes local manufacturing and value-added agriculture at the exact moment the State claims to support them.

For these reasons, I respectfully urge the committee to reject HB 1991.

Mahalo for the opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 329
Tuesday, February 3, 2026 AT 2:00 P.M.**

To The Honorable Representative Scot Z. Matayoshi, Chair
The Honorable Representative Tina Nakada Grandinetti, Vice Chair
Members of the Committee on Consumer Protection & Commerce

OPPOSE HB1991 RELATING TO THE LIQUOR TAX

The Maui Chamber of Commerce is concerned about the proposed shift in HB1991 to an alcohol-by-volume (ABV) based liquor tax structure and the adjustment of rates for inflation. This bill directly affects local breweries, wineries, distilleries, and hospitality businesses that are vital contributors to jobs, tourism, and small business growth across the state.

Small and local producers would be disproportionately impacted. These businesses already face higher production costs and limited economies of scale compared to national brands. An ABV-based tax structure, especially when coupled with automatic inflation adjustments, could result in higher prices for local products and reduce their competitiveness, further straining Hawai'i's manufacturing industry and limiting consumer choice.

We respectfully urge the Legislature to consider the unintended economic consequences of this approach. If the goal is to promote responsible consumption and support local businesses, we encourage stakeholder engagement to ensure that any changes to the liquor tax system align with both economic and public health objectives.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



February 3, 2026

To: Chair Scot Matayoshi and Members of the House Committee on Consumer Protection & Commerce

From: Kona Brewing Hawaii
Nathalie Carisey; President

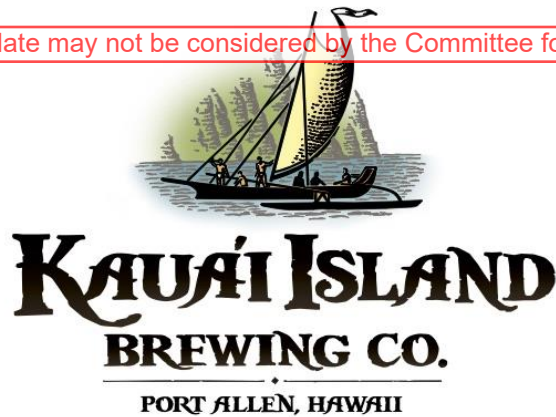
RE: HB1991; Relating to the Liquor Tax; **Opposition**
February 3, 2026; Conference Room 329

Kona Brewing Hawaii is **opposed to HB1991**, which replaces the defined liquor categories subject to the liquor tax with alcohol-by-volume categories and adjusts the liquor tax rates for inflation.

This measure would impose a significant tax increase on alcoholic beverages and fundamentally restructure how those taxes are applied. These changes raise serious concerns for local brewers, already facing rising costs for labor, rent, utilities, insurance, and raw materials. Locally brewed beer is a high-volume, low-margin product and increasing the gallonage tax and shifting to an alcohol-by-volume framework will inevitably result in higher prices for consumers. Please consider the economic consequences of HB1991 before advancing this measure.

Kona Brewing Hawaii continues to run our flagship brewery in a state-of-the-art, 30,000 square-foot facility. We produce 65,000 barrels of malt beverages annually, all of which are sold in Hawaii. For over 30 years, Kona Brewing has proudly invested in the future of Hawaii, and therefore feels passionate about promoting the growth of the craft beer industry while advocating for environmental responsibility, community wellness, and sustainability.

Mahalo for the opportunity to provide testimony.



LATE

February 2, 2026

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Rep. Cory M. Chun

Rep. Nicole E. Lowen

Rep. Greggor Ilagan

Rep. Lisa Marten

Rep. Linda Ichiyama

Rep. Adrian K. Tam

Rep. Kim Coco Iwamoto

Rep. Elijah Pierick

Rep. Sam Satoru Kong

Re: Testimony in Opposition of HB 1991

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

My name is Bret Larson and I live in Wailua, Kauai, Hawai'i. I am the owner and founder of Kauai Island Brewing Company, operating locations in Port Allen and Koloa on Kauai. Prior to Kauai Island Brewing Company, I was owner and founder of Waimea Brewing Company, which began operations on the west side of Kauai in 1998 so I have some history and perhaps authority in trying to run a Brewery in Hawaii since 1998.

