



DEPARTMENT OF TAXATION
STATE OF HAWAII

October 23, 1986

TAX INFORMATION RELEASE No. 86-5

RE: Imposition of the Liquor Tax on a Gallonage Basis Under Act 344, S.L.H. 1986

Act 344, S.L.H. 1986, provides for converting the imposition of the liquor tax from an excise to a gallonage basis, effective with sales of liquor made after June 30, 1986.

The Act established the following liquor tax rates for the various liquor categories defined in Section 244D-1:

<u>Liquor Categories</u>	<u>Tax Rate Per Wine Gallon</u>
(1) Distilled spirits	\$5.20
(2) Sparkling wine	\$2.00
(3) Still wine	\$1.30
(4) Cooler beverages	\$.81
(5) Beer, other than draft beer	\$.81
(6) Draft beer	\$.50

In addition to the foregoing major change in the tax rate structure and the method of taxing liquor, the Act repealed the exemption of liquor sold to the United States (including any agency or instrumentality thereof) formerly provided under Section 237-25(a)(1), Hawaii Revised Statutes (HRS).

With respect to the new tax rates established by the Act, the Department of Taxation is mandated to make periodic adjustments to such tax rates under circumstances prescribed in the Act for the periods July 1, 1987 to July 1, 1989. The development of such periodically adjusted tax rates will be accomplished by using the data contained in the following tax forms submitted by the dealer or permittee:

Form M-18A - Report of Wine Gallons and Dollar Volume of Taxable Sales or Uses Under Chapter 244D, HRS. (Use this form to report all sales made after March 31, 1986 but before July 1, 1986.)

Form M-18 - Combined Monthly Return of Liquor Tax and Report of Wine Gallons and Dollar Volume of Taxable Sales or Uses. (Use this form to report all sales made after June 30, 1986.)

The data to be returned in the foregoing tax forms is required so that the Department of Taxation can comply with the legislative mandates that it: (1) analyze the effect of the Act on the Department's operations and the revenues of the

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State, (2) report its findings and recommendations to the Legislature, and (3) adjust the liquor tax rates as required by the Act.

The filing due date of the revised Form M-18 remains unchanged; that is, it is due on or before the last day of each month for all sales of liquor made during the preceding month.

The Act generally provides that on July 1, 1989, the imposition of the liquor tax on a gallonage basis shall be repealed and the law will revert to imposition of such tax on an excise basis.

This Release is an interim measure and will be effective until appropriate rules are duly promulgated.

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