THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 980

JAN 17 2025

A BILL FOR AN ACT

RELATING TO ALCOHOL.

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

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finds that the existing definitions of alcoholic beverages under section 244D-1, Hawaii Revised Statutes, are outdated and do not align with the modern marketplace.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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) $0.93 per wine gallon on beer other than draft beer; [~~and~~]

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

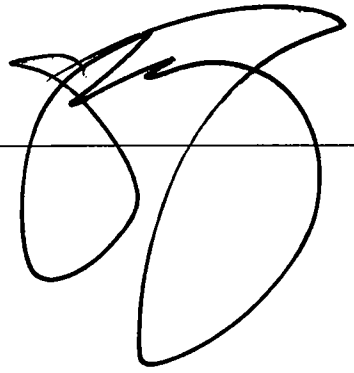
(7) $1.10 per wine gallon on low alcohol by volume spirits beverages;

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

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

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

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.