

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
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TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE AND FOOD SYSTEMS

MONDAY, FEBRUARY 13, 2023
ROOM 312
2:20 P.M.

HOUSE BILL NO. 610
RELATING TO TAXATION

Chairperson Gates and Members of the Committee:

Thank you for the opportunity to testify on House Bill 610 that seeks to establish the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees. The refundable tax credit increases from \$250 to \$1,250 per eligible farm employee over the duration of the tax credit from the 2024 to 2028 tax years. There is a provision that allows the tax credit for farm employers or owners of farm employers to qualify for the tax credit in the event that a farm employee becomes ill or disabled. The Department of Agriculture comments that we support measures that provide relief to farmers and other food producers, including ranchers and, otherwise, defers to the Department of Taxation.

Thank you for the opportunity to testify on this measure.



JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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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. 610, Relating to Taxation

BEFORE THE:

House Committee on Agriculture & Food Systems

DATE: Monday, February 13, 2023

TIME: 2:20 p.m.

LOCATION: State Capitol, Room 312

Chair Gates, Vice-Chair Kahaloa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 610 for your consideration.

H.B. 610 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a refundable income tax credit for a qualified taxpayer who employs "eligible farm employees." A "qualified taxpayer" is defined as including a "farm employer" or "owner of farm employer." The credit is: (1) \$250 per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2023; (2) \$500 per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2024; (3) \$750 per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2025; (4) \$1,000 per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2026; and (5) \$1,250 per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2027.

This bill is effective upon approval and applies to taxable years beginning after December 31, 2023.

First, the Department recommends making the credit nonrefundable, as refundable credits are more susceptible to fraudulent claims.

Second, the Department suggests inserting the following language as a new subsection to facilitate filing deadlines:

All claims, including amended claims, for a tax credit under this section 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.

Finally, the Department notes that due to the number of bills with law changes that have been introduced this year, the Department may not have the resources to timely implement all measures passed this session. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide comments on this measure.



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February 13, 2023

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

TESTIMONY ON HB 610
RELATING TO TAXATION

Conference Room 312 & Videoconference
2:20 PM

Aloha Chair Gates, Vice-Chair Kahaloa, 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 610, which establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

Rural areas, where many of our farms and ranches are located, face significant challenges due to their distance from population centers. Distance to markets, input transportation costs, and access to labor are the many issues facing our members. Small agriculture businesses are especially vulnerable to any increase in costs, especially those who operate on low margins. Increasing the minimum wage is forcing many small farmers to offset higher costs through fewer work hours, fewer pay raises, decreased discretionary benefits, or planting less labor-intensive crops.

Unlike other industries, farms, and ranches are price takers as opposed to price-setters, which means they are largely dependent on trade markets when it comes to the ROI on the products they produce. With the difficulty in raising prices, Hawai'i's farmers will have to look to cut costs elsewhere. This measure could stabilize prices of locally produced food and products utilizing locally grown agricultural products.

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.

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



Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS
Monday, February 13, 2023 — 2:20 p.m.

Ulupono Initiative supports HB 610, Relating to Taxation.

Dear Chair Gates 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 610, which establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

Ulupono supports the State's goal to double local food production. This measure seeks to address one of the most important issues facing local agriculture—labor. 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. Support mechanisms such as a workforce retention tax credit are a helpful start to the many labor issues facing the local agricultural industry. This measure has the potential to influence farm businesses to incentivize their own employees to maintain long-term workforce commitments.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Farm Workforce Retention Tax Credit

BILL NUMBER: HB 610

INTRODUCED BY: GATES, BELATTI, HOLT, KILA, KITAGAWA, LAMOSAO, LOWEN, MARTEN, MARTINEZ, MIZUNO, MORIKAWA, NAKASHIMA, NISHIMOTO, PERRUSO, TARNAS, TODD

EXECUTIVE SUMMARY: Establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

SYNOPSIS: Adds a new section to chapter 235 to establish the farm workforce retention tax credit. The tax credit amount shall be:

Calendar Year (or fiscal year beginning in)	Amount per eligible farm employee of the qualified taxpayer
2024	\$250
2025	\$500
2026	\$750
2027	\$1,000
2028	\$1,250

If a farm employee employed by the qualified taxpayer becomes unable to work due to a documented illness or disability, the qualified taxpayer may combine the hours the farm employee was employed during the taxable year with the hours of another farm employee hired to replace the ill or disabled farm employee in the same taxable year when determining whether the farm employee meets the minimum requirement for number of hours worked per taxable year to meet the definition of "eligible farm employee." Specifies requirements for documenting the illness or disability.

In the case of a partnership, S corporation, estate, trust, the tax credit allowable shall be for each eligible farm employee employed by the qualified taxpayer. The cost upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined pursuant to section 704(b) of the Internal Revenue Code.

The credit is refundable.

Defines the following terms:

"Eligible farm employee" means an individual who is employed for five hundred hours or more per taxable year by a farm employer in the State. "Eligible farm employee" does not include general executive officers of the farm employer.

"Excess federal gross income" means the amount of federal gross income from all sources for the taxable year in excess of \$30,000.

"Farm employer" means a person: (1) Who is a corporation, including an S corporation, sole proprietorship, limited liability company, or a partnership; and (2) Whose federal gross income from farming for the taxable year is at least two-thirds of excess federal gross income.

"Farming" means the operation or management of livestock, dairy, poultry, fish, fruit, fur-bearing animals, vegetable farms, plantations, ranches, ranges, or orchards.

"Net income tax liability" means income tax liability reduced by all other credits allowed under the income tax law.

"Owner of a farm employer" includes shareholders of a Hawaii S corporation, partners in a partnership, members of a limited liability company, or beneficiaries of an estate or trust.

"Qualified taxpayer" means a farm employer or an owner of a farm employer.

EFFECTIVE DATE: Taxable years beginning after December 31, 2023.

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: 2/12/2023



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Aloha Chair Gates, Vice Chair Kahaloa, and Members of the House Agriculture & Food Systems 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 supports HB610.**

This bill strives to provide financial relief for farmers and employers of farm employees, by allowing them to receive a tax credit for retaining their existing farm workers.

The Farm Workforce Retention Tax Credit encourages farm owners to invest in the growth of their businesses, in order to increase their farm's productivity. Moreover, it provides them with an economic incentive to retain the same staff on their farms, by offsetting the costs of paying the agricultural workers competitive wages.

Mahalo for the opportunity to testify.

Kaipo Kekona, President HFUU/HFUF

A handwritten signature in black ink that reads "Kaipo Kekona".

HB-610

Submitted on: 2/10/2023 6:10:43 PM

Testimony for AGR on 2/13/2023 2:20:00 PM

Submitted By	Organization	Testifier Position	Testify
Dana Keawe	Individual	Support	Written Testimony Only

Comments:

support

HB-610

Submitted on: 2/12/2023 1:34:08 PM

Testimony for AGR on 2/13/2023 2:20:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert Bence	Individual	Support	Written Testimony Only

Comments:

Support