

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

**TESTIMONY OF**  
**GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 250, Relating to Taxation.

**BEFORE THE:**

Senate Committee on Agriculture and Environment

**DATE:** Friday, January 24, 2025

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 224

Chair Gabbard, Vice-Chair Richards, III, and Members of the Committee:

The Department of Taxation ("DOTAX") offers the following comments regarding S.B. 250 for your consideration.

S.B. 250 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a nonrefundable income tax credit for qualified transportation costs incurred by qualified taxpayers. The stated purpose of the bill is "to establish an interisland produce shipping tax credit to alleviate the costs of interisland shipping for farmers and ranchers."

Qualified taxpayers include farmers, ranchers, food hubs, broad line distributors, and other agricultural entities meeting specific eligibility criteria. To qualify, taxpayers must share in the risk of producing agricultural commodities in substantial commercial quantities and be entitled to a share of the production from the agricultural operation.

The credit amount, maximum annual taxpayer cap, and aggregate cap are currently unspecified. The credit would apply to taxable years beginning after December 31, 2025. The Department of Agriculture would be responsible for certifying eligibility for the credit and administering its caps, with distinct caps for farmers and ranchers, food hub operators, and broad line distributors.

DOTAX defers to the Department of Agriculture on its ability to certify and administer this new credit and caps, but requests that a third-party certification requirement be maintained. DOTAX is unable to administer the aggregate cap and allocations.

DOTAX notes that the bill contains potential issues regarding the deadline to file claims for the credit:

- Page 3, line 20 through page 4, line 3, permits certification of credits for a previous taxable year if the taxpayer chose not to claim the credit because the aggregate cap amount under subsection (d) was reached.
- Page 5, lines 12 through 17, specifies that all claims must be filed within 12 months following the close of the taxable year in which the costs were incurred.

The ability to file late claims well outside the specified time limits on page 5 could be abused by claimants in the event the aggregate cap amount is consistently met. For clarity and effective administration, DOTAX recommends removing the language on page 3, line 20 through page 4, line 3. This change ensures that taxpayers will declare their maximum potential qualified transportation costs and file claims within 12 months of the end of the taxable year in which the costs were incurred.

Additionally, to ensure the credit is used appropriately and to prevent taxpayers from claiming a double benefit, DOTAX recommends adding a new subsection that reads as follows:

No other tax credit or deduction shall be claimed under this chapter for qualified transportation costs for the taxable year.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



WENDY GADY  
EXECUTIVE DIRECTOR

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
HUI HO'OU LU AINA MAHIAI

TESTIMONY OF WENDY L. GADY  
EXECUTIVE DIRECTOR  
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
January 24, 2025  
1:00pm p.m.  
Conference Room 224 & Videoconference

SENATE BILL NO. 250  
RELATING TO TAXATION

Chair Gabbard, Vice Chair Richards, and Members of the Committee:

Thank you for the opportunity to testify in **support** of Senate Bill No. 250, which creates an income tax credit for transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties.

The Agribusiness Development Corporation (ADC) supports the establishment of an income tax credit to offset transportation costs incurred by taxpayers who ship agricultural products and inputs between counties in Hawai'i. This proposal represents a vital step in supporting our local farmers, ranchers, and agricultural businesses while promoting food security and economic sustainability across the state.

Hawai'i's geographic layout, consisting of multiple islands, presents unique challenges for the agriculture sector. The cost of shipping agricultural products and inputs—such as feed, fertilizers, and equipment—between islands can be prohibitively high, creating significant barriers for local farmers and producers. An income tax credit targeting these transportation expenses would:

1. **Support Local Agriculture:** By reducing the financial burden of inter-county shipping, this tax credit would enable farmers and producers to remain competitive, enhancing their ability to supply local markets with fresh and affordable products.
2. **Promote Food Security:** Encouraging the efficient transportation of agricultural goods between islands would strengthen Hawai'i's local food systems, reducing reliance on imported goods and increasing the availability of locally produced food.
3. **Stimulate Economic Growth:** Supporting inter-island transportation reduces costs for agricultural businesses, enabling reinvestment in operations, workforce expansion, and innovation, thereby contributing to the state's economy.
4. **Foster Collaboration Across Counties:** A tax credit for transportation costs would incentivize greater cooperation between islands, enabling the exchange of agricultural products and inputs in a manner that benefits the entire state.
5. **Address Equity Issues:** Farmers and producers on smaller or more remote islands, such as Moloka'i and Lāna'i, face disproportionately higher transportation costs. This tax credit would help level the playing field, ensuring that all agricultural stakeholders have equal opportunities to thrive.

Additionally, this tax credit aligns with the state's broader sustainability and climate resilience goals by supporting local food production and reducing the carbon footprint associated with importing goods from outside Hawai'i. It is a practical and equitable solution to one of the most pressing challenges faced by our agricultural sector.

ADC urges this committee to support the creation of an income tax credit for transportation costs incurred by taxpayers who ship agricultural products and inputs between counties in Hawai'i. By doing so, the Legislature will be investing

in the future of local agriculture and ensuring the long-term sustainability of Hawai'i's food systems.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget. Thank you for your consideration of our testimony.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: INCOME TAX, Credit for Interisland Shipping Costs for Produce

BILL NUMBER: SB 250

INTRODUCED BY: GABBARD, FEVELLA

EXECUTIVE SUMMARY: Creates an income tax credit for transportation costs incurred by certain taxpayers who ship produce and agricultural goods between counties.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish the interisland produce shipping tax credit. The credit is \_\_% of the qualified transportation costs of the qualified taxpayer, up to a maximum of \$\_\_\_\_\_.

For a partnership, S corporation, estate, or trust, the cost upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined by administrative rule.

The Department of Agriculture shall maintain records, verify and certify the tax credits for each year. Upon determination, the Department of Agriculture will issue a certificate to the taxpayer verifying the qualified transportation costs and the certified amount of credit to be filed with the taxpayer's tax return. The Department of Agriculture will certify credits on a first come, first served basis.

The aggregate amount of certified tax credits shall not exceed \$\_\_\_\_\_ for all taxpayers in any taxable year. Of the \$\_\_\_\_\_, up to \$ \_\_\_\_\_ may be certified for farmers and ranchers; up to \$\_\_\_\_\_ may be certified for food hub operators; and up to \$\_\_\_\_\_ may be certified for broad line distributors.

Tax credits exceeding the taxpayer's net income tax liability may be used in subsequent years or for a period of 5 years, whichever is earlier.

Provides definitions for "food hub", "qualified taxpayer", and "qualified transportation costs".

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: Upon approval, applicable to taxable years beginning after December 31, 2025.

STAFF COMMENTS: This bill, firstly, contains too many blanks and is impossible to vet in its current form.

Next, lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when we need money to support victims of natural disasters like the Maui wildfires, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

In any event, a direct appropriation for a grant or subsidy program would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

We also note that the statewide cap has three prongs and the bill does not articulate what happens if a taxpayer incurs eligible costs, applies for the credit, and it turns out that the statewide cap is exceeded. Subsection (c) of the bill attempts to address this situation, however, resolution remains unclear. Is the applicant supposed to be able to carry the credit forward? Are all applicants denied pro rata? Are only the other applicants in the category applied for denied pro rata? Or is only the current applicant denied?

Digested: 1/22/2025



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Aloha Chairs Gabbard & Richards, Vice Chairs, and Committee Members,

The Hawaii Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFUU strongly supports SB250.**

SB250 represents a significant opportunity to support Hawaii's farmers by alleviating one of the substantial challenges they face: the high cost of transporting agricultural products and inputs between islands. The proposed income tax credit specifically addresses the financial burden borne by farmers, ranchers, and other agricultural producers who are striving to provide fresh, local food across our state. By offsetting these transportation costs, the bill supports the agricultural community's ability to maintain and expand their operations. This would not only help stabilize income for smaller farms but also encourage continued participation in local food production, contributing to food security for Hawaii's residents.

Transportation costs in Hawaii are disproportionately high due to our unique island geography. Each county, with its diverse agricultural strengths, contributes uniquely to the statewide supply chain. The ability to move goods efficiently and affordably between islands is crucial for optimizing these complementarities. By providing a tax incentive for inter-island shipments, SB250 facilitates greater regional collaboration and market access. This, in turn, enhances the overall resilience and sustainability of the local food system, fostering a more robust agricultural economy that benefits farmers, consumers, and the environment alike.

Mahalo for the opportunity to testify.

Kaipo Kekona, President HFUU/HFUF



COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
Senator Mike Gabbard, Chair  
Senator Herbert M. "Tim" Richards, III, Vice Chair

**SB250**  
RELATING TO TAXATION

Friday, January 24, 2025, 1:00PM  
Conference Room 224 & Videoconference

Chair Gabbard, Vice Chair Richards, and Members of the Committee,

The Hawaii Cattlemen's Council **supports SB250** which creates an income tax credit for transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties.

As an island state, shipping agricultural goods is necessary for many parts of the supply chain. The rising cost of transportation can be prohibitive for both new and established agricultural operations. While the Reimbursement Transportation Cost Payment Program is a welcome federal program, we have found that the producer cap is too low, so this supplemental state program is a welcome solution.

Over the past couple of years, we have asked our DC Delegates to raise the cap, and it was raised a small amount recently to \$11,200. While we were grateful for that increase, it is still not nearly enough to cover the 25% the program aims to cover.

Young Brothers just recently proposed to increase interisland shipping rates substantially. This income tax credit could help to alleviate the burden of the steep proposed increase.

We respectfully ask that the bill specify that "qualified transportation costs" include "produce and agricultural goods, including livestock." (Page 7, line 10)

We appreciate the opportunity to testify on this measure. The Hawaii Cattlemen's Council (HCC) is the Statewide umbrella organization comprised of the four county-level Cattlemen's Associations. Our member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of over 750 thousand acres of land in Hawaii, or 20% of the State's total land mass. We represent the interests of Hawaii's cattle producers.

Nicole Galase  
Hawaii Cattlemen's Council  
Managing Director





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January 24, 2025

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**TESTIMONY ON SB 250**  
**RELATING TO TAXATION**

Conference Room 224 & Videoconference  
1:00 PM

Aloha Chair Gabbard, Vice-Chair Richards, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

**The Hawai'i Farm Bureau supports the intent of SB 250**, which creates an income tax credit for transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties.

Interisland transportation has been a major issue with neighbor island farmers and ranchers. The majority of agricultural lands are in the neighbor islands yet the population center is on O'ahu. Neighbor island farmers and ranchers are disadvantaged when competing with fellow farmers and ranchers on O'ahu due to additional transportation costs of bringing in supplies and sending products out. Each increase in interisland shipping rates means increased costs to these farmers and ranchers, costs that usually cannot be passed on to the vendor. This bill seeks to level the playing field by providing assistance to neighbor island farmers and ranchers.

We believe that this tax will help to reduce the operating costs for our neighbor island farmers and ranchers and eventually help reduce the cost of purchasing local agriculture products for local consumers.

We are concerned that the definition of "Qualified Taxpayer" will allow farmers or ranchers in any location, rather than only those in the State, to be eligible for the interisland produce shipping tax credit.

Thank you for the opportunity to testify on this measure.

LARRY JEFTS FARMS, LLC  
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KUNIA, HAWAII 96759  
(808) 688-2892

SB250, Relating to Taxation  
Sen AEN Hearing – 1:00 PM  
Friday, January 24, 2025

Testimony By: Larry Jeffs  
Position: Support

Chair Gabbard, Vice Chair Richards, and Members of the Sen AEN Committee:

I am Larry Jeffs, owner and operator of Larry Jeffs Farms, LLC. We have more than 42 years of Hawaii farm experience on Molokai and Oahu. Our family farms grow about 1 million pounds weekly of import replacement produce. I am a volunteer director, serving as Chair of the West Oahu Soil and Water Conservation District (SWCD). I have also served as an officer of the Hawaii Farm Bureau for many years.

We appreciate the proposed tax credit to offset some of the interisland costs of transporting agriculture products and inputs for farmers, ranchers and others involved in the food distribution network to island communities. This proposal and the USDA reimbursement transportation cost program will help increase local food consumption and production.

Your favorable consideration of SB250 is appreciated. Thank you for the opportunity to testify on this bill.



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**Joe Carter**, Coca-Cola Bottling of Hawaii, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Immediate Past Chair*

**TO:** Committee on Agriculture and Environment

**FROM:** Hawaii Food Industry Association

**Lauren Zirbel, Executive Director**

**DATE:** January 24, 2025

**TIME:** 1:00 PM

**RE:** SB250 – Relating to Taxation

**Position:** Support

The Hawaii Food Industry Association (HFIA) represents approximately 200 member companies, including retailers, suppliers, producers, manufacturers, and distributors of food and beverage-related products in Hawai'i.

Increasing local food production and access is a critical priority for our state. However, Hawai'i's unique geography poses significant challenges for local food producers, particularly the high costs of interisland transportation. These costs often hinder the ability of local farmers and producers to bring their goods to market efficiently and competitively.

**SB250** aims to address this issue by establishing an interisland produce shipping tax credit. This measure would provide much-needed financial relief to local food producers, making their goods more competitive with imported products. By reducing interisland shipping costs, this bill would:

1. **Support Local Farmers and Producers** – Alleviating transportation costs will improve farm viability and encourage increased agricultural production.
2. **Expand Market Access** – Local food producers will have greater opportunities to distribute their goods across islands, reaching more consumers and manufacturers.
3. **Promote Sustainability** – By incentivizing local food production and consumption, this bill supports the State's Aloha+ Challenge goals and bolsters Hawai'i's food security.



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**Joe Carter**, Coca-Cola Bottling of Hawaii, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Immediate Past Chair*

While we strongly support the intent of this measure, we respectfully recommend an amendment to **replace “food hubs” with “food retailers”** in Section 2, subsection (d). This adjustment would better reflect the diversity of entities that sell food to consumers and ensure broader inclusivity for those who support our local food supply chain.

HFIA believes this tax credit is a meaningful step toward building a stronger, more resilient food system in Hawai‘i. We respectfully urge the Committee to pass SB250 with our proposed amendment.

Mahalo for the opportunity to testify, and for your continued commitment to supporting Hawai‘i’s food producers and consumers.

**Aloha,**  
Lauren Zirbel  
Executive Director  
Hawai‘i Food Industry Association



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224  
FRIDAY, JANUARY 24, 2025, 1:00 P.M.**

Senator Mike Gabbard, Chair  
Senator Herbert M. "Tim" Richards, III, Vice Chair  
Members of the committee on Agriculture and Environment

**SUPPORT SB250 RELATING TO TAXATION**

The Maui Chamber of Commerce **SUPPORTS SB250**, which establishes an interisland produce shipping tax credit to alleviate the costs of interisland shipping for farmers and ranchers.

The Chamber recognizes that the cost of interisland transportation is a significant barrier to market access for food producers in Hawaii. This challenge is also acknowledged by the United States Department of Agriculture, which administers a reimbursement program to assist geographically disadvantaged farmers and ranchers with transportation costs. This program helps reimburse producers for a portion of the expenses incurred to transport agricultural commodities or inputs used to produce them.

We support this initiative to provide tax credits to businesses shipping agricultural products between counties, thereby offsetting the additional shipping costs. Furthermore, many of our islands are home to small manufacturing businesses that could benefit from this program as well. Over the years, we have worked with several hundred manufacturing companies through our Made in Maui program and the Made in Maui County Festival. These local, niche manufacturers stand to gain significantly from a tax credit under this program.

For these reasons, we strongly **SUPPORT SB250** and with our additional suggestion, respectfully request its passage

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

**SB-250**

Submitted on: 1/22/2025 1:08:21 PM

Testimony for AEN on 1/24/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Theresa M Thompson	Individual	Support	Written Testimony Only

Comments:

Chair Gabbard, Vice Chair Richards, and Members of the Committee,

I **support SB250** which creates an income tax credit for transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties.

Mahalo,

Theresa M. Thompson

Kula, Maui