

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'ŌIHANA MAHI'AI
1428 South King Street
Honolulu, Hawai'i 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**MONDAY, MARCH 13, 2023
ROOM 224
1:15 P.M.**

**HOUSE BILL NO. 612, HOUSE DRAFT 2
RELATING TO TAXATION**

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on House Bill 612, HD2 that creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State. The tax credit is to be equal to the expenses of eligible farmers up to an unspecified maximum per tax year. An "eligible farmer" must demonstrate that two-thirds of federal gross income from all sources for the tax year comes from farming or ranching as shown by federal Form 1040, Schedule F filings, or Schedule C for income from fishing. The proposed tax credit does not have a sunset date.

The Department of Agriculture supports this measure and otherwise defers to the Department of Taxation.

Thank you for the opportunity to testify on this measure.



HB-612-HD-2

Submitted on: 3/11/2023 6:27:10 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Colehour Bondera	Testifying for Kanalani Ohana Farm	Support	Written Testimony Only

Comments:

Aloha Chair and Committee Members:

Please support and pass this Bill in order for farmers to better make it here at home!

Thanks in advance,

Colehour Bondera

KANALANI OHANA FARM

colemel2@gmail.com

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 612, H.D.2, Relating to Taxation

BEFORE THE:

Senate Committee on Agriculture and Environment

DATE: Monday, March 13, 2023

TIME: 1:15 p.m.

LOCATION: State Capitol, Room 224

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

The Department of Taxation (“Department”) offers the following comments regarding H.B. 612, H.D.2, for your consideration.

H.B. 612, H.D.2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create an income tax credit, not to exceed an unspecified amount, for the “qualified expenses” of an “eligible farmer.” If the tax credit exceeds the eligible farmer’s net income tax liability and the eligible farmer’s federal gross income is less than \$250,000, the credit is refundable. If the tax credit exceeds the eligible farmer’s net income tax liability and the eligible farmer’s federal gross income is \$250,000 or more, the credit is nonrefundable and may be carried forward until exhausted.

This bill has a defective effective date of June 30, 3000 and applies to taxable years beginning after December 31, 2022.

First, the Department recommends making the tax credit entirely nonrefundable, as refundable credits are more prone to fraudulent claims.

Second, in order to properly implement and administer this measure, the Department suggests adding a definition for “qualified expenses.”

Department of Taxation Testimony
H.B. 612, H.D.2
March 13, 2023
Page 2 of 2

Finally, the Department further notes that it will require resources and time to implement the new credit. Accordingly, the Department requests that if the effective date of the measure is updated, it be amended to apply to taxable years beginning after December 31, 2023.

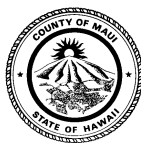
Thank you for the opportunity to provide comments on this measure.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



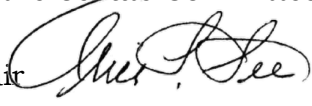
Director of Council Services
Traci N. T. Fujita, Esq.

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

March 11, 2023

TO: The Honorable Mike Gabbard, Chair, and
Members of the Senate Committee on Agriculture and Environment

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF MARCH 13, 2023; TESTIMONY IN SUPPORT OF HB 612, HD2, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to create an income tax credit for local food producers.

The Maui County Council adopted Resolution 23-43, "URGING THE STATE LEGISLATURE TO SUPPORT AND ADOPT THE PRIORITY FOOD POLICIES RECOMMENDED BY THE TRANSFORMING HAWAII'S FOOD SYSTEMS TOGETHER INITIATIVE," in support of this measure. Therefore, I offer this testimony on the Council's behalf.

The Maui County Council **supports** this measure for the following reasons:

1. This measure will provide much-needed support to local farmers, ranchers, and fishers by helping to alleviate the high costs of food production they face.
2. This measure advances the following Maui County General Plan policy: "Assist farmers to help make Maui County more self-sufficient in food production."
3. This measure advances the goal of increasing food security in Hawai'i, as outlined in Hawai'i's Aloha+ Challenge and the Sustainable Development Goals adopted by the United Nations.

For the foregoing reasons, The Maui County Council **supports** this measure.



Email: communications@ulupono.com

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT
Monday, March 13, 2023 — 1:15 p.m.

Ulupono Initiative supports HB 612 HD2, Relating to Taxation.