While it has been stated that Hawai'i's alcohol tax rates have not changed since 1998, this does not reflect the reality facing local brewers. Over the past two decades, Hawai'i breweries have absorbed dramatic increases in labor, electricity, refrigeration, shipping, packaging, and regulatory compliance costs—far beyond inflation. For example, labor in 1998 was \$5.25/hr., today its now \$16.00/hr.; that's a 300% increase. Since 1998 shipping has increased over 400%. Electricity prices in Hawaii have consistently been the highest in the United States, driven by a heavy reliance on imported oil for power generation. Between 1998 and the present, rates have experienced significant volatility, generally rising from below 15 cents per kWh in the early 2000s to over 40 cents per kWh in some areas by late 2024/2025. At the same time, beer pricing has not risen at the same pace due to intense competition from large mainland and multinational brands. As a result, margins for local brewers are already severely compressed.

An ABV-based tax would make this situation worse. Beer is inherently more expensive to produce, transport, and store per unit of alcohol because it is lower in alcohol content and must be made, shipped, and refrigerated in much higher volumes. Independent research from the Brewers of Europe "Cost Comparability Study" shows that beer costs significantly more per unit of alcohol to produce and distribute than wine or spirits. An ABV-based tax ignores these realities and disproportionately penalizes beer.

Beer is also far less shelf-stable than spirits. It requires refrigeration and freshness management from brewery to retailer—especially costly in Hawai'i, which has the highest electricity prices in the nation. Spirits do not face these requirements.

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

Mailing Address: PO Box 215, Elele, HI 96705

www.kauaiislandbrewing.com

Small, local breweries cannot absorb new taxes, testing costs, or compliance burdens the way large national companies can. An ABV-based system would push more local brands off shelves, reduce consumer choice, and accelerate consolidation toward mainland products.

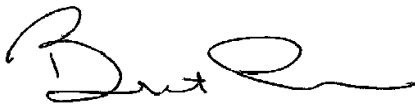
Hawai'i already has among the highest alcohol tax rates in the country. Becoming the only state to adopt a fully ABV-based alcohol tax system would put local brewers at a unique and unnecessary disadvantage.

A better solution exists. Rather than restructuring taxes in a way that harms small producers, the Legislature should consider a small producer tax classification, such as the approach proposed in SB2912, to support local jobs, local manufacturing, and consumer choice.

For these reasons, I respectfully urge the Committee to reject ABV-based alcohol taxation.

Mahalo for the opportunity to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Bret Larson", with a stylized flourish at the end.

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

HB-1991

Submitted on: 1/31/2026 10:26:31 AM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Nathan Waters	Individual	Support	Written Testimony Only

Comments:

I am writing in strong support of this bill. I have personally seen the negotiate effects that alchohol has had on my family and any measure to discourage its use and miss use is a positive for the community. The extra revenue generated is also a great bonus that could help the state fund health related programs.

HB-1991

Submitted on: 2/1/2026 9:51:29 AM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

Aloha:

Please adjust the liquor tax to inflation, which hasn't been changed since 1998. This will help curb alcohol abuse, while also providing more than \$50 million annually in much needed revenue to the state

Mahalo.

HB-1991

Submitted on: 2/2/2026 8:44:48 AM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Caroline Azelski	Individual	Support	Written Testimony Only

Comments:

In suport of. Thank you.

HB-1991

Submitted on: 2/2/2026 8:56:43 AM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Emma Waters	Individual	Support	Written Testimony Only

Comments:

I am writing in strong support of this bill. Because the liquor tax hasn't been changed since 1998, the state has been missing out on needed revenue, and the tax as a deterrent for excessive alcohol use has become less effective. This adjustment to inflation is a common sense approach to deter people from excessive drinking while also supplying needed funds to the state for programs our people need. Mahalo.

