

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
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RONA M. SUZUKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **S.B. 3090, S.D. 1, Relating to Agriculture**

Date: Tuesday, February 25, 2020

Time: 12:40 P.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) offers the following comments regarding S.B. 3090, S.D. 1.

S.B. 3090, S.D. 1, creates a new nonrefundable income tax credit for agricultural production equal to the qualified expenses of the qualified taxpayer, up to an unspecified cap. The Board of Agriculture (BOA) will be responsible for certifying credits up to an unspecified aggregate annual cap. This measure is effective upon approval and applies to taxable years beginning after December 31, 2020.

The Department notes that the measure as currently drafted does not define “qualified taxpayers” or “qualified expenses.” The Department suggests amending the measure to be more specific as to the taxpayers and expenses that would qualify for this credit.

The Department also notes that **there are already several existing tax credits relating to agriculture and recommends this proposed credit be narrowly tailored to avoid duplicative or redundant credits that might lead to unintended losses of revenue.**

The Department defers to the BOA on its ability to certify the proposed credit.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER  
Chairperson, Board of Agriculture

MORRIS M. ATTA  
Deputy to the Chairperson

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

FEBRUARY 25, 2020  
12:40 P.M.  
CONFERENCE ROOM 211

SENATE BILL NO. 3090, SENATE DRAFT 1  
RELATING TO AGRICULTURE

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 3090, SD 1 that establishes an agricultural production tax credit in support of food security, self-sufficiency, and sustainability. The Department of Agriculture supports this measure to the extent that it directly supports Hawaii's agricultural producers who are the foundation of Hawaii's drive towards increased food self-sufficiency and food security. The tax credit applies to taxable years beginning after December 31, 2020. We defer to the Department of Taxation as to the potential fiscal impacts of this measure.

The Department notes that this measure does not define "qualified expenses" and "qualified taxpayer," and leaves unspecified the maximum amounts for tax credits that can be claimed by a qualified taxpayer as well as the total cumulative amount of tax credits available under this program annually. Further, this measure does not have an end date.

According to the 2017 Agricultural Census, there are just over 7,300 agricultural producers in Hawaii. The Department may require additional personnel, related resources, a special fund in which to deposit and use the fees collected to qualify agricultural costs and certify tax credits, and the authority to adopt rules to carry out its responsibilities to certify qualified expenses in a fair, timely, and transparent manner.

Thank you for the opportunity to testify on this important measure.





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**Beau Oshiro**, C&S Wholesale Grocers, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*

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TO:

Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 25, 2020  
TIME: 12:40pm  
PLACE: Conference Room 211

RE: SB3090 SD1 Relating to Agriculture

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA supports efforts to increase local food production. The high cost of labor in our state combined with the high cost of real estate make agricultural activities and food manufacturing commercially very challenging in Hawaii. Tax credits like this can help encourage local agriculture and potentially bring down the cost of local food in our state. We support tax credits for local agriculture and would support similar tax credits for all local food producers. Thank you for the opportunity to testify.

**SB-3090-SD-1**

Submitted on: 2/23/2020 9:36:43 PM

Testimony for WAM on 2/25/2020 12:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dana Shapiro	Testifying for Hawaii Ulu Producers Cooperative	Support	No

Comments:

The farmers of the Hawaii Ulu Co-op support this measure as it will help spur much needed investment into agriculture in Hawaii State.



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February 25, 2020

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON SB 3090, SD1**  
RELATING TO AGRICULTURE

Room 211  
12:40 PM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

**The Hawaii Farm Bureau supports the intent of SB 3090, SD1**, which establishes an agricultural production tax credit

HFB supports any initiative that reduces the cost of production so that locally produced goods can compete with imported products, strengthening our local economy.

Hawaii Farm Bureau Policy states:

“State tax and monetary policies should be designed to encourage private initiative to help stabilize farm economics in the State of Hawaii, to promote employment and economic growth and to distribute the tax burden equitably. Further such policy should be used by the state, when appropriate, to encourage agricultural growth and expansion.”

This measure falls in the “encourage agricultural growth and expansion.” category. HFB supports SB 3090 which is an investment in Hawaii's farmers and ranchers and encourages new and expanding farming businesses.

Thank you for this opportunity to testify on this important subject.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TAXATION; Agriculture Tax Credits

BILL NUMBER: SB 3090, SD-1

INTRODUCED BY: Senate Committee on Agriculture and Environment

EXECUTIVE SUMMARY: Establishes an agricultural production tax credit.

SYNOPSIS: Adds a new section to Chapter 235, HRS, that would provide a nonrefundable credit equal to 100% of the qualified expenses of the qualified taxpayer, up to a maximum of \$\_\_\_\_\_. Provides an aggregate cap of \$\_\_\_\_\_ for all qualified taxpayers in any taxable year.

Provides that all claims for a tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Does not define qualified expenses or qualified taxpayer.

Provides a mechanism for the Department of Agriculture to certify credit claims. Provides that the Department of Agriculture to charge a fee to offset the costs of certifying tax credit claims.

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 31, 2020.

STAFF COMMENTS: The credit proposed by this bill has some problems.

Largest on the list is the failure of the bill to define qualified expenses or qualified taxpayer.

