

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 3247
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 3247 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to alleviate the costs of interisland shipping for farmers and ranchers in the State by establishing an interisland produce shipping tax credit for transportation costs incurred by certain taxpayers who ship produce and agricultural goods between counties.

Your Committee received testimony in support of this measure from the Department of Agriculture; Hawai'i Farm Bureau; Hawai'i Alliance for Progressive Action; Hawai'i Farmers Union United; Hawaii Food Industry Association; Malama Kauai; Women Organizing for Change in Agriculture and Natural Resource Management; Hawaii Food+ Policy; We Are One, Inc.; and fifty-nine individuals.

Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, and Tax Foundation of Hawaii.

Your Committee finds that because Hawaii is an island state, any increase in the cost of interisland transportation creates a barrier to market for many local ranchers and farmers. Your Committee recognizes that shipping and transportation costs are a



leading barrier to expansion for many local ranchers and farmers as well. Your Committee notes that the United States Department of Agriculture administers a reimbursement transportation cost payment program for geographically disadvantaged farmers and ranchers, including farmers and ranchers in Hawaii and the Pacific, for a portion of the cost to transport agricultural commodities or inputs used to produce the agricultural commodities. Your Committee believes that providing a similar state incentive will reduce farming and ranching costs and facilitate an increase in local food production, while reducing the cost for local consumers to purchase local agriculture products.

Your Committee acknowledges the concerns raised by the Department of the Attorney General that the definition of "qualified taxpayer" may trigger a challenge under the Privilege and Immunities Clause of the United States Constitution as it could be construed to impose a residency requirement to be eligible for the tax credit, thereby discriminating against residents of another state.

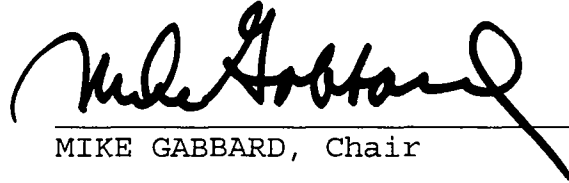
Accordingly, your Committee has amended this measure by:

- (1) Amending the definition of "qualifying taxpayer" by deleting "is located in the State";
- (2) Inserting a definition for "broad line distributor";
- (3) Making it applicable to taxable years beginning after December 31, 2024; and
- (4) 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. 3247, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3247, 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



