

STAND. COM. REP. NO.

1332

Honolulu, Hawaii

MAR 23 2023

RE: H.B. No. 947  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred H.B. No. 947, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a Food Manufacturer Tax Credit for certain qualified expenses of manufacturers that produce valued-added products.

Your Committee received testimony in support of this measure from the Department of Agriculture, Hawai'i Farm Bureau, Agriculture and Food Security Committee of the Environmental Caucus of the Democratic Party of Hawai'i, Ulupono Initiative, Hawaii Food Industry Association, Maui Chamber of Commerce, Hawaii Food Manufacturers Association, Chamber of Commerce Hawaii. Your Committee received comments on this measure from the Department of Taxation, Hawaii Technology Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that farmers and value-added food producers in the State face high production costs and narrow profit margins, which work to disincentivize the creation and distribution of manufactured food products in Hawaii. Substantial amounts of food of subpar cosmetic quality, unfit for the competitive marketplace yet full of nutrients and calories, are



wasted each year due to stringent market quality standards. Value-added food products utilize these perfectly good and discarded foods to create new edible products, reducing food waste and increasing revenue streams for farmers and food manufacturers. Your Committee further finds that a tax credit can incentivize food manufacturers to utilize local agricultural yields to reduce food waste and increase revenues for local farmers and ranchers in the State. Therefore, this measure establishes the Food Manufacturer Tax Credit to be equal to the qualified expenses of a qualified taxpayer food manufacturer, as part of the larger and ongoing statewide effort to bolster local agriculture and enhance food security in Hawaii.

Your Committee has amended this measure by:

- (1) Amending the definition of "qualified taxpayer" to mean food manufacturers that produce local value-added processed, agricultural, or food products;
- (2) Adding a definition for the term "local value-added processed, agricultural, or food products" to mean at least fifty-one percent of the product's primary agricultural product is grown, raised, and harvested in Hawaii; and
- (3) Adding a definition for the term "primary agricultural product" to mean the major agricultural product in a processed or value-added agricultural or food product.

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 H.B. No. 947, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 947, H.D. 1, 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,



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MIKE GABBARD, Chair