The credit as proposed is a 100% credit, meaning, at least for expenses under the limit, the business pays nothing and the Hawaii taxpayers pay everything. There is currently nothing to indicate that the business seeking the credits would have “skin in the game.”

The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

Re: SB 3090, SD-1

Page 2

If lawmakers want to subsidize this activity, then a direct appropriation would be more accountable and transparent. That way lawmakers will be very clear on (1) how much we taxpayers are paying, and (2) what we are getting in return.

Digested 2/21/2020



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEE ON WAYS & MEANS  
Wednesday, February 25, 2020 — 12:40 p.m. — Room 211

**Ulupono Initiative supports SB 3090 SD 1, Relating to the Agriculture.**

Dear Chair Dela Cruz and Members of the Committee:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at Ulupono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

**Ulupono supports SB 3090 SD 1**, which establishes an agricultural production tax credit.

Ulupono supports the State's goal to double local food production by 2030. Encouraging our Hawai'i growers to expand production, through incentives such as a tax credit, is extremely important to increase the overall local consumption of fresh, healthy products.

Ulupono would like to note that this measure does not define a "qualified expense." As this bill moves forward, we ask the committee to consider the various expenses that would be covered with such a broad tax credit. For example, agricultural production costs that may qualify include access to land and water, equipment purchases, establishing a labor force, on-farm inputs, invasive species mitigation, food safety compliance, and processing and packaging.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR  
Senior Vice President, Communications & External Affairs

*Investing in a Sustainable Hawai'i*





**February 24, 2020**

**Testimony of Kalona Brand Company in Support of Senate Bill 3090 SD 1,  
Relating to Agriculture**

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means,

The State of Hawaii has a goal to double local food production by 2030. However, it is estimated that Hawaii currently imports 85 – 90% of our food, and other necessities. Much of Hawaii's agricultural lands are fallow, being converted to gentlemen estates and urban sprawl, and being put into unsustainable uses. Hawaii's economy is almost completely dependent on tourism and military spending.

Yet it was not that long ago that Hawaii was 100% self-sufficient. Hawaii had developed some of the most abundant, efficient, and innovative agricultural systems in the world. Through these innovative agricultural systems, and traditional land use practices, our islands experienced sustainable abundance, peace, and prosperity.

Hawaii has a tremendous opportunity to leverage our resources to diversify our economy, create rural economic development, keep agricultural lands in agriculture, support regenerative and sustainable land use practices, and increase local production of food, fiber, and other agricultural products. Hawaii has year-round growing conditions, rich fertile soils, clean water, and a long history of innovation and excellence in agriculture. There is a growing movement to revitalize agriculture in Hawaii and re-institutionalize the industry, yet there is limited government and institutional support.

One of the primary barriers to scaling up a sustainable agriculture industry in Hawaii is the lack of access to capital. There are limited incentives for companies and investors to invest in Hawaii's agricultural production. Yet substantial investments are required in order to revitalize the industry, rebuild our agricultural systems and infrastructure, and support the farmers and agricultural enterprises.

Kalona Brand Company seeks to revitalize agriculture in Hawaii by developing sustainable farm operations and food systems. We strive for sustainable food systems that provide long-term financial viability, actively engage and strengthen communities, steward the aina with environmentally sound land use practices, and competitiveness in a global economy. We believe there is great potential to scale up a regenerative and vertically integrated agricultural industry in Hawaii creating unique Hawaii grown and Hawaii made food products.

Kalona Brand Company supports SB 3090 SD 1 and the establishment of an agricultural production tax credit to allow Hawaii to become a world leader in food security, self-sufficiency, and sustainability.

We also offer the following comments:

1. Recommended definitions of “Qualified Taxpayer” and “Qualified Expenses”:

“Qualified Taxpayer” means a taxpayer and any investor in a primarily agricultural business in the State. For purposes of this Section, an investor is any taxpayer that purchases an interest or share in a primarily agricultural business in the State in an amount equal to at least \$100,000.00.

“Qualified Expense” means any expense incurred by a qualified taxpayer to produce agricultural products, and shall include the following:

- (1) Costs for any equipment, materials, or supplies primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business;
- (2) Costs for seeds, seedlings, windbreak plantings, cover crops, or animal feed by an agricultural business;
- (3) Costs for the plans, design, engineering, construction, renovation, repair, and maintenance for roads and utilities construction primarily for agricultural purposes; agricultural processing facilities in the State; water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems providing water primarily for agricultural purposes in the State;
- (4) Shipping of equipment, supplies, and agricultural products, by an agricultural business, to or from the State and interisland shipments;
- (5) Interest on any loan for equipment, materials, supplies, primarily for an agricultural business or purpose;
- (6) An investment by a taxpayer in a primarily agricultural business in the State. For purposes of this Section, an investment is a purchase by a taxpayer of an interest or share in a primarily agricultural business in the State in an amount equal to at least \$100,000.00.
- (7) Feasibility studies, regulatory processing, and legal and accounting services related to the items under this definition.

2. Suggestion that the amount of the tax credit shall be equal to the qualified expenses of the qualified taxpayer, up to a maximum of \$250,000.

3. Suggestion that the amount of tax credits allowed under this section shall not exceed \$25,000,000 for all qualified taxpayers in any taxable year.

Mahalo nui loa,



Kawika Burgess

President and Chief Executive Officer