

Honolulu, Hawaii

FEB 05 2021

RE: S.B. No. 341
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 341 entitled:

"A BILL FOR AN ACT RELATING TO TARO,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a state income tax exemption for taro production.

Your Committee received testimony in support of this measure from Ku-A-Kanaka LLC; Hawai'i Alliance for Progressive Action; Hawaii Food Industry Association; Hawai'i Farm Bureau; Supersistence; Food+ Policy Internship; Hawai'i SEED; and thirty-eight individuals. Your Committee received comments on this measure from the Department of Agriculture; Department of the Attorney General; Department of Taxation; Tax Foundation of Hawaii; and two individuals.

Your Committee finds that it is of critical importance to protect and perpetuate the traditional practice of taro farming as part of Hawaii's cultural identity and its role in local food security. Loi kalo, or wetland taro systems, are recognized for their potential to mitigate impacts of climate change by functioning as riparian buffers and soil capture basins. Underground foods, such as taro, can often survive hurricane or flood events and be harvested to address immediate food shortages where the capacity to store and cook food can be retained. Your



Committee also finds that tax relief measures allow farmers to build structures, reinvest in their farms and businesses, and offer more attractive opportunities for the next generation to engage in taro farming, perpetuating important cultural practices and additional food security measures. This measure creates stronger economic incentives for new taro farmers, improve the livelihoods for existing taro farmers, and reduce the cost of poi for local families by exempting taro production from state income taxes for the first \$100,000 of income derived from taro, taro products, and land used to produce taro if the total amount of land used to cultivate taro in Hawaii does not exceed thirty thousand acres at any point in the year.

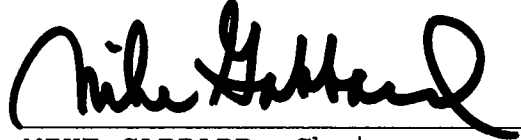
Your Committee has amended this measure by:

- (1) Removing the requirement that the tax exemption be limited to preparations of taro, poi, and value-added taro products exclusively made from taro grown in the State;
- (2) Clarifying the parties and their activities that would qualify for income tax exclusion;
- (3) Adding definitions for "persons engaged in taro production", "poi mill", "taro corm", and "taro huli";
- (4) Inserting language to indicate that the first \$100,000 of a person's income from the business of taro cultivation or production is excluded from their gross income for Hawaii income tax purposes;
- (5) Stipulating that the exclusion shall not apply if the Department of Agriculture determines that the thirty thousand acre threshold has been met;
- (6) Allowing the Department of Taxation to consult with the Office of Hawaiian Affairs in the administration of the tax exemption; and
- (7) 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 and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 341, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 341, 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
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:* SB 341	Committee Referral: AEN, WAM	Date: 02/01/2021		
<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)	✓			
NISHIHARA, Clarence K. (VC)	✓			
ACASIO, Laura	✓			
RHOADS, Karl	✓			
FEVELLA, Kurt	✓			
TOTAL	5			
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