A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that encouraging the use of the State's agricultural resources and promoting food security and self-sufficiency is important for the State.

The legislature further finds that without a sustainable inventory of healthy, locally grown produce and locally raised livestock food products, the State's food inventory is vulnerable to natural disasters, global events, and work stoppages by the shipping industry, which is responsible for importing about eighty-five to ninety per cent of the State's food.

The legislature further finds that supporting the local agriculture industry and incentivizing consumers to buy locally grown produce and locally raised livestock food products will help the State's Sustainable Hawaii Initiative and its sustainable living goals, including doubling the State's local food production by 2020.
The legislature further finds that providing tax relief to producers of locally grown produce and locally raised livestock food products will make these local food products more affordable, increase sales, and return more profits to the local farmers and agriculture industry.

The purpose of this Act is to encourage the use of the State's agricultural resources, promote food security and self-sufficiency, incentivize consumers to buy local and consume more healthy foods and drinks, support local farmers and the agriculture industry, and inspire people to join the agriculture industry by exempting amounts received from locally grown produce and locally raised livestock food products from the general excise tax.

SECTION 2. Section 237-24.3, Hawaii Revised Statutes, is amended to read as follows:

"$237-24.3 Additional amounts not taxable. In addition to the amounts not taxable under section 237-24, this chapter shall not apply to:

(1) Amounts received from the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer on one island of this State
to a person, firm, or organization on another island of this State. The terms "agricultural commodity", "producer", and "produce dealer" shall be defined in the same manner as they are defined in section 147-1; provided that agricultural commodities need not have been produced in the State;

(2) Amounts received by the manager, submanager, or board of directors of:

(A) An association of a condominium property regime established in accordance with chapter 514B or any predecessor thereto; or

(B) A nonprofit homeowners or community association incorporated in accordance with chapter 414D or any predecessor thereto and existing pursuant to covenants running with the land, in reimbursement of sums paid for common expenses;

(3) Amounts received or accrued from:

(A) The loading or unloading of cargo from ships, barges, vessels, or aircraft, whether or not the ships, barges, vessels, or aircraft travel
between the State and other states or countries
or between the islands of the State;

(B) Tugboat services including pilotage fees
performed within the State, and the towage of
ships, barges, or vessels in and out of state
harbors, or from one pier to another; and

(C) The transportation of pilots or governmental
officials to ships, barges, or vessels offshore;
rigging gear; checking freight and similar
services; standby charges; and use of moorings
and running mooring lines;

(4) Amounts received by an employee benefit plan by way of
contributions, dividends, interest, and other income;
and amounts received by a nonprofit organization or
office, as payments for costs and expenses incurred
for the administration of an employee benefit plan;
provided that this exemption shall not apply to any
gross rental income or gross rental proceeds received
after June 30, 1994, as income from investments in
real property in this State; and provided further that
gross rental income or gross rental proceeds from
investments in real property received by an employee
benefit plan after June 30, 1994, under written
contracts executed prior to July 1, 1994, shall not be
taxed until the contracts are renegotiated, renewed,
or extended, or until after December 31, 1998,
whichever is earlier. For the purposes of this
paragraph, "employee benefit plan" means any plan as
defined in title 29 United States Code section
1002(3), as amended;

(5) Amounts received for purchases made with United States
Department of Agriculture food coupons under the
federal food stamp program, and amounts received for
purchases made with United States Department of
Agriculture food vouchers under the Special
Supplemental Foods Program for Women, Infants and
Children;

(6) Amounts received by a hospital, infirmary, medical
clinic, health care facility, pharmacy, or a
practitioner licensed to administer the drug to an
individual for selling prescription drugs or
prosthetic devices to an individual; provided that
this paragraph shall not apply to any amounts received
for services provided in selling prescription drugs or
prosthetic devices. As used in this paragraph:

"Prescription drugs" are those drugs defined
under section 328-1 and dispensed by filling or
refilling a written or oral prescription by a
practitioner licensed under law to administer the drug
and sold by a licensed pharmacist under section 328-16
or practitioners licensed to administer drugs;
provided that "prescription drugs" shall not include
cannabis or manufactured cannabis products authorized
pursuant to chapters 329 and 329D; and

"Prosthetic device" means any artificial device
or appliance, instrument, apparatus, or contrivance,
including their components, parts, accessories, and
replacements thereof, used to replace a missing or
surgically removed part of the human body, which is
prescribed by a licensed practitioner of medicine,
osteopathy, or podiatry and that is sold by the
practitioner or that is dispensed and sold by a dealer
of prosthetic devices; provided that "prosthetic
device" shall not mean any auditory, ophthalmic, dental, or ocular device or appliance, instrument, apparatus, or contrivance;

(7) Taxes on transient accommodations imposed by chapter 237D and passed on and collected by operators holding certificates of registration under that chapter;

(8) Amounts received as dues by an unincorporated merchants association from its membership for advertising media, promotional, and advertising costs for the promotion of the association for the benefit of its members as a whole and not for the benefit of an individual member or group of members less than the entire membership;

(9) Amounts received by a labor organization for real property leased to:

(A) A labor organization; or

(B) A trust fund established by a labor organization for the benefit of its members, families, and dependents for medical or hospital care, pensions on retirement or death of employees,
apprenticeship and training, and other membership service programs.

As used in this paragraph, "labor organization" means a labor organization exempt from federal income tax under section 501(c)(5) of the Internal Revenue Code, as amended;

(10) Amounts received from foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes; [and]

(11) Amounts received as rent for the rental or leasing of aircraft or aircraft engines used by the lessees or renters for interstate air transportation of passengers and goods. For purposes of this paragraph, payments made pursuant to a lease shall be considered rent regardless of whether the lease is an operating lease or a financing lease. The definition of "interstate air transportation" is the same as in 49 U.S.C. section 40102[6]; and
(12) Amounts received by a producer of locally grown produce and locally raised livestock food products from a consumer. As used in this paragraph:

"Locally grown produce" means any agricultural, horticultural, or vegetable product of the soil consumed for nutrition by humans that is grown in the State and sold within the State.

"Locally raised livestock food products" means any product consumed for nutrition by humans that consists of or is derived from livestock raised in the State and sold within the State."

SECTION 3. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on January 1, 2020.
Report Title:
Taxation; General Excise Tax; Locally Grown Produce; Locally Raised Livestock Food Products

Description:
Exempts locally grown produce and locally raised livestock food products from the general excise tax.

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