Dear Chair Gabbard and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports HB 612 HD2, which creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivizes growth in the agricultural sector in the State.

Ulupono supports the State's goal to double local food production and the sustainable growth of the agricultural industry here in Hawai'i. According to the 2017 USDA National Agricultural Statistics Service (NASS) Census of Agriculture, 66% of Hawai'i's 7,328 farms statewide, or 4,868 farms, are between 1-9 acres. In addition, 78%, or 5,701 farms, produce less than \$25,000 in sales. This measure will support local producers with the many high costs associated with doing agriculture here in the state.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

999 Bishop Street, Suite 1202 | Honolulu, Hawai'i 96813 ☎ 808.544.8960 📠 808.432.9695 | www.ulupono.com

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Farming Income Tax Credit

BILL NUMBER: HB 612 HD 2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish the farming income tax credit. The credit is 100% of the qualified expenses of the eligible farmer, up to a maximum of \$ ____.

If the farmer's federal gross income is under \$250,000, the credit is refundable. Otherwise, the credit is no refundable but may be carried forward until exhausted.

All claims for the tax credit, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed.

Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Defines the following terms:

"Eligible farmer" means a taxpayer that provides proof of at least two-thirds of excess federal gross income from farming or ranching, as shown by federal Form 1040 Schedule F filings, or from fishing, as shown by federal Form 1040 Schedule C filings.

"Excess federal gross income" means the amount of federal gross income from all sources for the tax year."

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: As with any other targeted tax credit, this measure picks winners and losers in the marketplace. The winners are the qualified taxpayers, and the losers are the rest of us who need to pay for the cost of government and make up for the winners.

These, along with numerous other proposals targeted at specific types of business activity, are truly an indictment of what everyone has known and acknowledged since before Hawaii became a state, that is, the climate imposed by government regulations and taxation makes it difficult to survive without some kind of subsidy such as tax credits from government. Once those subsidies disappear, so will the businesses. Instead of throwing out such breaks for special interests, lawmakers must endeavor to make Hawaii's business climate more welcoming and conducive to nurturing entrepreneurs.

Digested: 3/10/2023

HB-612-HD-2

Submitted on: 3/11/2023 11:50:24 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Alan Gottlieb	Testifying for Ponoholo Ranch Limited	Support	Written Testimony Only

Comments:

Please support this bill

HB-612-HD-2

Submitted on: 3/11/2023 7:22:58 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Andrea	Testifying for Ancient Valley growers	Support	Written Testimony Only

Comments:

I support



Officers

Kaipo Kekona
State President

Anabella Bruch
Vice-President

Maureen Datta
Secretary

Reba Lopez
Treasurer

Chapter Presidents

Madeline Ross
Kohala, Hawai'i

Odysseus Yacalis
East Hawai'i

Puna, Hawai'i

Andrea Drayer
Ka'u, Hawai'i

Chantal Chung
Kona, Hawai'i

Fawn Helekahi-Burns
Hana, Maui

Reba Lopez
Haleakala, Maui

Kaiea Medeiros
Mauna Kahalawai,
Maui

Kaipo Kekona
Lahaina, Maui

Rufina Kaauwai
Molokai

Negus Manna
Lāna'i

Brynn Foster
North Shore, O'ahu

Christian Zuckerman
Wai'anae, O'ahu

Ted Radovich
Waimanalo, O'ahu

Vincent Kimura
Honolulu, O'ahu

Ray Maki
Kauai

Aloha Chair Gabbard, Vice Chair Richards, and Members of the Senate Agriculture and Environment Committee,

The Hawaii Farmers Union United (HFUU) 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 HB612.**

This bill would create tax credits for farmers, ranchers, and fishers, thereby alleviating the high costs of production that disproportionately burden these sectors of the economy. It will give these businesses a much-needed debit in their fiscal ledger, allowing them to invest more in their enterprise and increase their yields, providing better livelihoods and potentially larger profits. This bill could be a major boon for local agriculture, allowing for more growth and sustainability in the sector.

As a credit, the benefits would accrue solely to livelihood producers and not hobby farms, ensuring efficient use of state resources. Furthermore, this can function as a tool to encourage lifestyle operations to make the leap to full time production.

HFUU offers the following amendments to improve this bill:

- Remove qualified expenses from Section 2 (b) and set credit amounts based on net farm sales. (~7000 farms gross >\$250K, ~200 farms gross \$250K-\$1M)
 - (b) The amount of the tax credit shall be equal to a percentage of the eligible farmers tax liability based on net farm income as follows: [~~the qualified expenses of the eligible farmer, up to a maximum of \$10,000~~].
 - (1) 15% of net farm income included in federal adjusted gross income if you are a farmer or farm business with less than \$250,000 in net farm income.
 - (1) 10% of net farm income included in federal adjusted gross income if you are a farmer or farm business with net farm income greater than \$250,000 and less than \$1,000,000.
- DOTAX prefers non-refundable credits, as refundable credits are viewed as having greater opportunities for fraud and misuse. That said, the refundable credit can be valuable to support small and new operations. If shifting to percentage instead of dollar amount (see above), then remove the refundable portion for under \$250k group.
 - [~~If the tax credit under this section exceeds the eligible farmer's net income tax liability and the eligible farmer's federal gross income is under \$250,000, the excess of the credit over liability shall be refunded to the taxpayer; provided that no refunds or payment on account of the~~

~~tax credits allowed by this section shall be made for amounts less than \$1. If the tax credit under this section exceeds the eligible farmer's net income tax liability and the eligible farmer's federal gross income is \$250,000 or more, the excess of the credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted.] All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.~~

- Delay implementation date in *Section 4* to December 31, 2023 to allow DOTAX time to prepare forms

Mahalo for the opportunity to testify.

Kaipo Kekona, President HFUU/HFUF

A handwritten signature in black ink, appearing to read "Kaipo S.K. Kekona". The signature is written in a cursive, flowing style.

HB-612-HD-2

Submitted on: 3/12/2023 5:26:22 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
James Crum	Testifying for Tinyville Farm	Support	Written Testimony Only

Comments:

As someone who has been farming on the a Big Island since 2017, I have yet to turn a profit. As someone working within and affiliated with ag production via the University of Hawaii CTAHR Seeds of Wellbeing project (<https://manoa.hawaii.edu/sow-well/>) and University of Hawaii AgConnect program (<https://hawaii.hawaii.edu/agconnect>) I have heard dozens, if not hundreds, of stories from Hawaii ag producers that struggle for profitability, with the high cost of production and ability to price their products competitively a significant factor. While not a fan of government subsidies in general, and while I hope the public's interest in local food over imported gains momentum, local ag producers need some help and incentives in order to become profitable, especially in early years of ag production, and in order not to give up. I hope you support this bill as I believe it would be an important step in helping increase local ag production and consumption.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hbf.org; www.hbf.org

March 13, 2023

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON HB 612, HD2
RELATING TO TAXATION

Conference Room 224 & Videoconference
1:15 PM

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

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 HB 612, HD2, which creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State.

Farming is a tough business. High production costs are a major driver of narrow profit margins for Hawai'i's farmers. Land, water, labor, taxes, transportation, utilities, inputs, invasive species, and food safety regulations are all costs of doing business that often results in our farmers just being able to break even. HFB supports any initiative that reduces the cost of production so that locally produced goods can compete with imported products, strengthening our local economy.

Hawai'i Farm Bureau Policy states:

"State tax and monetary policies should be designed to encourage private initiative to help stabilize farm economics in the State of Hawai'i, to promote employment and economic growth, and to distribute the tax burden equitably. Further such policy should be used by the state, when appropriate, to encourage agricultural growth and expansion."

This measure falls in the "encourage agricultural growth and expansion." category.

Thank you for this opportunity to testify on this important subject.

HB-612-HD-2

Submitted on: 3/12/2023 10:18:45 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Harriet Witt	Testifying for Hawaii Farmers Union United	Support	Written Testimony Only

Comments:

Please support this bill so that we can decrease our dangerous dependence on the mainland.
Mahao, Harriet Witt

HB-612-HD-2

Submitted on: 3/12/2023 11:34:31 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Christian Zuckerman	Testifying for Kuwale Ridge Farms	Support	Written Testimony Only

Comments:

Aloha,

My name is Christian Zuckerman and I am in strong support of HB 612. I am a farmer in Waianae and also a member of the Hawaii Farmers Union United (HFUU).

