

STAND. COM. REP. NO.

949

Honolulu, Hawaii

MAR 21 2017

RE: H.B. No. 961
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred H.B. No. 961, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO FARMERS,"

begs leave to report as follows:

The purpose and intent of this measure is to exclude from the computation of taxable state income a certain amount of income earned by qualifying farmers from food or value-added food products grown or raised by a farmer and sold within the State, provided that the farmer's annual gross income does not exceed a specified amount.

Your Committee received testimony in support of this measure from the Department of Agriculture, Hawaii Crop Improvement Association, Maui Chamber of Commerce, Hawai'i Farm Bureau, Counter Culture Farm, and one individual. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the growth of small, diversified farming businesses adds to and diversifies Hawaii's economy. Your Committee finds that the creation of an exclusion from income tax for a certain amount of income earned from such businesses will encourage the growth of new, small, and diversified farming



businesses, will not significantly affect tax collections by the State, and will improve the long-term economic well-being of the State.

Your Committee has amended this measure by:

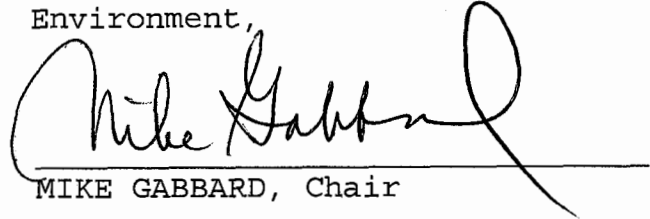
- (1) As recommended by the Department of Taxation:
 - (A) Expanding the income tax exemption to include farmers with the tax filing statuses of married filing separately and head of household; and
 - (B) Applying the income tax exemption to taxable years beginning after December 31, 2017;
- (2) As recommended by the Department of the Attorney General, removing language that requires a "farmer" to sell the food or products within the State in order for the exemption to apply;
- (3) Making it effective on July 1, 2017; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee recommends that if your Committee on Ways and Means chooses to pass this measure that it consider amendments to apply the income tax exemption to the first \$5,000 of income earned by a farmer; provided that the farmer's annual gross income does not exceed \$50,000 if filing a tax return as a single taxpayer and does not exceed \$100,000 if filing a tax return as married filing jointly.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 961, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 961, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



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




MIKE GABBARD, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 961, HD2	AEN, WAM	3/17/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
		<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RIVIERE, Gil (VC)	X			
NISHIHARA, Clarence K.				X
RHOADS, Karl	X			
RUDERMAN, Russell E.				X
TOTAL	3	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes