

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

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DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1991, H.D.1, Relating to the Liquor Tax

BEFORE THE:

House Committee on Finance

DATE: Friday, February 27, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1991, H.D.1, for your consideration.

Sections 2 and 3 of H.B. 1991, H.D.1, amend the definition of liquor in section 244D-1, Hawaii Revised Statutes (HRS), by deleting the current liquor categories and definitions of draft beer, cooler beverage, distilled spirits, sparkling wine, still wine, wine, and unit price, and inserting alcohol-by-volume (ABV) categories taxed at new rates under section 244D-4(a), HRS. The definition of "beer" is modified to add the requirement that it contain no more than ten per cent ABV.

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

- (1) \$1.00 per gallon on beverages containing 0.5 percent or more alcohol by volume but not more than 10 percent alcohol by volume; provided that the rate shall be 75 cents per gallon on beer manufactured by a person holding a class 18 small craft producer pub license under section 281-31, HRS;
- (2) \$2.75 per gallon on beverages containing more than 10 percent alcohol by volume but not more than 15 percent alcohol by volume.

- (3) \$11.89 per gallon on beverages containing more than 15 percent alcohol by volume but not more than 40 percent alcohol by volume; and
- (4) \$13.00 per gallon on beverages containing more than 40 percent 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, H.D. 1, replaces “liquor” with “tax rate” in sections 244D-6 and 244D-9, HRS, while keeping all return, form, and recordkeeping rules the same.

The bill has a defective effective date of July 1, 3000.

If this bill is advanced DOTAX recommends an effective date of January 1, 2027, to provide sufficient time for form and instruction changes, and notice to taxpayers.

Based on a January 1, 2027, effective date, DOTAX estimates the following revenue gain:

General Fund Impact (\$ millions)

FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
\$26.9	\$29.0	\$28.6	\$28.3	\$27.9	\$27.6

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

**Testimony to the House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair**

**Friday, February 27, 2026, at 2:00PM
Conference Room 308 & Videoconference**

RE: HB1991 HD1 Relating to the Liquor Tax

Aloha e Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber opposes House Bill 1991 HD1 (HB1991 HD1), 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 HD1 is positioned to harm 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, emphasizing Hawaii's high cost of living and cost of doing business. 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.

This tax increase further exacerbates industry headwinds for local alcoholic beverage producers and needlessly increases prices for consumers. The prior Committee on Consumer Protection & Commerce notes in their committee report that this tax is meant as a prevention strategy against excessive drinking. Yet the World Health Organization indicates that global consumption of alcohol is down 12% between 2010 and 2022. In a Gallup poll that began reporting in 1939, the percentage of American's drinking alcohol has fallen from 67% in 2022 to 54% in 2025. This is the lowest percentage ever recorded in the history of the study. Economic trends demonstrate that consumers are already shifting away from alcohol. This revised tax structure will add pressure on the state's small businesses in an economic environment that are already struggling to survive within. These costs will get passed on to consumers and this revised tax structure will exacerbate an already challenging market outlook.

It is for these reasons, the Chamber humbly requests that HB1991 HD1 be deferred. 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

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
FRIDAY, FEBRUARY 27, 2026 AT 2:00 P.M.**

To The Honorable Representative Chris Todd, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

OPPOSE HB1991 HD1 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. 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 and proposed tax increases could result in higher prices for local products and reduce their competitiveness, further straining Hawai'i's manufacturing industry and limiting consumer choice.

While we appreciate that some consideration was given to low ABV beer manufactured by small craft producers in HD1, this does not take into account the many other small wine, spirits, and other beverage manufacturers across the state, who will be disproportionately impacted by this bill.

We respectfully urge the Legislature to consider the unintended economic consequences of this approach and defer this bill. 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.



info@beerlabhi.com
www.beerlabhi.com

HB 1991- Relating to Liquor Tax

COMMITTEE ON FINANCE

Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair

Strongly Oppose

We do not need any tax increases on breweries, alcohol or restaurants this year. While this is a supplier/distributor tax this tax is simply passed on to the restaurant or bar.

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.

At the very least we are asking for a reasonable increase in taxes not a **100% tax increase**.

Thank you,

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



HB1991 HD1 Increase Alcohol Tax
COMMITTEE ON FINANCE
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair
Friday, Feb. 27, 2026: 2:00: Room 308 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 HD1 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, and raising 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 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.



TESTIMONY OF STEVE SOMBRERO, OWNER
AND CANDICE ISHIKAWA, HEAD OF MARKETING & BRAND
ALOHA BEER COMPANY
FEBRUARY 25, 2026
IN OPPOSITION TO HB 1991 HD1 – RELATING TO THE LIQUOR TAX

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

Aloha Beer Company respectfully submits testimony in opposition to HB 1991 HD1.

Aloha Beer is a locally owned Hawai'i manufacturer and brewpub that produces beer in Honolulu and supports local jobs, local suppliers, and Hawai'i's visitor industry. While we appreciate the Legislature's efforts to modernize the liquor tax structure and recognize emerging alcohol products, HB 1991 HD1 would increase costs across the supply chain for local manufacturers and create additional challenges for small producers operating in one of the most expensive business environments in the country.

Although the bill includes a reduced rate for certain small craft producer pub licensees, the proposed alcohol-by-volume tax structure may still result in additional tax pressure on certain locally produced beers. Craft breweries often produce a range of beer styles, including specialty and seasonal products with varying alcohol levels. An alcohol-by-volume tax structure does not fully reflect how these products are produced, sold, or consumed and may place added pressure on independent producers compared with large national brands.

Local breweries already face high costs for ingredients, utilities, packaging, shipping, and labor. Additional tax increases will inevitably raise prices for customers and make locally produced beer less competitive against large mainland and imported brands.

HB 1991 HD1 also introduces a structural change to Hawai'i's long-standing liquor tax system. Even with a delayed effective date, transitioning to a new alcohol-by-volume classification system will require businesses to adjust pricing models, accounting systems, and compliance processes, creating additional administrative costs for small companies.

Hawai'i already ranks among the highest states in alcohol excise taxes. Further increases risk discouraging local production and investment at a time when small manufacturers are working to manage rising operating costs.

Aloha Beer supports responsible consumption and reasonable tax policy; however, we believe HB 1991 HD1 adds pressure to local manufacturers in an already challenging economic environment.

As a small business owner and craft beer producer operating in Honolulu, I want to share what this proposal means in practical terms. We are a small business employing local residents, purchasing local services, and reinvesting into our community through events, partnerships, and sponsorships. Our margins are already compressed by rising costs in aluminum, ingredients, utilities, shipping, and labor. Any increase at the production or wholesale tier does not stay abstract; it directly affects small local producers like us and ultimately raises prices for our customers.

Unlike large mainland corporations that can absorb cost increases across massive production volumes, small Hawai'i-based breweries operate on tight margins and limited scale. Even modest tax increases influence hiring decisions, pricing, expansion plans, and our ability to continue supporting local events and community initiatives. Policies like this disproportionately impact locally owned businesses that are working to build and sustain Hawai'i's craft manufacturing sector.

For these reasons, we respectfully urge the Committee to reconsider and oppose HB 1991 HD1.

Thank you for the opportunity to testify.

