

STAND. COM. REP. NO. **469**

Honolulu, Hawaii

FEB 15 , 2023

RE: H.B. No. 1384
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 1384 entitled:

"A BILL FOR AN ACT RELATING TO MANUFACTURING,"

begs leave to report as follows:

The purpose of this measure is to establish an income tax
credit to incentivize the development of the food manufacturing
industry in Hawaii.

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

Your Committee finds that many industries in Hawaii,
including the food manufacturing industry, have struggled with not
only the effects of the COVID-19 pandemic but also high inflation,
supply chain shortages, and a growing workforce shortage. Your
Committee further finds that the food manufacturing industry can
help the State's food security by strengthening the link between
farmers and other agricultural producers and Hawaii's small

2023-1448 HB1384 HD1 HSCR HMSO



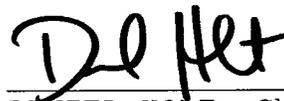
business enterprises that process raw agricultural products. Your Committee believes that establishing an incentive for food manufacturers in the State to use Hawaii-grown food ingredients will prevent food waste, help meet the goals of doubling local food production by 2030, and broaden and diversify the economy away from the State's heavy reliance on tourism.

Your Committee has amended this measure by:

- (1) Amending the definition of "qualified taxpayer" to require a person or business entity engaged in the food manufacturing industry in the State to also manufacture food that has had at least fifty-one percent of its wholesale value added by manufacture, assembly, fabrication, or production within the State;
- (2) Changing its effective date to June 30, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1384, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1384, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



DANIEL HOLT, Chair



