

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  
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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.1, Relating to Taxation

**BEFORE THE:**

House Committee on Finance

**DATE:** Wednesday, March 1, 2023

**TIME:** 2:30 p.m.

**LOCATION:** State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 612, H.D.1, for your consideration.

H.B. 612, H.D.1, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create an income tax credit, not to exceed \$10,000, 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."

The Department estimates an expected revenue loss to the general fund as follows (\$ millions):

<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
-61.2	-60.3	-59.9	-59.9	-60.3	-60.8

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.

**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 'OIHANA 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 HOUSE COMMITTEE ON FINANCE**

**WEDNESDAY, MARCH 1, 2023**  
**ROOM 308**  
**2:30 P.M.**

**HOUSE BILL NO. 612, HOUSE DRAFT 1**  
**RELATING TO TAXATION**

Chairperson Yamashita and Members of the Committee:

Thank you for the opportunity to testify on House Bill 612, HD1 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 a maximum of \$10,000 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.



Council Chair  
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Vice-Chair  
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore  
Tasha Kama

Councilmembers  
Tom Cook  
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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](http://www.MauiCounty.us)

February 28, 2023

TO: The Honorable Kyle T. Yamashita, Chair, and  
Members of the House Committee on Finance

FROM: Alice L. Lee  
Council Chair 

SUBJECT: **HEARING OF MARCH 1, 2023; TESTIMONY IN SUPPORT OF HB 612, HD1, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill 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.

ocs:proj:legis:23legis:23testimony:hb612\_hd1\_paf23-007(59)\_jgk



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

HOUSE COMMITTEE ON FINANCE  
Wednesday, March 1, 2023 — 2:30 p.m.

**Ulupono Initiative supports HB 612 HD1, Relating to Taxation.**

Dear Chair Yamashita 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 HD1**, 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*



**Hawaii Cattlemen's Council, Inc.**

COMMITTEE ON FINANCE  
Rep. Kyle T. Yamashita, Chair  
Rep. Lisa Kitagawa, Vice Chair

**HB612, HD1**  
RELATING TO TAXATION

Wednesday, March 1, 2023, 2:30 PM  
Conference Room 415 & Videoconference

Chair Yamashita, Vice Chair Kitagawa, 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 HD1** 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





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

March 1, 2023

HEARING BEFORE THE  
HOUSE COMMITTEE ON FINANCE

**TESTIMONY ON HB 612, HD1**  
RELATING TO TAXATION

Conference Room 308 & Videoconference  
2:30 PM

Aloha Chair Yamashita, Vice-Chair Kitagawa, 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, HD1**, 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.



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Kaipo Kekona  
Lahaina, Maui

Rufina Kaauwai  
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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 Yamashita, Vice Chair Kitagawa, and Members of the House Finance 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 \$40,000~~].
    - (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-1**

Submitted on: 2/28/2023 2:20:29 PM

Testimony for FIN on 3/1/2023 2:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Christian Zuckerman	Kuwale Ridge Farms	Support	Written Testimony Only

Comments:

Aloha,

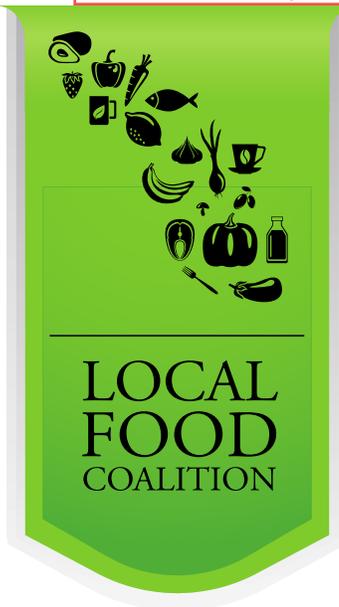
My name is Christian Zuckerman and I am in strong support of HB 612. I am a farmer in Waianae and also a member of the Hawaii Farmers Union United (HFUU).

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.

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



Hawai'i Aquaculture & Aquaponics Association  
Hawai'i Cattlemen's Council  
Hawai'i Farm Bureau Federation  
Hawai'i Farmers' Union United  
Hawai'i Food Industry Association  
Hawai'i Food Manufacturers Association  
Kohala Center  
Land Use Research Foundation of Hawai'i  
Maui Farm to School Network (Maui F2SN)  
Ulupono Initiative  
College of Tropical Agriculture and Human Resources - University of Hawai'i at Manoa

HOUSE COMMITTEE ON FINANCE  
March 1, 2023 – 2:30 p.m. – Via Videoconference & Conference Room 308; Agenda #2

**HB 612 HD1 – RELATING TO TAXATION  
SUPPORT; REQUEST AMENDMENTS**

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Local Food Coalition **SUPPORTS** HB 612 HD1, 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.

This tax credit will help those who farm for a livelihood offset some of the high costs associated with farming and help the state reach its goal of doubling local food production.

We support the amendments being requested by the Hawaii Farmers Union United to set credit amounts as a percentage of net sales, remove the language that would make the tax credit refundable to farms making less than \$250,000 a year; and making the tax credit apply to taxable years beginning after December 31, 2023.

The Local Food Coalition is an organization comprised of farmers, ranchers, livestock producers, investors and other organizations working to provide Hawaii's food supply.

We respectfully request your support of HB 612 HD1, with the requested amendments. Thank you for the opportunity to submit testimony.

Kendall Matsuyoshi  
808-544-8345  
[kmatsuyoshi@wik.com](mailto:kmatsuyoshi@wik.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 1

INTRODUCED BY: House Committee on Agriculture & Food Systems

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 \$10,000.

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: 2/28/2023



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308  
WEDNESDAY, MARCH 1, 2023 AT 2:20PM**

To The Honorable Representative Kyle T. Yamashita, Chair  
The Honorable Representative Lisa Kitagawa, Vice Chair  
Members of the Committee on Finance,

### **SUPPORT OF HB612 HD1 RELATING TO TAXATION**

The Maui Chamber of Commerce would like offer **our SUPPORT of HB612 HD1** relating to taxation 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.

Agriculture is a very tough industry in Hawaii with significant upfront and continued expenses and is important in our sustainability efforts and leverages the visitor industry. We strongly support this bill as it includes all farmers, ranchers, and fishers, including organic farmers, and prefer this to HB608.

Mahalo for the opportunity to offer **SUPPORT of HB612 HD1**.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

**HB-612-HD-1**

Submitted on: 2/27/2023 9:04:24 PM

Testimony for FIN on 3/1/2023 2:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB612 HD1.