

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

**MARCH 13, 2020
8:30 A.M.
CONFERENCE ROOM 312**

**SENATE BILL NO. 3090, SENATE DRAFT 2
RELATING TO AGRICULTURE**

Chairperson Creagan and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 3090, SD 2 that establishes an agricultural production tax credit in support of food security, self-sufficiency, and sustainability. The Department of Agriculture supports this measure to the extent that it directly supports Hawaii's agricultural producers who are the foundation of Hawaii's drive towards increased food self-sufficiency and food security. The tax credit applies to taxable years beginning after December 31, 2020. We defer to the Department of Taxation as to the potential fiscal impacts of this measure.

The Department notes that this measure does not define "qualified expenses" and "qualified taxpayer," and leaves unspecified the maximum amounts for tax credits that can be claimed by a qualified taxpayer as well as the total cumulative amount of tax credits available under this program annually. Further, this measure does not have an end date.

According to the 2017 Agricultural Census, there are just over 7,300 agricultural producers in Hawaii. The Department may require additional personnel, related resources, a special fund in which to deposit and use the fees collected to qualify agricultural costs and certify tax credits, and the authority to adopt rules to carry out its responsibilities to certify qualified expenses in a fair, timely, and transparent manner.

Thank you for the opportunity to testify on this important measure.



DAVID Y. IGE
GOVERNOR
JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

RONA M. SUZUKI
DIRECTOR OF TAXATION
DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Richard P. Creagan, Chair;
The Honorable Lynn DeCoite, Vice Chair;
and Members of the House Committee on Agriculture

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 3090, S.D. 2, Relating to Agriculture

Date: Friday, March 13, 2020

Time: 8:30 A.M.

Place: Conference Room 312, State Capitol

The Department of Taxation (Department) has concerns about the tax provisions in S.B. 3090, S.D. 2.

S.B. 3090, S.D. 2, creates a new nonrefundable income tax credit for agricultural production equal to the qualified expenses of the qualified taxpayer, up to an unspecified cap. The Board of Agriculture (BOA) will be responsible for certifying credits up to an unspecified aggregate annual cap. This measure has a defective effective date of July 1, 2050, and otherwise applies to taxable years beginning after December 31, 2020.

The Department notes that the measure as currently drafted does not define “qualified taxpayers” or “qualified expenses.” The Department **suggests amending the measure to be more specific as to the taxpayers and expenses that would qualify for this credit.**

The Department also notes that **there are already several existing tax credits relating to agriculture and recommends this proposed credit be narrowly tailored to avoid duplicative or redundant credits that might lead to unintended losses of revenue.**

The Department defers to the BOA on its ability to certify the proposed credit.

Thank you for the opportunity to provide comments.



P.O. Box 253, Kunia, Hawai'i 96759
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e-mail info@hfbf.org; www.hfbf.org

March 13, 2020

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 3090, SD2
RELATING TO AGRICULTURE

Room 312
8:30 AM

Aloha Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

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

The Hawaii Farm Bureau supports the intent of SB 3090, SD2, which establishes an agricultural production tax credit

HFB supports any initiative that reduces the cost of production so that locally produced goods can compete with imported products, strengthening our local economy.

Hawaii 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 Hawaii, 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. HFB supports SB 3090, SD2 which is an investment in Hawaii's farmers and ranchers and encourages new and expanding farming businesses.

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



KAMEHAMEHA SCHOOLS®

House Committee on Agriculture

Time: 8:30 a.m.

Date: March 13, 2020

Where: Conference Room 312

TESTIMONY

By Dana Sato

Director, Asset Management (O‘ahu)

RE: **SB 3090, SD2, Relating to Agriculture**

E ka Luna Ho‘omalua Creagan, ka Hope Luna Ho‘omalua DeCoite, a me nā Lālā Lunamaka‘āinana o kēia Kōmike, aloha!

Kamehameha Schools **SUPPORTS SB 3090, SD2**, which establishes an agricultural production tax credit.

We believe that our educational mission is best achieved in a society that supports and enables the success of our learners. One significant component of such a society is a sustainable, local food system. For this reason, we have heavily invested in agriculture on our lands across Hawai‘i to contribute to the State’s Aloha+ Challenge goal of doubling local food production by 2030.

Kamehameha Schools supports creating an agricultural production tax credit to encourage others to make the same investment. Such an incentive for landowners, investors, and lessees will provide farmers with the funding needed to continue and expand their agricultural operations in Hawai‘i, accelerating progress on our 2030 goal.

We note that the SD2 remains without definitions for “qualified taxpayer” and “qualified expenses,” and encourage those additions for clarity.

Kamehameha Schools **SUPPORTS SB 3090, SD2**, as a reinforcement of Hawai‘i’s commitment to food security and self-sufficiency. Mahalo for the opportunity to testify.

