

TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Applies Organic Foods Production Credit to Exempt Small Farmers

BILL NUMBER: SB 1196

INTRODUCED BY: GABBARD, HARIMOTO, RUDERMAN, Kim, Nishihara, Riviere

EXECUTIVE SUMMARY: Provides a technical correction to the organic foods production credit enacted in 2016.

SYNOPSIS: Amends HRS section 235-110.94 to include within the definition of a “qualified taxpayer” persons described in the small farmers’ exemption under 7 USC section 6505(d).

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The Organic Foods Production Act of 1990 (OFPA) (codified at 7 U.S.C. sections 6501 et seq.) authorizes a National Organic Program to be administered by USDA's Agricultural Marketing Service. The program is based on federal regulations that define standard organic farming practices and on a National List of acceptable organic production inputs. Private and state certifiers will visit producers, processors, and handlers to certify that their operations abide by the standards. Once certified, these operations may affix a label on their product stating that it “Meets USDA Organic Requirements.” It is illegal for anyone to use the word “organic” on a product if it does not meet the standards set in the law and regulations. The regulations under the OFPA are intended to set uniform minimum standards for organic production. However, states may adopt additional requirements after review and approval by USDA. AMS will re-accredit certifying agents every 5 years, maintain federal oversight to assure truth in labeling, and provide assurance that imported organic products have been produced under standards that are equivalent to the U.S. standards.

The organic certification process makes sure that growers and handlers that claim to be organic are abiding by strict laws and regulations set by the Organic Foods Production Act. It focuses on the methods and materials used by producers. Everyone, from producers to handlers of organic products, must be certified to sell products labeled as “organic”. There are two exceptions to this rule. Growers whose gross income is less than \$5,000 and retailers are excused from certification.

This measure amends the organic foods production credit, in HRS section 235-110.94, to make it clear that small organic farmers meeting the exemption for gross income less than \$5,000 annually also qualify for the credit.

Digested 2/10/2017