Steve Sombrero
Owner
Aloha Beer Company

Candice Ishikawa
Head of Marketing & Brand
Aloha Beer Company



TESTIMONY OF DAVE ERDMAN, PRESIDENT & CEO
RETAIL MERCHANTS OF HAWAII
FEBRUARY 27, 2026
IN OPPOSITION TO HB 1991 HD1 – RELATING TO THE LIQUOR TAX

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

My name is Dave Erdman, and I am the Interim President and CEO of Retail Merchants of Hawai'i (RMH), a statewide nonprofit trade association representing retailers, shopping centers, restaurants in retailer establishments or shopping centers, and allied businesses across Hawai'i.

Retail Merchants of Hawai'i respectfully oppose HB 1991 HD1.

RMH recognizes the Committee's interest in modernizing the State's liquor tax structure and addressing emerging alcohol products. However, the proposed tax increases would place additional financial pressure on local retailers and small businesses that are already operating on very thin margins in Hawai'i's high-cost environment.

For many retailers and restaurants, alcoholic beverages are an important part of overall sales and customer experience. Increased liquor taxes will ultimately be reflected in higher shelf prices and menu prices, adding to the cost-of-living pressures already facing Hawai'i residents and visitors. Businesses have a limited ability to absorb additional taxes without passing costs on to consumers.

As the University of Hawai'i Economic Research Organization (UHERO) recently noted in its report *Beyond the Price of Paradise: Is Hawai'i Being Left Behind?*, Hawai'i's core economic challenge is that incomes have not kept pace with the state's high price levels, eroding real purchasing power for residents and constraining business growth. In an environment where households are already struggling with affordability, retailers are managing weak income growth alongside high operating costs; additional excise tax increases further compress margins and reduce consumer spending capacity.

HB 1991 HD1 also comes at a time when local businesses are managing rising expenses across multiple areas, including labor costs, utilities, insurance, shipping, uncertainty on tariffs on imported materials, and supplier prices. Additional tax increases, even if phased in through a revised structure, add to the cumulative cost burden facing small businesses throughout the State.

While the bill includes provisions intended to provide some relief for certain small producers, the overall effect of the measure would still increase costs throughout the

distribution chain. These higher costs ultimately reach retailers and restaurants and reduce their ability to remain competitive and invest in their businesses and employees.

Retail Merchants of Hawai'i is also concerned that the proposed shift to an alcohol-by-volume tax structure represents a significant change from the existing system and may create additional administrative complexity for businesses that must update pricing, inventory, and accounting systems.

Our small business members and crafters are working with tight staff, and these changes add to the cost of supporting a business already working on tight margins and an understaffed workforce.

Hawai'i already has among the highest costs of doing business in the nation. Additional excise tax increases risk further straining local businesses and the customers they serve.

For these reasons, Retail Merchants of Hawai'i respectfully urges the Committee to defer HB 1991 HD1.

Thank you for the opportunity to provide testimony.

Respectfully submitted,
Dave Erdman
Interim President & CEO
Retail Merchants of Hawai'i

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 HD1

INTRODUCED BY: CPC

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 broadening the definition of beer to include any alcoholic beverage that contains 10% or less of alcohol by volume and deleting the definitions of 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*	0.5% to 10%
\$ 2.75	>10% to 15%
\$ 11.89	> 15% to 40%
\$ 13.00	More than 40%

* - \$0.75 per gallon on beer manufactured by a person holding a class 18 small craft producer pub license.

Makes other technical and conforming amendments.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: An apparent purpose of the bill is to allow seltzer beverages to qualify for a lower tax rate, as opposed to the much higher tax rate on distilled spirits under current law. Assuming that such beverages have a much lower alcoholic content than distilled spirits, a lower tax rate may be appropriate.

The bill streamlines the basis for the liquor tax by replacing the various liquor categories with alcohol-by-volume categories.

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: 2/25/2026

HB-1991-HD-1

Submitted on: 2/25/2026 5:05:00 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Chris Thibaut	Maui Brewing Co. Restaurants	Oppose	Written Testimony Only

Comments:

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

My name is Chris Thibaut, and I am submitting testimony on behalf of Maui Brewing Co. Restaurants and TS Restaurants (Duke’s, Hula Grill, etc.) in opposition to shifting Hawai‘i’s alcohol tax structure to an ABV-only excise tax. Our organization supports responsible public policy, but we are concerned that ABV-only taxation would disproportionately harm small, local producers, local jobs, and consumer choice.

I am the CEO of Maui Brewing Co. Restaurants and I am one of the owners in TS Restaurants, which is my family business. The cost of doing business in Hawai‘i has become incredibly difficult for restaurants and this bill would only exacerbate that problem.

Key points:

- Hawai‘i’s liquor tax rates have been unchanged since 1998, but operating costs in Hawai‘i (labor, energy, freight, packaging, compliance) have increased dramatically; local producers’ margins are already compressed.
- ABV-only taxation would be a major departure from how alcohol is typically taxed across the U.S., where states use beverage-category gallonage taxes.
- Independent research (Brewers of Europe “Cost Comparability Study”) shows beer is substantially more expensive to produce and distribute per unit of alcohol than wine or spirits; ABV-only taxation ignores these cost asymmetries and unfairly burdens beer.
- Beer requires refrigeration and freshness management, unlike spirits—especially challenging in Hawai‘i where electricity prices are the highest in the nation.
- Small producers would bear disproportionate compliance and testing burdens; large multinationals can absorb or engineer around these changes more easily.
- The likely result is reduced consumer choice and accelerated shelf consolidation away from Hawai‘i-made products.

Alternative solution:

- Rather than adopting an inequitable ABV-only system, we urge the Legislature to consider a small producer tax classification, and a two tiered system for large and small producers, to protect local jobs and preserve consumer choice while maintaining policy goals.

Mahalo for the opportunity to provide testimony.

Chris Thibaut

CEO ; Owner

Maui Brewing Co. Restaurants ; TS Restaurants

Chris@mbcrestaurants.com



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Executive Officers

Kit Okimoto, Okimoto Corp., *Chair*
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*

TO: Committee on Finance
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 27, 2026
TIME: 2pm

RE: HB1991 HD1 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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- 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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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.



Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

Chair and Members of the Committee,

My name is Steve Haumschild, and I am writing on behalf of Lanikai Brewing Company in strong opposition to HB1991HD1.

As a local manufacturer operating in Hawaii, we already shoulder some of the highest production costs in the country. The cost of raw materials, utilities, shipping, warehousing, compliance, and labor in Hawaii far exceeds that of most mainland states. On top of that, Hawaii's alcohol excise taxes are already among the highest in the nation. Local producers are paying a premium at every stage of the process simply because we choose to manufacture here at home.

HB1991HD1 would create yet another economic burden on local alcohol manufacturers. While the intent of the bill may be well-meaning, in practice it will disproportionately harm Hawaii-based companies and inadvertently favor mainland producers who benefit from economies of scale, lower overhead, and significantly lower operating costs. Mainland companies can spread regulatory and compliance costs across massive production volumes. Small, local craft producers cannot.

