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# A BILL FOR AN ACT

RELATING TO THE LIQUOR TAX.

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

1           SECTION 1. The legislature finds that the liquor tax rates  
2 established under section 244D-4, Hawaii Revised Statutes, have  
3 remained unchanged since 1998. Over the past twenty-seven  
4 years, the cost of goods and services in the State has increased  
5 significantly due to inflation, as measured by the United States  
6 Bureau of Labor Statistics Consumer Price Index for All Urban  
7 Consumers (CPI-U).

8           The legislature further finds that maintaining the 1998 tax  
9 rates in nominal terms fails to reflect the true economic value  
10 intended by the original statute and effectively reduces the  
11 real tax burden on alcoholic beverages over time. This erodes  
12 the tax base and undermines the purpose of the liquor tax, which  
13 includes generating revenue for the State and supporting public  
14 health objectives.

15           Accordingly, the purpose of this Act is to:

16           (1) Replace the defined liquor categories subject to the  
17           liquor tax with alcohol-by-volume categories, but with



1 a separate rate for beer manufactured by a small craft  
2 producer pub licensee; and

3 (2) Amend the liquor tax rates to account for inflation  
4 since 1998 by applying a CPI-U-based adjustment  
5 according to the most recent available data.

6 SECTION 2. Section 244D-1, Hawaii Revised Statutes, is  
7 amended as follows:

8 1. By amending the definition of "beer" to read:

9 ""Beer" means any alcoholic beverage [~~obtained~~]:

10 (1) Obtained by the fermentation or any infusion or  
11 decoction of barley, malt, hops, or any other similar  
12 product, or any combination thereof in water, and  
13 includes ale, porter, brown, stout, lager beer, small  
14 beer, and strong beer but does not include sake, known  
15 as Japanese rice wine, or cooler beverage[~~-~~]; and

16 (2) That contains no more than ten per cent of alcohol by  
17 volume."

18 2. By amending the definition of "liquor" to read:

19 ""Liquor" has the same meaning as set forth in section 281-  
20 1 and includes alcohol, beer, and the [~~liquor~~] alcohol-by-volume  
21 categories [~~:- beer, draft beer, cooler beverage, distilled~~



1 ~~spirits, and wine.]~~ taxed at the applicable rates under section  
2 244D-4 (a)."

3 3. By repealing the definitions of "distilled spirits" and  
4 "draft beer".

5 [~~"Distilled spirits" means an alcoholic beverage obtained~~  
6 ~~by the distillation of fermented agricultural products, and~~  
7 ~~includes alcohol for beverage use, spirits of wine, whiskey,~~  
8 ~~rum, brandy, and gin, including all dilutions and mixtures~~  
9 ~~thereof, but does not include beer, draft beer, cooler beverage,~~  
10 ~~or wine.~~

11 [~~"Draft beer" means beer in an individual container of five~~  
12 ~~gallons or more."~~]

13 4. By repealing the definitions of "sparkling wine",  
14 "still wine", and "unit price".

15 [~~"Sparkling wine" means champagne and any other~~  
16 ~~effervescent wine charged with more than 0.392 grams of carbon~~  
17 ~~dioxide per 100 milliliters of wine, whether artificially or as~~  
18 ~~a result of secondary fermentation of wine within the container.~~

19 [~~"Still wine" means any nonsparkling wine and shall include~~  
20 ~~these wines containing not more than 0.392 grams of carbon~~  
21 ~~dioxide per 100 milliliters of wine.~~



1       ~~"Unit price" for a liquor category taxed under this chapter~~  
2       ~~shall be equal to the total dollar volume of taxable sales,~~  
3       ~~exclusive of all federal and state excise taxes, reported for~~  
4       ~~such liquor category, divided by the total gallons of taxable~~  
5       ~~sales reported for such liquor category over the same period." ]~~

6       5. By repealing the definition of "wine".