Founded in 1887, Kamehameha Schools is an educational organization striving to restore our people through education and advance a thriving Lāhui where all Native Hawaiians are successful, grounded in traditional values, and leading in the local and global communities. We believe that community success is individual success, Hawaiian culture-based education leads to academic success, and local leadership drives global leadership.

‘A‘ohe hana nui ke alu ‘ia. No task is too large when we all work together! Mahalo nui.

SB-3090-SD-2

Submitted on: 3/11/2020 5:17:52 PM

Testimony for AGR on 3/13/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Nicole K Galase	Hawaii Cattlemen's Council	Support	No

Comments:



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Executive Officers

Joe Carter, Coca-Cola Bottling of Hawaii, *Chair*
Charlie Gustafson, Tamura Super Market, *Vice Chair*
Eddie Asato, The Pint Size Corp., *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
John Schlif, Rainbow Sales and Marketing, *Advisor*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Agriculture
Rep. Richard P. Creagan, Chair
Rep. Lynn DeCoite, Vice Chair

LATE

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 13, 2020
TIME: 8:30am
PLACE: Conference Room 312

RE: SB3090 SD2 Relating to Agriculture

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA supports efforts to increase local food production. The high cost of labor in our state combined with the high cost of real estate make agricultural activities and food manufacturing commercially very challenging in Hawaii. Tax credits like this can help encourage local agriculture and potentially bring down the cost of local food in our state. We support tax credits for local agriculture and would support similar tax credits for all local food producers. Thank you for the opportunity to testify.



Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE
Friday, March 13, 2020 — 8:30 a.m. — Room 312

Ulupono Initiative supports SB 3090 SD 2, Relating to the Agriculture.

Dear Chair Creagan and Members of the Committee:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at Ulupono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

Ulupono supports SB 3090 SD 2, which establishes an agricultural production tax credit.

Ulupono supports the State's goal to double local food production by 2030. Encouraging our Hawai'i growers to expand production, through incentives such as a tax credit, is extremely important to increase the overall local consumption of fresh, healthy products.

Ulupono would like to note that this measure does not define a "qualified expense." As this bill moves forward, we ask the committee to consider the various expenses that would be covered with such a broad tax credit. For example, agricultural production costs that may qualify include access to land and water, equipment purchases, establishing a labor force, on-farm inputs, invasive species mitigation, food safety compliance, and processing and packaging.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR
Senior Vice President, Communications & External Affairs

Investing in a Sustainable Hawai'i



LATE

March 12, 2020

**Testimony of Kalona Brand Company in Support of Senate Bill 3090 SD 2,
Relating to Agriculture**

Aloha Chair Creagan, Vice-Chair DeCoite, and Members of the House Committee on Agriculture,

The State of Hawaii has a goal to double local food production by 2030. However, it is estimated that Hawaii currently imports 85 – 90% of our food, and other necessities. Over the past several decades, over 100,000 acres of Hawaii's agricultural lands have gone out of production. Today, much of Hawaii's agricultural lands are fallow, being converted to gentlemen estates and urban sprawl, and being put into unsustainable uses. Hawaii's economy is almost completely dependent on tourism and military spending.

Yet, nearly 47% of Hawaii's 4.1 million acres, or nearly 1.9 million acres are in the State Agriculture Land Use District. Hawaii has a tremendous opportunity to leverage our agricultural lands to diversify our economy, create rural economic development, keep agricultural lands in agriculture, support regenerative and sustainable land use practices, and increase local production of food, fiber, and other agricultural products. Hawaii has year-round growing conditions, rich fertile soils, clean water, and a long history of innovation and excellence in agriculture. There is a growing movement to revitalize agriculture in Hawaii and re-institutionalize the industry, yet there is limited government and institutional support.

One of the primary barriers to scaling up a sustainable agriculture industry in Hawaii is the lack of access to capital. There are limited incentives for companies and investors to invest in Hawaii's agricultural production. Yet substantial investments are required in order to revitalize the industry, rebuild our agricultural systems and infrastructure, and support the farmers and agricultural enterprises.

Kalona Brand Company seeks to revitalize agriculture in Hawaii by developing sustainable farm operations and food systems. We strive for sustainable food systems that provide long-term financial viability, actively engage and strengthen communities, steward the aina with environmentally sound land use practices, and are competitive in a global economy. We believe there is great potential to scale up a regenerative and vertically integrated agricultural industry in Hawaii creating unique Hawaii grown and Hawaii made food products.

Kalona Brand Company supports SB 3090 SD 2 and the establishment of an agricultural production tax credit to allow Hawaii to become a world leader in food security, self-sufficiency, and sustainability.

We also offer the following comments providing recommended definitions of "Qualified Taxpayer" and "Qualified Expenses":

“Qualified Taxpayer” means a taxpayer and any investor in a primarily agricultural business in the State. For purposes of this Section, an investor is any taxpayer that purchases an interest or share in a primarily agricultural business in the State in an amount equal to at least \$100,000.00.

“Qualified Expense” means any expense incurred by a qualified taxpayer to produce agricultural products, and shall include the following:

- (1) Costs for any equipment, materials, or supplies primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business;
- (2) Costs for seeds, seedlings, windbreak plantings, cover crops, or animal feed by an agricultural business;
- (3) Costs for the plans, design, engineering, construction, renovation, repair, and maintenance for roads and utilities construction primarily for agricultural purposes; agricultural processing facilities in the State; water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems providing water primarily for agricultural purposes in the State;
- (4) Wages and salaries of employees of an agricultural business
- (5) Insurance and bonding relating to an agricultural business
- (6) Shipping of equipment, supplies, and agricultural products, by an agricultural business, to or from the State and interisland shipments;
- (7) Interest on any loan for equipment, materials, supplies, primarily for an agricultural business or purpose;
- (8) Rent expenses for any leased real property primarily for an agricultural purpose
- (9) An investment by a taxpayer in a primarily agricultural business in the State. For purposes of this Section, an investment is a purchase by a taxpayer of an interest or share in a primarily agricultural business in the State in an amount equal to at least \$100,000.00.
- (10) Feasibility studies, regulatory processing, and legal and accounting services related to the items under this definition.

Mahalo nui loa,

Kawika Burgess

President and Chief Executive Officer



Josh Frost - President • Patrick Shea - Treasurer • Kristin Hamada
Nelson Ho • Summer Starr

Friday, March 13, 2020

Relating to Agriculture
Testifying in Support with amendments

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) **supports with an amendment SB3090 SD2 Relating to Agriculture**, which establishes an agricultural production tax credit.

In order to reach Hawaii's food production goals by 2030, the State needs to find ways to incentivize farmers. Currently there is limited to no incentive for investors to invest in Hawaii's agricultural production. These tax credits will help Hawai'i reach its goals.

For all these reasons, we urge you to move this bill forward with a **clean effective date**.

Mahalo for the opportunity,
Gary Hooser
Executive Director
Pono Hawai'i Initiative

SB-3090-SD-2

Submitted on: 3/11/2020 9:24:43 AM

Testimony for AGR on 3/13/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard	Kokoiki Brands LLC	Comments	No

Comments:

Honorable Senators,

Access to capital from this measure should be allocated to Hawaii residents and small Hawaii based enterprises that otherwise do not have access to capital.

Regards,

Richard Bodien

SB-3090-SD-2

Submitted on: 3/12/2020 12:26:25 PM

Testimony for AGR on 3/13/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kama Hopkins	Individual	Support	No

Comments:

SB-3090-SD-2

Submitted on: 3/12/2020 1:28:24 PM

Testimony for AGR on 3/13/2020 8:30:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa L. K. Kleissner	KL Felicitas Foundation	Support	No

Comments:

Aloha mai kākou,

I am writing in support of SB3090. If Hawai'i is going to achieve its goal of doubling agriculture production by 2030, more government support is needed. A tax credit structure is the right tool to attract and reward private capital willing to take the risk of investing in agriculture in Hawaii to help achieve this goal. Please consider approving SB3090.

Mahalo nui,

Lisa Kleissner

President, KL Felicitas Foundation

Board Chair, Hawaii Investment Ready

LATE

SB-3090-SD-2

Submitted on: 3/12/2020 9:39:28 PM

Testimony for AGR on 3/13/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Naomi Melamed	Individual	Support	No

Comments:

Dante Carpenter
3054 Ala Poha Pl. #401
Honolulu, HI 96818

March 12, 2020

Chairman Rep. Richard Creagan, Vice-Chair Rep. Lynn Coite and Members of
the Agriculture Committee:

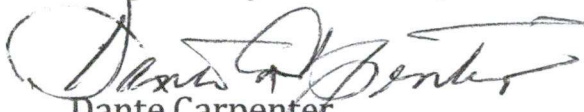
Subject: SB 3090 SD 2 - Agricultural Production Tax Credit

My name is Dante Carpenter, former Legislator and officeholder, testifying in support of this measure which will establish an agricultural production tax credit.. This is a good bill that will assist all agricultural producers by recognizing the cost of operations of Agriculture Producers as well as the cost of supplying food products in the State of Hawaii to its consumers.

In conjunction with the Bill's great intentions of establishing an income tax credit for locally produced food products, exemption from the State's general excise tax would be a powerful boost to both the food producers as well as consumers!

Please expedite the passage of this fine instrument to benefit Hawaii's Producers & Consumers, as well!

Respectfully submitted,



Dante Carpenter
(808) 358-7104