Additionally, moving to a taxation structure based on alcohol by volume (ABV) would make Hawaii the first state in the nation to implement such a system. There is no clear roadmap for how this would be consistently monitored, verified, or enforced. Implementing an ABV-based tax would require new reporting frameworks, additional compliance tracking, formula verification, auditing mechanisms, and likely expanded enforcement resources. This places a massive administrative burden not only on state agencies but also on small local businesses that lack dedicated compliance departments. For small producers, the added complexity and uncertainty would create significant operational strain and increased costs simply to remain compliant.

If economic disincentives were an effective tool to change consumer behavior, we would already be seeing the results. Hawaii's alcohol taxes are already high. Adding further financial penalties will not achieve a different outcome—it will simply compound the strain on small, local businesses that are already operating at a disadvantage.

For companies like Lanikai Brewing Company, this bill represents an obscene punishment for choosing to manufacture in Hawaii. We are already absorbing the extraordinary costs of doing business in one of the most expensive states in the country. Instead of supporting local agriculture, local jobs, and local entrepreneurship, this measure would further erode our ability to compete.

Lanikai Brewing Company, Island Inspired™ Craft Beer
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing

If the Legislature is seeking a workable path forward, the only option that could realistically balance policy goals with economic sustainability would be to maintain the existing system of taxation and include a carve-out for Class 18 small craft producer licenses across all categories—liquor, wine, and beer—where the tax rate remains unadjusted. This approach would preserve stability in the regulatory structure while providing meaningful support to those who invest millions of dollars into facilities, employ local residents, and build long-term businesses rooted in our communities across the State of Hawaii. Any producer willing to make that level of commitment to Hawaii should be able to share in that benefit. **This will have only a small impact on tax collection since over 90% of alcohol is imported into Hawaii and not made by local manufacturers. There is already a massive imbalance of supporting local.**

Local breweries and craft producers are small businesses deeply rooted in their communities. We employ Hawaii residents, support local suppliers and farmers, contribute to tourism, and keep dollars circulating within our state. HB1991HD1 would undermine those efforts by increasing our financial burden while doing little to address the stated concerns of the bill.

I respectfully urge the Committee to reject HB1991HD1 and instead work collaboratively with local producers to find balanced solutions that protect public interests without placing disproportionate harm on Hawaii-based manufacturers.

Mahalo for your consideration.

Steve Haumschild, MBA

Steven R Haumschild

CEO & Brewmaster, Certified Cicerone®

Lanikai Brewing Company, Lanikai Spirits both Island Inspired™

Brewstillery @ 175-C Hamakua Dr, Kailua, HI 96734

Brewpub @ 167 Hamakua Dr, Kailua, HI 96734 Daily 12p-10p

Volcano Village @ 19-4005 Haunani Rd Volcano HI 96785 Daily 11a-9p

FB: Lanikai Brewing Company, Instagram: @lanikaibrewing



Honolulu Beerworks

1632 Hart St

Honolulu HI 96817

Aloha Chair and Members of the Committee,

My name is Geoff Seideman, I am the owner of Honolulu Beerworks and we are in strong opposition to HB1991HD1.

Manufacturing in Hawaii already comes with some of the highest costs in the country—raw materials, freight, utilities, labor, compliance, and taxes all exceed mainland benchmarks. Local alcohol producers absorb these elevated expenses at every step, and they keep rising. This bill would add another layer of financial strain, disproportionately impacting Hawaii-based companies while mainland producers continue to benefit from lower operating costs and large-scale efficiencies.

Shifting to an alcohol-by-volume taxation model would make Hawaii the only state to adopt such a system, with no proven framework for administration or enforcement. Implementing and monitoring this structure would require expanded reporting, verification, and auditing processes—placing significant new burdens on both state agencies and small local businesses that lack dedicated compliance teams.

Hawaii's alcohol taxes are already among the highest in the nation. Increasing costs further is unlikely to change consumer behavior but will certainly intensify pressure on small, locally owned manufacturers. For companies committed to producing in Hawaii, this measure feels punitive rather than supportive.

If the Legislature wishes to advance policy goals without harming local industry there has to be another approach. Since more than 90% of alcohol consumed in Hawaii is imported, protecting small local producers would have minimal impact on overall tax revenue while strengthening local jobs, agriculture, tourism, and community investment.

Hawaii's craft producers are small businesses rooted in their communities. We hire local residents, support local suppliers, and reinvest in our state's economy. HB1991HD1 would weaken those efforts without meaningfully addressing its stated objectives.

We ask you to reject HB1991HD1 and instead work with local manufacturers to develop solutions that safeguard public interests without placing disproportionate harm on Hawaii-based businesses.

Thank you

Geoff Seideman

Owner- Honolulu Beerworks



LĀHAINĀ
BREWING CO.

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



Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

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

Aloha Chair Todd, Vice Chair Takenouchi 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 "Brian Crawford". The signature is fluid and cursive, with the first name "Brian" and last name "Crawford" clearly distinguishable.

Brian Crawford

President & CEO



February 26, 2026

Dear Members of the Committee,

My name is Sam DeWitt, State Government Affairs Director with the Brewers Association, the national trade organization with the mission to promote and protect America's small and independent craft brewers. Respectfully, we must oppose House Bill 1991, a large increase in taxes on our members and their customers.

Hawaii has been in the top three for taxes nationally for three decades. There is zero indication that higher taxes lead to less consumption; ultimately, price conscious consumers simply move to less expensive, lower-quality, higher-gravity alternatives, generally not made in the islands, but by giant international liquor manufacturers.

In short, this bill hurts local producers, favors out-of-state producers, and will have no impact on consumption in the state.

We urge a "NO" vote on HB 1991.

Thank you for your time and consideration.

Sam DeWitt
State Government Affairs Director
Brewers Association
dewitt@brewersassociation.org



February 27, 2026

To: Chair Chris Todd and Members of the House Committee on Finance

From: Kona Brewing Hawaii
Nathalie Carisey; President

RE: HB1991 HD1; Relating to the Liquor Tax; **Opposition**
February 27, 2026; Conference Room 308

Kona Brewing Hawaii is **opposed to HB1991 HD1**, 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.

House Committee on Finance
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair

February 27, 2026
2:00 pm
Room 308

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee on Finance,

Thank you for the opportunity to express our respectful **opposition** to **HB 1991__HD1**. As drafted, this legislation results in a significant tax increase at a time when consumers and businesses are already facing real economic hardship.

HB 1991 does more than restructure the alcohol tax, it raises it substantially. For beer under 10% ABV, which represents the vast majority of products sold in Hawaii, the bill increases the tax on non-draft beer and nearly doubles the rate on draft beer. That change would hit local bars and restaurants especially hard, removing the current lower draft rate that helps support Hawaii's hospitality sector. Economic modeling referenced by the Beer Institute suggests that the change could lead to a loss of retail sales in Hawaii of over \$2.5 million.

Hawaii already has one of the highest beer excise taxes in the U.S. — the third highest in the nation. Those costs are reflected in the higher shelf prices and higher menu prices Hawaii residents pay. Alcohol taxes are highly regressive, meaning that low- and middle-income consumers face a heavier excise tax burden. At a time when consumers are struggling with the high cost of living, this bill would make everyday purchases even more expensive.

Beer supports over 12,000 jobs and over \$2 billion in economic activity in Hawaii. Increasing taxes in this way risks weakening retail sales, harming small businesses already operating on thin margins, and ultimately putting additional strain on local jobs.