7       ~~[ "Wine" means the product obtained from normal alcoholic~~  
8       ~~fermentation of the juice of sound ripe grapes or other~~  
9       ~~agricultural products containing natural or added sugar or any~~  
10       ~~such alcoholic beverage to which is added grape brandy, fruit~~  
11       ~~brandy, or spirits of wine, which is distilled from the~~  
12       ~~particular agricultural product or products of which the wine is~~  
13       ~~made and other rectified wine products and by whatever name and~~  
14       ~~which contains not more than twenty-four per cent of alcohol by~~  
15       ~~volume, and includes vermouth and sake, known as Japanese rice~~  
16       ~~wine, but does not include cooler beverage." ]~~

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

19       "(a) Every person who sells or uses any liquor in the  
20       State not taxable under this chapter, in respect of the  
21       transaction by which the person or the person's vendor acquired



1 the liquor, shall pay a gallonage tax that is hereby imposed at  
2 the following rates [~~for the various liquor categories defined~~  
3 ~~in section 244D-1~~]:

4 On July 1, 1998, and thereafter, the tax rate shall be:

5 (1) \$5.98 per wine gallon on distilled spirits;

6 (2) \$2.12 per wine gallon on sparkling wine;

7 (3) \$1.38 per wine gallon on still wine;

8 (4) \$0.85 per wine gallon on cooler beverages;

9 (5) \$0.93 per wine gallon on beer other than draft beer;

10 and

11 (6) \$0.54 per wine gallon on draft beer;

12 and at a proportionate rate for any other quantity so sold or  
13 used.

14 On July 1, 2026, and thereafter, the tax rate shall be:

15 (1) \$1.00 per gallon on beverages containing 0.5 per cent  
16 or more alcohol by volume but no more than 10 per cent  
17 alcohol by volume; provided that the rate shall be 75  
18 cents per gallon on beer manufactured by a person  
19 holding a class 18 small craft producer pub license  
20 under section 281-31;



1        (2) \$2.75 per gallon on beverages containing more than ten  
2        per cent alcohol by volume but no more than fifteen  
3        per cent alcohol by volume;  
4        (3) \$11.89 per gallon on beverages containing more than  
5        fifteen per cent alcohol by volume but no more than  
6        forty per cent alcohol by volume; and  
7        (4) \$13.00 per gallon on beverages containing more than  
8        forty per cent alcohol by volume;  
9        and at a proportionate rate for any other quantity so sold or  
10       used."

11       SECTION 4. Section 244D-6, Hawaii Revised Statutes, is  
12       amended to read as follows:

13       "**§244D-6 Return, form, contents.** Every taxpayer shall, on  
14       or before the twentieth day of each month, file with the  
15       department a return showing all sales of liquor by gallonage and  
16       dollar volume in each [~~liquor category defined in section 244D-1~~  
17       ~~and taxed]~~ tax rate under section 244D-4(a) made by the taxpayer  
18       during the preceding month, showing separately the amount of the  
19       nontaxable sales, and the amount of the taxable sales, and the  
20       tax payable thereon. The form and manner of the return shall be  
21       prescribed by the department and shall contain any information



1 the department may deem necessary for the proper administration  
2 of this chapter."

3 SECTION 5. Section 244D-9, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) Every dealer shall keep a record of all sales of  
6 liquor by gallonage and dollar volume in each [~~liquor category~~  
7 ~~defined in section 244D-1 and taxed~~] tax rate under section  
8 244D-4(a) made by the dealer, in a form prescribed by the  
9 department of taxation. Every person holding a license under  
10 the liquor law, other than a manufacturer's or wholesaler's  
11 license, shall keep a record of all purchases by the person of  
12 liquor by gallonage and dollar volume in each [~~liquor category~~  
13 ~~defined in section 244D-1 and taxed~~] tax rate under section  
14 244D-4(a), in a form prescribed by the department. All records  
15 shall be offered for inspection and examination at any time upon  
16 demand by the department and shall be preserved for a period of  
17 five years, except that the department may in writing consent to  
18 their destruction within the five-year period or may require  
19 that they be kept longer.



1           The department may by rule require the dealer to keep other  
2 records as it may deem necessary for the proper enforcement of  
3 this chapter."

4           SECTION 6. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6           SECTION 7. This Act shall take effect on July 1, 3000.



**Report Title:**

Liquor Tax; Taxation; Alcohol By Volume; Small Craft Producer  
Pub Licensees

**Description:**

Replaces the defined liquor categories subject to the liquor tax  
with alcohol-by-volume categories, but with a separate rate for  
beer manufactured by a small craft producer pub licensee.  
Adjusts the liquor tax rates for inflation. Effective 7/1/3000.  
(HD1)

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not legislation or evidence of legislative intent.*