HB-1991

Submitted on: 2/2/2026 12:00:32 PM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacelyn Auna	Individual	Support	Written Testimony Only

Comments:

To: Rep. Matayoshi, Rep. Grandinetti, and Members of the House on Consumer Protection & Commerce

My name is Jacelyn Auna, and I am in Support of HB1991. I am a stronger believer in supporting bills that can make a major impact of changing the behavior of those who decide to consume alcohol. By adjusting the liquor tax rates it can help reduce consumption, reduce health harms, and prevent harm to our communities, and keeping our roads safe.

I encourage you all to make the right decision in accepting this bill.

HB-1991

Submitted on: 2/2/2026 12:22:43 PM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kenneth G. K. Hoo	Hawaii Liquor Wholesales Association	Oppose	Written Testimony Only

Comments:

Tax rates on liquor already are among the highest in the country. Hawaii's businesses and residents already are burdened by high costs of living and doing business. An increase in the liquor tax would only increase prices and also add cost to tourism and be counter-productive to stimulating the State's number one economic driver.

LATE

HB-1991

Submitted on: 2/2/2026 5:01:08 PM

Testimony for CPC on 2/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Bryan Mih	Individual	Support	Written Testimony Only

Comments:

Aloha,

As a parent and community pediatrician, I strongly support this measure to adjust the liquor tax to inflation. This tax has remained unchanged since 1998.

Hawai'i's alcohol-related traffic fatalities rate is higher than the national average. From 2011-2022, at least 40 percent of traffic fatalities in Hawai'i involved alcohol. The impacts of drunk driving include injuries and death to keiki or their family members. The price of alcohol should be adjusted to reflect the proportionate impact to the health and safety of our community.

Mahalo for your support of this important measure.

Sincerely,

Bryan Mih, MD MPH FAAP

Pediatrician

LATE

Aloha Members of the House!

I want you to picture someone you love—your spouse, your child, your best friend—getting in the car and never making it home the same. Picture a phone call that stops your world. Picture sitting in a hospital room, surrounded by machines, wondering if the life you knew just ended. That is not a hypothetical. That is my reality, and it began the moment someone chose to drive after drinking.

I stand before you today not as a statistic, not as a case number, and not as an isolated tragedy—but as a living reminder of what happens when impaired driving is treated as a risk instead of a certainty. In an instant, my life was divided into *before* and *after*. One moment I was driving, thinking about ordinary things—family, plans, the future. The next, my world shattered. Metal crushed. Glass exploded and my body went limp and my life never looked the same.

I survived—but survival came at a cost.

Recovery was not quick or simple. It was hospital rooms and 10 painful procedures. It was learning how to relearn how to use my body again. The injuries were visible, but the trauma was not. Drunk driving didn't just break my body—it changed how I sleep, how I drive, how I live. And it didn't just impact me. It rippled through my family, my kids, and the people who love me—who had to watch helplessly as our lives were forever altered.

All of this happened because of a CHOICE.

Drunk driving is not an accident. It is not bad luck. It is 100% preventable.

The CDC recommends alcohol tax increases as one of the strongest prevention strategies to reduce underage drinking and excessive alcohol use in communities. Reductions in underage drinking would lead to less alcohol-related violence in our state.

When legislation is discussed, it's easy to focus on these numbers—BAC levels, enforcement, penalties. But behind every number is a story like mine. A family like mine. A life permanently changed. I am standing here today

because I was fortunate. Many others are not. Many never get the chance to tell you what they lost.

I am asking you to remember us. Stronger DUI laws and tax increases are NOT about taking something away from people—they are about protecting what truly matters.

HSB1991 will help prevent families from receiving devastating phone calls, from sitting in emergency rooms praying for survival, from living with grief or lifelong injury caused by a completely preventable decision.

Because it *did* happen to me.

And unless change is made, it will continue to happen to others.

You have the power to save lives before tragedy strikes. Please use that power with courage and urgency. Let my survival mean something. Let the pain we carry lead to action.

I survived a drunk driving crash—but I carry it with me every day. My hope is that through your leadership, fewer people will ever have to carry that title.

Thank you for listening and Thank you for caring.