We urge the Committee to reject this substantial tax increase and instead pursue a model that is revenue-neutral in order to protect consumers, small businesses, and Hawaii's hospitality economy.

Thank you for your consideration.

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



KAUAI ISLAND BREWING CO.

PORT ALLEN, HAWAII

February 26, 2026

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Rep. Joe Gedeon

Rep. Julie Reyes Oda

Re: Testimony in Opposition of HB 1991 HD1

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.

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

Mailing Address: PO Box 215, Elele, HI 96705

www.kauaiislandbrewing.com

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.

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.

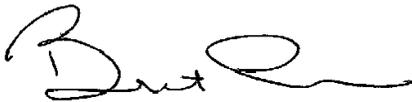
Hawai'i already has among the highest alcohol tax rates in the country. Becoming the only state to adopt a fully ABV-based alcohol tax system would put local brewers at a unique and unnecessary disadvantage.

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". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

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



25 February 2026

COMMITTEE ON FINANCE
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, 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 400 teammates across Hawai'i. Apologies in advance for the multipage testimony but this is a complex issue that requires explanation beyond a single paragraph.

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. Without significant changes this bill must be deferred.

We understand the need for the State to consider raising revenue however this bill may likely result in a decrease and at the same time put many small local beverage producers out of business resulting in even further revenue decrease and rising unemployment. I am not certain that the committee is aware, but this bill offers a significant reduction in the tax charged to the “newer alcohol products”, specifically ready to drink cocktails (RTDs) referred to in the committee report. Currently those beverages pay \$13.46 per case and under this bill will pay \$2.25 per case. Nearly 90% reduction. While we believe the RTD tax is currently too high, this bill gives large producers a massive discount at the expense of small producers in Hawaii.

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. 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. 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

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

United States. The federal government, and all other states use beverage-category excise taxes (beer, wine, spirits) imposed on a per-gallon basis, not a single ABV-only structure.

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). Hawai'i's beer excise tax is among the highest in the United States (third-highest as of 2025, according to the Tax Foundation). 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 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. 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.

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.

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 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 or measuring be required? What variance from labeled ABV would be permitted? A small producer may make 20-50 different beverages in a year where a large producer may make 2-5. 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 in creating a small producer tax classification and corresponding tax rates. This would support local businesses and jobs, preserve consumer choice, and avoid the inequities of an ABV-only tax structure. We are happy to

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work as part of a group to accomplish the goals of all parties while maintaining the integrity of the current system and make for far more efficient administration by producers, distributors and DOTAX.

Lastly, while the proposed language for small brewers is a welcome amendment it does not address the small wineries and distillers in Hawaii or the fact that many of the brewers also make wine (cider) and spirits-based beverages. The way the amendment is written would then also require rewrite to the Class 18 license definition in HRS281 and a further change to HRS244 at a minimum. Clearly this is a highly complicated issue that I do not believe has been fully contemplated.

For these reasons, I respectfully urge the Committee to reject ABV-based alcohol taxation and **VOTE NO ON HB1991 unless significant amendments can be made.**

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', written over a horizontal line.

Garrett W. Marrero
CEO/Founder



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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: February, 25, 2026

To: Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair
Members of the House Committee on Finance

RE: Strong Support for HB 1991 HD1, Relating to the Liquor Tax

Hrg: February 27, 2026, 2:00pm, House Conference Room 308

Hawai'i Public Health Institute (HIPHI)¹ is in **strong support of HB 1991 HD1**, 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_Hawai'i



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 that reads 'Rick Collins' followed by the initials 'CPS'.

Rick Collins
Project Director
Hawai'i Alcohol Policy Allied

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_Camy/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_Hawai%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 FINANCE
February 27, 2026

Testimony in Opposition to HB1991 HD1

Chair Todd, Vice Chair Takenouchi and Members of the Committee:

Thank you for the opportunity to provide testimony in **opposition** to HB1991 HD1, 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 HB1991 HD1 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.

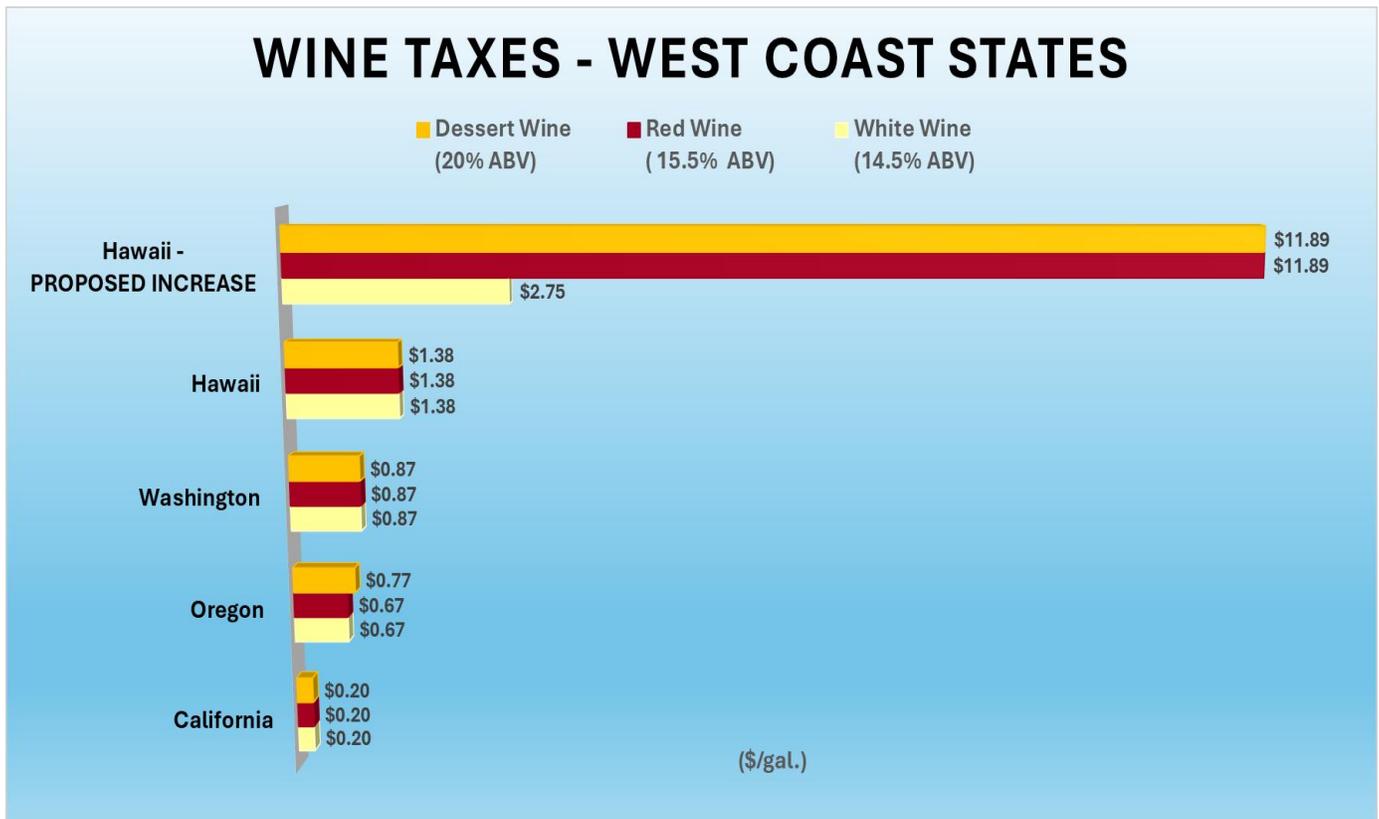
The federal government continues to tightly regulate the production, formula, labeling and containers of all alcohol products – and imposes excise tax rates based on **both factors**. Hawaii and all other states do the same. These are the foundational elements of alcohol regulation and taxation. Wine Institute firmly believes these realities must be seriously considered as a part of any discussions to abolish the state's longstanding gallonage tax structure for wine. As currently proposed, HB1991 HD1 would arbitrarily impose dramatic increases in the state's current gallonage tax with:

- an extraordinary **762% tax increase** on cabernet sauvignons, red wine blends and dessert wines that have an ABV higher than 15% ABV – effectively sweeping these wines into a

newly created ABV category that would cover distilled spirits having a 40% ABV and taxing them as such;

- a **99% tax increase** on white, rose and certain red wines as these wines typically have an ABV of 10% -15% ABV; and
- an almost **18% tax increase** on cooler beverages.

Compared to other West Coast states, Hawaii’s current wine gallonage tax is already high--even before factoring in its 4% or 4.5% general excise tax and the substantially higher transportation costs associated with shipping wine to the islands. If this bill were to be enacted, it would not just dramatically raise Hawaii’s wine taxes but would propel the state into being a clear outlier among its regional counterparts, potentially placing Hawaii at a competitive disadvantage.



As currently proposed, HB 1991 HD1 would give Hawaii the highest wine excise taxes in the nation by a wide margin, posing significant economic consequences by unfairly burdening responsible wine consumers and our partners in the hospitality and retail communities 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.

Given all the challenges facing the industry, none of the tiers – wineries, distributors or retailers/restaurants - are in the position to absorb any additional costs, so any increase in alcohol beverage taxes would be passed onto Hawaii consumers who have already suffered in many ways.

Excise taxes are compounded as alcohol products move through the three-tier system. The tax is first paid by the supplier, and that cost is then built into the price charged to the distributor. The distributor applies a markup, and the retailer applies an additional markup before the product reaches the consumer. As a result, the original excise tax is effectively marked up at each level and often ends up costing the consumer nearly twice the amount initially imposed.

Wine Institute greatly appreciates the opportunity to share our serious concerns with HB1991 HD1 and respectfully urges that this legislation be held in committee.



FIVE WATERFRONT PLAZA
500 ALA MOANA BLVD STE 400
HONOLULU, HAWAII 96813

February 25, 2026

House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair
State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: H.B. No. 1991, HD 1
Hearing Date: Friday, February 27, 2026
Hearing Time: 2:00 PM

Dear Chair Todd, Vice Chair Takenouchi and Committee Members:

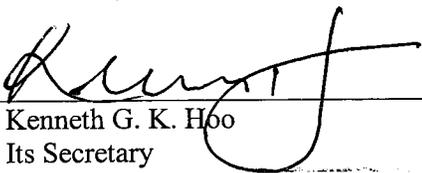
The Hawaii Liquor Wholesalers Association ("HLWA") respectfully submits the following written testimony in opposition to H.B. No. 1991, HD 1 relating to the liquor tax increase.

H.B. 1991, HD 1 would replace the defined liquor categories subject to liquor tax with alcohol by volume categories. Imposing such a drastic change to a system that has already been in place for a long time would create an administrative nightmare. Liquor manufacturers and distributors would need to drastically change their accounting systems, operating procedures and management operations which will result in additional costs and expenses. New administrative rules would be required so that accurate alcohol by volume measurements are ensured and correct taxes can be collected.

This bill would also dramatically increase liquor taxes which would negatively impact the Hawaii economy. The liquor tax increase for distilled spirits would be more than 100% for products containing 40% alcohol. While such increases may result in less liquor consumption, there is no assurance that health and safety benefits would also increase. On the contrary, such significant liquor tax increase will certainly result in higher operational costs for businesses, loss of revenue, and the attendant reduction in employment and jobs for residents of Hawaii.

Based on the above, we respectfully oppose H.B. No. 1991, HD 1. Thank you for your consideration of the foregoing.

Very truly yours,
HAWAII LIQUOR WHOLESALERS ASSOCIATION

By: 
Kenneth G. K. Hoo
Its Secretary



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
F 808-885-0653
BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

Thomas Kerns
President / Brewmaster
Big Island Brewhaus

To:
Committee of Finance
Distinguished
Chair Chris Todd and Vice Chair Jenna Takenouchi and members

2/27/26 2:00P
308 VIA VIDEOCONFERENCE

STRONGLY OPPOSE HB 1991

I hope this letter finds you well and energized for this important session of legislature currently unfolding. I respect and understand all the time, efforts and consideration your position requires and with that in mind I want to share some of our thoughts on a bill that could adversely affect our business, community and your constituency. Our small business in Waimea flourishes with the work of 40 employees and supports their families and community of South Kohala. Our small restaurant and brewery business generates more than 3 million dollars of revenue annually and its connections to local businesses that support our manufacturing through sales and their products and services include but are not limited to farmers, fishermen, wholesalers, manufacturers, transportation, and tourism.

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 Hawaii's manufacturing sector in our pursuit to promote economic activity and growth for Hawaii's 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



RE: HB 1991 – STRONGLY OPPOSE

Aloha Chair and Members of the Committee,

Mahalo for the opportunity to testify. My name is Chrissie Pinney, Owner and Founder of Hana Koa Brewing, a small, locally owned, family-run, woman-owned, and Native Hawaiian-owned craft brewery operating right here in our community.

It is our kuleana to create a gathering space that reflects and supports the people of Hawai'i. We employ local residents, pay local taxes, reinvest in the community that sustains us, and collaborate/donate with non-profits multiple times a month.

In just this last year alone we have worked with and donated to the following organizations:

- the Blood Bank of Hawaii
- Hawaii Entomological Society
- Hawaii Rare Plant Restoration Group
- Find Your Anchor Suicide Prevention
- Camille Chong Chee-Hoo On Legacy Fund
- METAvivor
- Cheer Honolulu
- K9 Kokua
- Oachu SPCA
- Aloha Animal Outreach
- Fur Angel Foundation
- Aloha Vintage Baseball Association
- Iolani Palace
- National Brain Tumor Society
- Trans Lifeline
- Surfrider Oahu
- Fertility Institute of Hawaii
- End the Backlog
- The Hawaii Sexual Assault Treatment Center (SATC)

We are fortunate to have survived the pandemic. Many breweries and small pubs in Hawai'i did not. Those that remain have downsized, merged, or continue operating on extremely narrow margins. The local craft brewing industry is still in a survival phase.



Here is an insight to what small local breweries face here:

1. Hawaii is the third highest beer tax in the country.
2. Hawaii has the highest electrical costs in the country, and is 3x the national average.
3. Hawaii has the highest cost of required imported brewery supplies
4. Hawaii is on track to have the highest minimum wage in the country.

This bill will price out current and future state local businesses, resulting in less state revenue overall.

Opening a small local business in Hawaii is a labor of love. We have fought and sacrificed to be a small business here. We have the highest costs compared to the rest of the nation and we are often priced out of our own local economy as brands that have lower costs to open and operate on the mainland can easily commandeer Hawaiian culture without ever giving back to it's people. Even the two largest and longest standing breweries that started here in Hawaii, have had to expand to the mainland for long term financial health and growth.

One taproom that comes to mind that we have since lost is Grace in Growlers. Tim and Holly opened up their small "serve yourself" pub, sourcing only local breweries and businesses, specifically to fund their non-profit ONEninety-nine, which did laundry for the houseless for **free**. How can we let down all of these small businesses that foster the goodwill we desperately need in this state?

At this point, my testimony is no longer a warning of what could come to our local economy, but a plea to acknowledge the damage that has already been done- while we have the chance to address it before Hawaii becomes a mall of mass corporations and billboards, profiting off our people, and pricing out the already disenfranchised native community we have left.

To all those that support this bill, I want to reassure you that as a local craft brewery we agree with you that drunk driving and alcohol abuse is something **we ALL want to prevent**. Taxing small local businesses is not the answer and will only price out your fellow neighbors that truly do care. I invite anyone to sit down with me over a whatever beverage they'd like and we can cooperatively discuss how we can help these issues *together*. We are not the enemy.

I must also respond directly to the submitted testimony from representatives of the Hawaii Public Health Institute and SparksInitiatives. They stated that "increasing alcohol taxes will reduce crimes such as sexual assault, intimate partner violence, and rape."



Sexual assault and domestic violence are not caused by a beverage. They are caused by individuals who choose to commit violent, criminal acts. Suggesting that the solution lies chiefly in taxing alcohol more heavily shifts focus away from accountability of the perpetrator and from the deeper cultural, psychological, and systemic factors that enable abuse.

As members of the public health community, I am heartbroken in how these tragedies are characterized in your testimonies. Survivors deserve responses rooted in accountability and targeted prevention — not rhetoric around how much taxes are paid on a beverage. As a survivor myself, tax on alcohol would not have changed a single thing.

I'd like to warmly invite these Hawaii Public Health Institute and SparksInitiatives to sit down with me for a cooperative discussion over their concerns with alcohol and violent crime. I suggest in April when we release our Annual Initiative beer called "Shine a Light" that collaborates with the local Hawaii Sexual Assault Treatment Center and End the Backlog — which is a national foundation that works to end the backlog of untested rape kits across the country.

We all share the goal of safer communities. But we must be careful not to oversimplify violence in ways that dilute responsibility or distract from meaningful solutions.

Furthermore, proposed tax raises and proposed changed definitions on the applications of the tax should be separate issues. I suggest we tackle changed definitions separately on its own, and end the proposal to raise taxes that will devastate small local businesses.

For these reasons, I respectfully urge you to oppose HB 1991.

Mahalo for your consideration,

Chrissie Pinney
Owner & Founder
Hana Koa Brewing



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304

To: The House Committee On Finance
Rep. Chris Todd, Chair

RE: STRONG OPPOSITION to HB1991 Liquor Taxation with ABV Categories

My name is Paula Hegele. I am the President of Maui Wine, which will be celebrating its 52nd year in business this summer. Maui Wine began in 1974 as a diversified agriculture venture in Upcountry Maui.

We are defined as Small Craft Producer in Hawaii, making still and sparkling wines from both grapes and fresh pineapple. Maui Wine is distinctive, even from industry standards, as we are fully integrated business. We farm vineyards, harvest fruit and produce wines from juice to bottling, wholesale, market and operate a tasting room and historic visitor center all in rural Ulupalakua, Maui.

HB1991 would unfairly impose a massive tax increase on wine and abolish the existing liquor tax system. An ABV only alcohol tax does not follow what is typically used by other States or the Federal TTB agency. An ABV structure is typically still tied to the beverage category so that the taxation does not create an unjust disadvantage to small producers.

Wine, beer and spirits are very different alcohol beverages that are produced by different methods and regulated and taxed separately by Federal TTB. The alcohol by volume of a wine, is a direct result of the fermentation of fruit. We do not and cannot add water or other ingredients to dilute the ABV, it is a natural result of good quality fruit picked in the vineyards. HB1991 fails to account for the unique production methods and regulatory categories that distinguish wine from beer and spirits.

HB1991 seems to have arbitrarily put wine over 15% in the same tax category of distilled spirits. This would destroy the ability to sell quality wine in this new bracket. A case of 12-750ml bottles would go from the current state tax of \$3.28 to \$28.37. The lowest federal wine tax bracket includes wines up to 16%, because this is common in our regulations for production of wine. Separate categories increase up to 24% for the approved ABV of a wine produced. Why has Hawaii chosen a 15% ABV as a tax cutoff?

It is true that Hawaii has not increased its alcohol taxes for many years, but that is because we have been and continue to be in the top tier of the highest alcohol excise tax rates in the nation. The tax increases proposed in this bill are catastrophic for local manufacturers, where we are already struggling to compete



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304

with lower priced beverages from larger out of state producers. Local Small Craft Producers are disproportionately dependent on the sales made here at home.

There are many questions as to the true purpose and reasoning behind HB1991;

WHY:

- change the entire excise tax structure to a new unproven complex method requiring significant administrative overhaul.
- create a massive tax increase that is unfairly allocated across the different alcohol producers and disproportionately harms local companies
- draft a revision that provides a tax credit exclusively to the beer sector, leaving Small Craft Producers of wine and spirits without the same protections.

Please defer HP1991 rather than make further revisions at this time. This bill is premature and needs an organized, review process involving industry input to ensure tax changes do not destroy this Hawaii manufacturing sector.

Sincerely,

Paula J. Hegele
President

House Bill Nb 1991 Liquor tax rates

Wailuku Brew Works

16-205 Wiliama Pl, Keaau, HI 96749



Chair and members of the committee,

Wailuku Brew Works is a small Nano brewery located in the Shipman Business Park Keaau Hawaii where we produce a variety of beers of approximately 160-170 barrels annually (~5,000 gallons). A small portion of the specialty beers we produce, such as limited barrel aged, is produced with an ABV over 10%.

