

STAND. COM. REP. NO.

973

Honolulu, Hawaii

MAR 21 2013

RE: H.B. No. 747
H.D. 1
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Agriculture, to which was referred H.B. No. 747, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to provide a general excise tax exemption for amounts received for the slaughter and processing of poultry and livestock produced in the State and to be consumed in the State.

Your Committee received testimony in support of this measure from Hawaii Cattlemen's Council, Inc.; Maui Cattlemen's Association; Hawaii Farm Bureau Federation; Hawaii Aquaculture and Aquaponics Association; Big Island Dairy; Palani Ranch Company; Ulupono Initiative; 4 Ag Hawaii; and four individuals. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Prior to holding a hearing on this measure, your Committee made available for public review a proposed S.D. 1, which amends the measure by inserting language from:

- (1) S.B. No. 709, S.D. 1 (Regular Session 2013), which amends section 163D-17, Hawaii Revised Statutes, to leave unspecified the Agribusiness Development Corporation's limit on investments in qualified securities of any one enterprise; and



- (2) S.B. No. 754, S.D. 2 (Regular Session 2013), which makes an appropriation for an unspecified amount for the Agribusiness Development Corporation to purchase unspecified agricultural land.

Your Committee received comments on the proposed S.D. 1 from the Department of the Attorney General, Department of Taxation, Agribusiness Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that increasing the limit on investments of monies in the Hawaii agricultural development revolving fund in securities of any one enterprise, pursuant to part II of the proposed S.D. 1, would allow the Agribusiness Development Corporation more flexibility to provide monetary forms of assistance and to purchase qualified securities so that it may assist struggling farmers who lack capital to improve and modernize their facilities. Your Committee further finds that funding appropriated to the Agribusiness Development Corporation, pursuant to part III of the proposed S.D. 1, would assist the Agribusiness Development Corporation in acquiring lands recently placed for sale by Dole Food Company, Inc., to ensure that these lands are maintained for agricultural activities in perpetuity. Providing farmers access to these lands through long-term leases will allow farmers to obtain the necessary capital to expand agricultural activities and maximize farm yields.

Your Committee noted concerns, however, regarding the constitutionality of the amendments to section 237-24.3, Hawaii Revised Statutes, regarding the general excise tax.

Accordingly, your Committee has amended this measure by adopting the proposed S.D. 1 and further amending the measure by:

- (1) Deleting part I of the measure; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 747, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 747,



H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture,

Clarence K Nishihara
CLARENCE K. NISHIHARA, Chair



