



DEPARTMENT OF TAXATION

STATE OF HAWAII

Honolulu, Hawaii

August 4, 1969

TAX INFORMATION RELEASE No. 23-69

(ITOM 41)

RE: Sales of Liquor and Tobacco Products from Bonded Warehouses to Foreign Fishing Vessels and to Common Carriers

Advice has been requested as to whether sales of liquor or tobacco products by wholesalers from U.S. licensed bonded warehouses to foreign fishing vessels and to common carriers for out-of-state consumption by their crews or passengers are subject to the Hawaii liquor and tobacco taxes.

A memorandum has been received from the Department of the Attorney General informing us that such sales of liquor or tobacco products subject to the U.S. Internal Revenue and Customs controls are not subject to the Hawaii liquor and tobacco taxes under the export-import and commerce clause of the United States Constitution.

In order for such transactions to be exempt, all rules and regulations of the U.S. Customs Service must be strictly adhered to. The withdrawal from such licensed bonded warehouses and the delivery of liquor and tobacco products to the captain of the vessels or common carriers must be under the constant surveillance and supervision of a United States customs agent and must be approved by him. A bonded public carrier may be utilized to transport the liquor and tobacco products from the bonded warehouse to the vessels or common carriers. The sealed box containing the bonded merchandise may not be opened until such vessels or common carriers are in international waters. Such bonded merchandise must be for out-of-state consumption.

Such sales have been exempted from the general excise tax under Act 28, L. 1966 effective as of January 1, 1967. Accordingly, sales of liquor or tobacco products by wholesalers from U.S. licensed bonded warehouses to foreign fishing vessels and to common carriers for out-of-state consumption by their crews or passengers are not subject to Hawaii liquor, tobacco and general excise taxes,

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