

ACT 20

H.B. NO. 16-S

A Bill for an Act Relating to Agriculture.

Be It Enacted by the Legislature of the State of Hawaii:

PART I

SECTION 1. The legislature finds that it is in the public interest to strengthen the State's economic future by encouraging the development of diversified agriculture processing activities that provide important and needed added value to expand the industry's viability beyond production alone. The legislature further finds that Kerr Pacific Corp., dba HFM (Hawaiian Flour Mills), generates \$12,000,000 in sales of locally-produced flour serving customers in Hawaii, Guam, Micronesia, and Japan, and would be able to utilize its flour by-product (known as "millfeed") as a low-cost source of protein for animal feed in Hawaii, thereby providing lower cost feed to farmers who now must purchase from out-of-state sources.

The legislature further finds that Kerr Pacific Corp., dba HFM, may be assisted through the issuance of special purpose revenue bonds, because it is a processing enterprise pursuant to part IV, chapter 39A, Hawaii Revised Statutes.

The legislature finds and declares that the issuance of special purpose revenue bonds under this Act is in the public interest and for the public health, safety, and general welfare of the State.

SECTION 2. Pursuant to part IV, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue in one or more series special purpose revenue bonds in a total amount not to exceed \$5,000,000, for the purpose of assisting Kerr Pacific Corp., dba HFM, in financing the establishment of a feed milling operation. The legislature finds and determines that the activity and facilities of Hawaiian Flour Mills constitute a project as defined in part IV, chapter 39A, Hawaii Revised Statutes, and the financing thereof is assistance to a processing enterprise.

SECTION 3. The special purpose revenue bonds issued under this Act shall be issued pursuant to part IV, chapter 39A, Hawaii Revised Statutes, relating to the power to issue special purpose revenue bonds to assist processing enterprises.

SECTION 4. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 2000.

PART II

SECTION 5. Section 237-23, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) This chapter shall not apply to the following persons:

- (1) Public service companies (as that term is defined in section 239-2), with respect to the gross income, either actual gross income or gross income estimated and adjusted, which is included in the measure of the tax imposed by chapter 239;
- (2) Public utilities owned and operated by the State or any county or other political subdivision thereof;
- (3) Fraternal benefit societies, orders, or associations, operating under the lodge system, or for the exclusive benefit of the members of the fraternity itself, operating under the lodge system, and providing for the payment of death, sick, accident, prepaid legal services, or other benefits to the members of such societies, orders, or associations, and to their dependents;
- (4) Corporations, associations, trusts, or societies organized and operated exclusively for religious, charitable, scientific, or educational purposes, as well as that of operating senior citizens housing facilities qualifying for a loan under the laws of the United States as authorized by section 202 of the Housing Act of 1959, as amended, as well as that of operating a prepaid legal services plan, as well as that of operating or managing a homeless facility, or any other program for the homeless authorized under chapter 358D;
- (5) Business leagues, chambers of commerce, boards of trade, civic leagues, agricultural and horticultural organizations, and organizations operated exclusively for the benefit of the community and for the promotion of social welfare which shall include the operation of a prepaid legal service plan, and from which no profit inures to the benefit of any private stockholder or individual;
- (6) Hospitals, infirmaries, and sanitararia;
- (7) Cooperative associations incorporated under chapter 421 [or 422] or Code section 521 cooperatives which fully meet the requirements of section 421-23 [or 422-33], except Code section 521 cooperatives need not be organized in Hawaii; provided that:
 - (A) The exemption shall apply only to the gross income derived from activities which are pursuant to purposes and powers authorized by chapter 421 [or 422], except those provisions pertaining to or requiring corporate organization in Hawaii do not apply to Code section 521 cooperatives;
 - (B) The exemption shall not relieve any person who receives any proceeds of sale from the association of the duty of returning and paying the tax on the total gross proceeds of the sales on account of which the payment was made, in the same amount and at the same rate as would apply thereto had the sales been made directly by the person, and all such persons shall be so taxable; and
 - (C) As used in this paragraph, "section 521 cooperatives" mean associations which qualify as a cooperative under section 521 (with respect to exemption of farmers' cooperatives from tax) of the Internal Revenue Code of 1986, as amended;
- (8) Persons affected with Hansen's disease and kokuas, with respect to business within the county of Kalawao;
- (9) Corporations, companies, associations, or trusts organized for the establishment and conduct of cemeteries no part of the net earnings of which inures to the financial benefit of any private stockholder or individual (provided that the exemption shall apply only to the activities of such persons in the conduct of cemeteries and not to any activity the primary purpose of which is to produce income, even though the

- income is to be used for or in the furtherance of the exempt activities of such persons); and
- (10) Nonprofit shippers associations operating under part 296 of the Civil Aeronautics Board Economic Regulations.”

PART III

SECTION 6. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 7. This Act shall take effect upon its approval, except that section 5 shall take effect on July 1, 1995.

(Approved June 29, 1995.)