We would like to voice our opposition to HB1991 for the following reasons:

- 1) Senate Bill Nb 2912 proposes a new tax bracket for small breweries along with an alternative rate schedule. While it does not propose moving to a ABV classification there are considerable differences and conflicting wording in the two proposals that should really be resolved prior to either bill being passed.
- 2) The new rate structure for HB1991 places much higher increases on lower ABV beverages. In general taxes on alcohol are much higher in Hawaii than elsewhere in the US and while we understand the desire to further limit consumption through taxation, the proposed tax rates favor higher ABV beverages and this is contrary to the stated desire to reduce alcohol consumption. The proposed rate increases based on ABV are not proportional as stronger beverages have a smaller tax increase percentage wise.
- 3) Presently alcohol determination is typically performed using a refractometer where a starting gravity (SG) is taken before fermentation and another (FG) when fermentation is done. The change in SG and FG is then used to calculate ABV. Questions: How will these new ABV categories be tested by the State? What kind of equipment and methodology will the brewer be required to use, and finally what happens is there is a slight discrepancy around the proposed boundaries? A percentage based tax schedule should include recommended procedures for determining ABV and policies in place in cases where the numbers are close. Obtaining gas chromatograph equipment to do precise ABV measurements is out of the capability of small to medium breweries to purchase or operate. Will the state provide a testing facility or capability to determine ABV?
- 4) The craft brewing industry is going through a difficult time with many breweries both small and large closing due to financial difficulties and a general overall reduction of alcohol consumption. The price of raw goods (grains) has skyrocketed due to the Russian invasion of Ukraine and the ongoing war there. The overall cost of doing business has also jumped due to rising costs of goods, shipping, food, electricity, wages and added taxes in the form of tariffs. The economy is still recovering from the effects of the pandemic and inflation is up. Large breweries on the mainland have much better access to raw goods and manufacturing equipment and their economies of scale mean that they will always out compete any Hawaii based manufacturer. Small local craft brewers will be forced to up prices and this will make it a lot more difficult to survive in this market place.
- 5) HB1991 also seeks to restrict or limit consumption and promote a healthier lifestyle through higher taxes. The misuse of alcohol is well documented and real. While we do not dispute these facts we do note here that there are existing internal and external policies and procedures in place to stop overconsumption in all places that serve alcohol. The liquor board is very clear in its policies, and everyone in this business is keenly aware of the legal consequences of over serving or serving to minors. Because they serve, Restaurants, Taprooms and Bars have an extra layer of direct scrutiny and responsibility not seen in grocery or liquor stores or private settings. Taxing alcohol at a higher

rate will perhaps slow consumption, but it may also shift consumption to unregulated venues where the only restrictions to over drinking would be peer or self control.

We understand that the stated intent to HB 1991 is to simplify the existing taxable categories by re-basing rates to alcohol by volume, enact inflation adjustments to provide the state with more revenue and to reduce consumption. While we understand the desire to modernize and streamline the existing tax structure, the proposed changes will heavily affect the tax and regulatory burden on smaller breweries such as ours and moves an already large competitive advantage to bigger corporations who have much better economies of scale.

- We would prefer a Small/Large Producer two-tier model that helps local businesses as proposed by SH2912.
- If the tax rates are to be based on ABV then there should be clarity on how the ABV rate changes are to be administered/reported and the how/who/when/where by which compliance is to be determined by the State.
- Limit the tax increase in base rates across all categories for the first 2 years instead of a large jump. This allows a gradual increase in liquor tax revenue but helps local breweries to stay in business.
- Reduced or frozen rate for first 150000 barrels for Class 18 small craft producers - Full ABV rate applied beyond threshold. This aligns with the SH2912 proposal and federal excise structure.

We ask that proposal HB1991 be deferred for continued discussion/input and amended to incorporate a separate small craft tax rate as proposed in SB2912.

Thank you,

Owners of Wailuku Brew Works.
Brian Bosscher
Jillane Bosscher
Jake Parcels
John White

What HB 1991 proposes to do -

HB 1991 replace traditional liquor tax categories (beer, wine, spirits) with an alcohol-by-volume (ABV) tax structure.

Proposed rates:

- \$1.00 per gallon for beverages 9.9% ABV or lower
- \$1.75 per gallon for 10%–15% ABV
- \$6.00 per gallon for 16%–40% ABV
- \$6.50 per gallon for above 40% ABV

Existing rates/gal		Proposed rates/gal	
\$0.54	Draft Beer (5gal+)	\$1.00	85% increase
\$0.93	Beer		7.5% increase
\$0.85	Coolers	\$1.75	206% increase
\$1.38	Still Wine		27% increase
\$2.12	Sparkling Wine		17% increase
\$0.93	strong beer		88% increase
\$5.98	Spirits (<=80 Proof)	\$6.00	0.5% increase

Spirits (>80 Proof)

\$6.50

9% increase

HB-1991-HD-1

Submitted on: 2/24/2026 5:44:53 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Melissa	Individual	Support	Written Testimony Only

Comments:

Testimony in Support

Alcohol use continues to have serious impacts on our communities, contributing to poor health outcomes, increased violence, and reduced workplace productivity. Excessive alcohol consumption harms individuals, families, and public safety systems across Hawai‘i.

Research consistently demonstrates that increases in liquor taxes can lead to meaningful declines in excessive drinking. Evidence-based policy tools like taxation help reduce harmful alcohol use, save lives, and support healthier community outcomes.

The financial impact of excessive alcohol use is substantial. It is estimated to cost the State of Hawai‘i more than **\$900 million** annually through healthcare expenses, law enforcement, lost productivity, and other societal costs.

Adjusting the liquor tax to inflation represents a practical and responsible policy solution. Doing so is projected to raise approximately **\$50 million** in additional revenue, funding that can help offset alcohol-related costs and support prevention and public health efforts.

If Hawai‘i’s liquor tax had been adjusted to inflation since 1998, the state would have generated more than **\$500 million** in additional revenue—resources that could have strengthened health, safety, and prevention initiatives statewide.

For these reasons, I respectfully support adjusting the liquor tax to inflation as a sensible, evidence-based strategy to reduce harm, improve public health outcomes, and strengthen Hawai‘i’s communities.

HB-1991-HD-1

Submitted on: 2/25/2026 6:32:57 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sally Ancheta	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Todd, Vice Chair Takenouchi, and members of the House Committee on Finance,

I ask you to SUPPORT HB1991. Hawai‘i’s liquor excise tax has not been adjusted for inflation since 1998, even as alcohol-related harms now cost the state nearly \$1 billion annually.

Findings from the University of Hawai‘i Alcohol Tax Policy Study show that a modest, inflation-based adjustment to the liquor tax would significantly reduce alcohol-related harms while generating approximately \$50–60 million per year to help offset healthcare, public safety, and enforcement costs.

With aloha,

Sally Ancheta, Hilo Resident

HB-1991-HD-1

Submitted on: 2/25/2026 7:28:15 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Louise Fincher	Individual	Support	Written Testimony Only

Comments:

I support this bill

HB-1991-HD-1

Submitted on: 2/26/2026 11:42:10 AM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Cynthia Okazaki	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Todd, Vice Chair Takenouchi, and members of the House Committee on Finance,

My name is Cynthia Okazaki and I am submitting testimony in STRONG SUPPORT of HB1991HD1, Relating to the Liquor Tax.

Hawai‘i’s liquor excise tax has not been adjusted for inflation since 1998, even as alcohol-related harms now cost the state nearly \$1 billion annually. Findings from the University of Hawai‘i Alcohol Tax Policy Study show that a modest, inflation-based adjustment to the liquor tax would significantly reduce alcohol-related harms while generating approximately \$50–60 million per year to help offset healthcare, public safety, and enforcement costs.

This matters because Excessive alcohol use costs Hawai‘i an estimated \$937 million each year, including healthcare, lost productivity, and criminal justice system costs.

- Alcohol does not pay for itself in Hawai‘i; the public bears the financial burden.
- According to UH researchers, Hawai‘i’s liquor tax has steadily lost value due to inflation, contributing to a major decline in alcohol tax revenue as a share of total state revenue, from 0.77% in 2000 to just 0.29% in 2020.
- The World Health Organization identifies increasing excise taxes on alcohol as one of its top-3 "best buy" policies to reduce noncommunicable diseases and alcohol-related harm.

