

STAND. COM. REP. NO.

10

Honolulu, Hawaii

FEB 05 2021

RE: S.B. No. 478  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 478 entitled:

"A BILL FOR AN ACT RELATING TO FARMS,"

begs leave to report as follows:

The purpose and intent of this measure is to encourage and support the growth of new, small, and diversified farming businesses by excluding from the State income tax the lesser of a percentage of gross annual income or an amount of gross annual income earned by a farmer from farming activities.

Your Committee received testimony in support of this measure from the Hawaii Food Industry Association, Hawai'i Farm Bureau, Ulupono Initiative LLC, and two individuals. Your Committee comments on this measure from the Department of Agriculture, Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii imports far more goods and services than it exports, thus creating a significant negative trade flow. Your Committee additionally notes that the growth of small, diversified farming businesses will add to and diversify Hawaii's economy and encourage more local food production. A partial tax exclusion for such businesses will not significantly affect existing tax revenue by the State, but will strengthen the



State's economy, and improve the long-term economic well-being of the State as a whole.


Your Committee further finds that of Hawaii's seven thousand farmers, including all business entities, approximately nine percent earn more than seventy-five percent of their total household income from farming. By creating an exclusion from income tax for the lesser of a percentage of gross annual income or an amount of gross annual income earned by farmers for farming activities, this measure will help Hawaii address the imbalance in agricultural trade and significantly expand food production in the State.

Your Committee has amended this measure by:

- (1) Amending the definition of "farmer" and "farm products"; 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 S.B. No. 478, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 478, 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



The Senate  
 Thirty-First Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Agriculture and Environment**  
**AEN**

Bill / Resolution No.:* <b>SB 478</b>	Committee Referral: <b>AEN, WAM</b>	Date: <b>02/01/2021</b>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
NISHIHARA, Clarence K. (VC)	✓			
ACASIO, Laura	✓			
RHOADS, Karl	✓			
FEVELLA, Kurt	✓			
<b>TOTAL</b>	<b>5</b>			

Recommendation:    
 Adopted    
 Not Adopted

Chair's or Designee's Signature:  


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\*Only one measure per Record of Votes