

Honolulu, Hawaii

FEB 12 , 2026

RE: H.B. No. 1991
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 1991 entitled:

"A BILL FOR AN ACT RELATING TO THE LIQUOR TAX,"

begs leave to report as follows:

The purpose of this measure is to modernize the Liquor Tax
Law by:

- (1) Using alcohol by volume as the basis for the tax, rather
than the types of liquor; and
- (2) Increasing the tax rates.

Your Committee received testimony in support of this measure
from the Hawai'i Public Health Institute; Hawaii Substance Abuse
Coalition; SparksInitiatives; and seven individuals. Your
Committee received testimony in opposition to this measure from
Big Island Brewhaus; Lanikai Brewing Company LLC dba Lanikai
Spirits; Maui Hotel & Lodging Association; Anheuser-Busch; Beer
Institute; Beer Lab HI; Maui Brewing Company; Wine Institute; Hana
Koa Brewing Company LLC; Ko Hana Distillers; Lāhainā Brewing Co.;
Hawaii Food Industry Association; Maui Chamber of Commerce; Kona
Brewing Co.; Kaua'i Island Brewing Co.; and Hawai'i Liquor
Wholesales Association. Your Committee received comments on this



measure from the Department of Taxation; Tax Foundation of Hawaii; Chamber of Commerce Hawaii; and Distilled Spirits Council.

Your Committee finds that the existing liquor tax structure, to an extent, does not adequately address the emergence of newer alcohol products. The existing liquor tax structure is based on alcohol categories that were historically clearly delineated with different alcohol content with higher rates corresponding to the categories with higher alcohol content and greater risks for abuse and external harms. However, newer products, such as hard seltzers and ready-to-drink cocktails, straddle these traditional categorical delineations and upend the reasoning for the existing tax structure. This measure will modernize the Liquor Tax Law to account for emerging alcohol products by taxing alcohol in relation to its corresponding risks of abuse and harm by using alcohol by volume as the basis, rather than the type of liquor.

Your Committee further finds that the existing liquor tax structure no longer serves as an economic deterrent for alcohol consumption because the rates have not been updated in nearly thirty years. Alcohol tax increases are one of the strongest prevention strategies to reduce underage drinking and excessive alcohol use in communities. This measure appropriately updates the rates for the Liquor Tax Law.

Lastly, your Committee recognizes the economic burden this may place on small producers and believes that relief is appropriate.

Your Committee notes that the Department of Taxation requested that the effective date of this measure be January 1, 2027, to provide the Department with sufficient time for form and instruction changes and to provide notice to taxpayers.

Accordingly, your Committee has amended this measure by:

- (1) Amending the upper and lower limits for the alcohol-by-volume ranges;
- (2) Amending the tax rates associated with each alcohol-by-volume range;
- (3) Providing a separate lower rate for beer that contains no more than ten percent of alcohol by volume

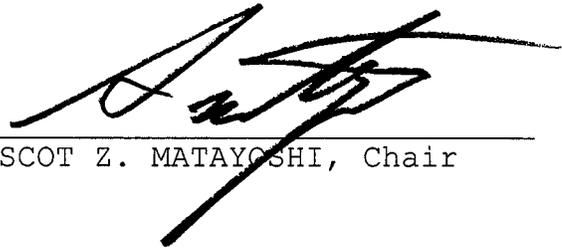


manufactured by a person holding a class 18 small craft producer pub license;

- (4) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1991, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1991, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



SCOT Z. MATAYOSHI, Chair