As a farmer, I know first hand the challenges of farming. Any support that can be provided and incentives put in place to support farmers is needed if we are to have a viable agricultural sector. Many farmers have to hold full time jobs outside of their farms because its not viable. This tax credit will incentivize farmers to become full time farmers. An income tax credit will help to subsidize the high costs of farm production in Hawaii.

The state of New York has a similar program with really positive results. I also support the implementation of the amendments suggested by HFUU.

Aloha

Christian



Hawaii Cattlemen's Council, Inc.

COMMITTEE ON AGRICULTURE AND
ENVIRONMENT

Senator Mike Gabbard, Chair
Senator Herbert M. "Tim" Richards, III, Vice Chair

HB612, HD2
RELATING TO TAXATION

Monday, March 13, 2023, 1:15 PM
Conference Room 224 & Videoconference

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

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.

The Hawaii Cattlemen's Council **supports HB612 HD2** which creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State

Increasing costs of doing business is a constraining factor for Hawaii's agriculture sector. The cost of land, labor, equipment, and utilities continue to climb, reducing an already small profit margin. In addition, ranchers contend with environmental factors such as drought and invasive species which can have negative impacts on their bottom line. We support an income tax credit to alleviate these high costs of production and incentivize agricultural production growth.

We appreciate the opportunity to testify on this measure.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director



HB-612-HD-2

Submitted on: 3/10/2023 3:11:09 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Gordon Inouye	Individual	Support	Written Testimony Only

Comments:

again; we support anything that will help farmers.

Aloha, Gordon Inouye

HB-612-HD-2

Submitted on: 3/10/2023 9:02:08 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Dana Keawe	Individual	Support	Written Testimony Only

Comments:

support

HB-612-HD-2

Submitted on: 3/11/2023 2:42:13 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Aileen K . F. Yeh	Individual	Support	Written Testimony Only

Comments:

I n support

HB-612-HD-2

Submitted on: 3/11/2023 5:44:31 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
luann casey	Individual	Support	Written Testimony Only

Comments:

Please support farmers, this is the only way to encourage more local farm / food production for the island. Mahalo, LuAnn & Gary

HB-612-HD-2

Submitted on: 3/11/2023 5:59:28 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Sylvia Cenzano	Individual	Support	Written Testimony Only

Comments:

I strongly support this tax credit for our farmers that produce a vital part of our survival!

HB-612-HD-2

Submitted on: 3/11/2023 6:09:35 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Rexann Dubiel	Individual	Support	Written Testimony Only

Comments:

I support HB612.

We need breaks for small farmers so we are not 90% dependent on factory farms on the Mainland.

HB-612-HD-2

Submitted on: 3/11/2023 7:17:36 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Barbara Burlew	Individual	Support	Written Testimony Only

Comments:

Strong support for HB612 income tax credit to alleviate the high costs of farm production. As a solo farmer on a very tight budget this would be of huge benefit as I try to grow my local produce production.

HB-612-HD-2

Submitted on: 3/11/2023 7:25:41 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Normand A Cote	Individual	Support	Written Testimony Only

Comments:

Aloha Legislators,

I SUPPORT HB612! The food producers can use a tax break.

Respecrfully,

Normand A Cote

Law Abiding Citizen

HB-612-HD-2

Submitted on: 3/11/2023 7:46:29 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Dennis F Lokmer	Individual	Support	Written Testimony Only

Comments:

I urge strong support for this bill. DFL

HB-612-HD-2

Submitted on: 3/11/2023 8:47:24 PM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Nina Rivers	Individual	Support	Written Testimony Only

Comments:

PLEASE SUPPORT THIS BILL!

As a 5th generation Maui raised upcountry farmer on 40 acres, and trying to keep the land in our family, we definitely need this type of support and bills for agriculture.

Nina Hupp Rivers

HB-612-HD-2

Submitted on: 3/12/2023 6:51:40 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Woody Child	Individual	Support	Written Testimony Only

Comments:

I support HB612 relating to Taxation.

HB-612-HD-2

Submitted on: 3/12/2023 10:40:07 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert ZUckerman	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill that will benefit the farmers who support out local community with thei essential service.

HB-612-HD-2

Submitted on: 3/12/2023 11:52:04 AM

Testimony for AEN on 3/13/2023 1:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Sunny Savage	Individual	Support	Written Testimony Only

Comments:

In strong support!