

STAND. COM. REP. NO.

1333

Honolulu, Hawaii

MAR 23 2023

RE: H.B. No. 607
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred H.B. No. 607, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to create an interisland produce shipping income tax credit for taxpayers who are farmers, or are producers of agricultural commodities, cooperatives, broad line distributors, or food hubs who ship products and agricultural goods between counties.

Your Committee received testimony in support of this measure from the Department of Agriculture; Kanalani Ohana Farm; Ulupono Initiative; Ponoholo Ranch Limited; Hawai'i Farmers Union United; Hawai'i Farm Bureau; Hawai'i Alliance for Progressive Action; Kuwale Ridge Farms; North Shore Economic Vitality Partnership; Hawaii Cattlemen's Council, Inc.; Hawaii Food Industry Association; and twenty individuals. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee recognizes the State's vision of supporting local farmers and food producers so that they may enter the marketplace with affordable and fresh food and food products for Hawaii's residents and visitors. Your Committee further finds



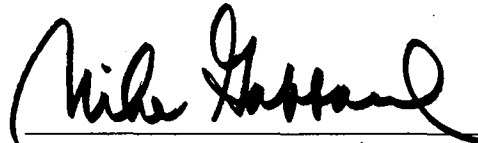
that due to Hawaii's unique geographical constraints, farmers and food producers in the State often face burdensome costs when shipping or transporting their perishable products over ocean channels or from rural farm lands to consumers in urban areas. These costs can discourage the expansion of interisland commerce and impede growth incentives for the smaller operations that encompass a great majority of the farms, ranches, and food producers in the State. This measure will alleviate the burdensome costs of interisland shipping and transport for farmers, ranchers, and food producers by providing a tiered tax credit system to encourage local agriculture to expand and make available affordable food options for Hawaii residents and visitors.

Your Committee has amended this measure by:

- (1) Removing inconsistent language that allowed the tax credit to be claimed by a developer of a commercial building for renovation costs, and clarifying that the credit may be claimed for transportation costs; 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 and Environment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 607, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 607, 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