UH researchers estimate that a \$0.10 per drink increase would result in:

- 570 fewer emergency room visits per year
- 351 fewer DUI arrests per year
- 4,675 fewer co-occurring alcohol and mental health disorders annually
- Reductions in underage drinking
- Fewer alcohol-related traffic crashes
- Fewer calls for emergency responders
- Reductions in violent crime, including sexual assault and intimate partner violence

These findings align with decades of national and international research showing that alcohol price increases reduce consumption, particularly among youth and heavy drinkers, who are most sensitive to price changes.

The study estimates that a \$0.10 per drink increase would generate nearly \$60 million per year in new state revenue. Even a smaller inflation adjustment is projected to generate approximately \$50 million annually, helping offset alcohol-related costs currently borne by taxpayers. This law would improve the overall health and safety of all people in Hawai'i AND raise revenue for the state. I ask that you pass HB1991 HD1.

Cynthia Okazaki

HB-1991-HD-1

Submitted on: 2/24/2026 8:10:12 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Michael Zehner	Individual	Oppose	Written Testimony Only

Comments:

The tax needs to be lowered not raised.

HB-1991-HD-1

Submitted on: 2/25/2026 8:52:55 AM

Testimony for FIN on 2/27/2026 2:00:00 PM

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

Comments:

Writing in strong support of this important bill. The liquor tax hasn't been adjusted for inflation in far too long. Adjusting it will help generate needed funds and help deter excessive drinking. Win-win! Mahalo.

House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi
Friday, February 27, 2026

Aloha Chair Todd, Vice Chair Takenouchi, and distinguished members;

I am writing in strong support of HB1991 to adjust Hawai'i's liquor tax rates for inflation.

For more than two decades, Hawai'i's liquor tax has remained unchanged while the social and economic costs of alcohol-related harm have continued to grow. During that time, our communities have absorbed the consequences—families impacted by impaired driving, neighborhoods affected by violence, overwhelmed emergency rooms, and law enforcement stretched thin responding to preventable alcohol-related incidents.

Alcohol-related harms are not abstract statistics. They show up in our courts, our hospitals, our schools, and our homes. They affect keiki exposed to trauma, families struggling with addiction, and first responders who repeatedly confront the same preventable crises. When alcohol taxes fail to keep pace with inflation, the public effectively subsidizes these harms.

HB 1999 offers a practical and responsible solution. A modest adjustment to reflect inflation strengthens community protection while also generating meaningful state revenue. Research from the University of Hawai'i indicates that even a small per-drink increase would reduce emergency room visits, DUI arrests, violent incidents, and underage drinking. These are not just cost savings—they represent safer roads, fewer victims, and healthier families.

Importantly, this measure would generate approximately \$50–60 million annually in new revenue. Those funds can and should be used to offset the substantial public costs associated with alcohol misuse, including healthcare services, behavioral health treatment, prevention programs, and public safety efforts. In this way, HB1999 allows alcohol-related revenue to help address alcohol-related consequences, reducing the financial burden currently placed on taxpayers.

Adjusting the liquor tax for inflation is not punitive. It is fiscally responsible, evidence-informed policy that protects public safety while strengthening the State's financial stability. It ensures that the price of alcohol more accurately reflects its true impact on our communities.

For the health, safety, and fiscal wellbeing of Hawai'i, I respectfully urge you to pass HB1991.

Sincerely,

Dr. Colleen Fox
Makiki

HB-1991-HD-1

Submitted on: 2/24/2026 11:10:42 PM

Testimony for FIN on 2/27/2026 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

HB-1991-HD-1

Submitted on: 2/25/2026 9:32:48 AM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Katie Folio	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support this measure. Please move this legislation forward.

Mahalo,

Katie Folio

Maui Resident, Kula

HB-1991-HD-1

Submitted on: 2/25/2026 10:31:48 AM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
mary santa maria	Individual	Support	Written Testimony Only

Comments:

Dear Committee,

Alcohol consumption poses significant health risks. There are more than six hundred alcohol related deaths each year in Hawai'i. Excessive alcohol use costs the state \$937 million, with taxpayers covering 40% of those costs.

The liquor tax can help discourage excessive drinking, however this tax has not been increased since 1998, losing most of its value to inflation. Adjusting the liquor tax to inflation will strengthen the deterrent and provide much needed revenue that can be invested in public health supports.

I support [HB 1991](#).

Mary Santa Maria

Makawao

HB-1991-HD-1

Submitted on: 2/25/2026 11:29:00 AM

Testimony for FIN on 2/27/2026 2:00:00 PM

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

Comments:

Aloha Chair Rhoads, Vice Chair Gabbard, and members of the Senate Committee on Judiciary,

My name is Jacelyn Auna, from Keaukaha in Hilo, in the Island of Hawai'i, and I am submitting testimony in STRONG SUPPORT of HB1991 which adjust the liquor tax rates for inflation.

This bill will have raise revenue for our state, and help the offset of alcohol related costs for taxpayers. The money generated can be put to policies that enhance public safety, and the overall health.

Please pass the bill. Take into the consideration in creating a future for all us to be living in safer communities, protecting our families.

HB-1991-HD-1

Submitted on: 2/25/2026 1:02:02 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jenny Chan	Individual	Oppose	Written Testimony Only

Comments:

Stop trying to rip off working people.

HB-1991-HD-1

Submitted on: 2/26/2026 5:01:14 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

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

Comments:

In support of. Thank you.



Aloha,

My name is Brittany Cass and I offer a unique and different perspective to this bill. A little over four years ago I was hit head on by a drunk driver. We collided at a combine 120mph. I have since undergone 10 surgeries, have thousands of hours in physical therapy and occupational therapy fighting to get back everything that was stolen from me. I live in chronic pain every single day- all because of someones choice to sit at a bar and get drunk, get into his car and drive and hit me head on is minutes later.

I am here today in strong support of **HB1991** and the proposed increase in the liquor tax as a strategy to prevent drunk driving and crashes like mine. Today, I want to focus on prevention.

The CDC recommends alcohol tax increases as one of the strongest, evidence-based prevention strategies to reduce underage drinking and excessive alcohol use in communities. Decades of research show that when alcohol becomes less financially accessible—especially to young people—consumption declines. Youth are particularly price-sensitive. When prices go up, drinking goes down. When excessive drinking goes down, so do alcohol-related crashes, assaults, domestic violence incidents, and long-term health consequences.

This is not about punishing responsible adults who enjoy alcohol. It is about acknowledging a simple truth: alcohol is not an ordinary product. It is a product linked to violence, addiction, chronic disease, and roadway fatalities. The cost of alcohol misuse is already being paid—by victims, by families, by our healthcare system, by taxpayers.

This is measurable! I know this because I have lived the cost.

A modest increase in liquor tax is a prevention tool. **It creates pause.** It reduces high-risk consumption. It especially reduces binge drinking—the kind of drinking most associated with impaired driving crashes. Research consistently shows that even small price increases can lead to meaningful reductions in alcohol-related deaths.

Behind every percentage point reduction is a person. Behind every prevented crash is a family that doesn't get the phone call. But behind every number is someone like m

HB1991 is not just about revenue. It is about responsibility. It is about prevention.

Brittany Cass
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