

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

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State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
FRIDAY, MARCH 12, 2010
9:00 A.M.
ROOM 312

SENATE BILL NO. 2527, S.D. 2
RELATING TO AGRICULTURE

Chairperson Tsuji and Members of the Committee:

Thank you for this opportunity to provide testimony on Senate Bill 2527, SD 2 relating to agriculture. The Department of Agriculture supports the bill and offers comments.

This bill proposes to amend the definition of agricultural commodity to include milk, poultry eggs, poultry carcass or meat to be consumed in the State, and any animal included in section 142-49, or its carcass or meat, whether produced in the State or imported.

The Department suggests that the bill be amended to limit only milk, poultry eggs, poultry carcass or meat for consumption which have been **produced in the State** be included in the definition.



Hawaii Farm Bureau
F E D E R A T I O N

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TESTIMONY

SB 2527 SD2 RELATING TO AGRICULTURE

Chair Tsuji and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our farmer and ranch families and organizations **support SB2527SD2**, expanding the definition of agricultural commodities to include livestock.

This measure will bring parity within the agricultural industry. One of uses of this definition is to qualify for a GET exemption at Young Bros. Livestock found themselves not qualifying for the discount as they were not included in the definition.

We appreciate the proactive measures the Legislature has crafted with the support of industry to address budgetary shortfalls. Many of these are in affect, taxing ourselves as farmers and ranchers. But we, as an industry, felt it was the right thing to do to keep agriculture going during these difficult economic times. This measure would be a small offset but would help our livestock industry who are trying to provide the State with local products.

HFBF strongly requests your support of this measure to bring parity within the agricultural industry. If there are any questions, please contact Luella Costales at 848 2074. Thank you



HOUSE COMMITTEE ON AGRICULTURE

**THE HONORABLE CLIFT TSUJI, CHAIR
THE HONORABLE JESSICA WOOLSEY, VICE CHAIR**

SENATE BILL NO. 2527, SENATE DRAFT 2, scheduled for hearing on March 12, 2010

**Testimony of Roy Catalani,
Vice President of Strategic Planning and Government Affairs,
Young Brothers, Limited**

Chair Tsuji, Vice Chair Woolsey, and Members of the House Agriculture Committee:

Thank you for the opportunity to testify on Senate Bill No. 2527, Senate Draft 2 (**SB2527 SD2**).

Young Brothers, Limited (*Young Brothers*) supports SB2527 SD2. We view this bill as another expression of legislative support for the agricultural industry, in consonant with our State Constitution. Article XI, section 3, provides in part:

The State shall conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands. The legislature shall provide standards and criteria to accomplish the foregoing.

The purpose of SB2527 SD2 is to amend the current definition of "agricultural commodity" under section 147-1, Hawaii Revised Statutes (**HRS**), by expanding its scope to include "milk, poultry eggs or poultry carcass or meat to be consumed in the State, and any animal included in section 142-49 or its carcass or meat, whether produced in the State or imported." By expanding the definitional scope, these additional agricultural commodities will benefit from the general excise tax (**GET**) exemption provided under section 237-24.3, HRS (with emphasis added):

§237-24.3 Additional amounts not taxable. In addition to the amounts not taxable under section 237-24, this chapter shall not apply to:

(1) Amounts received from the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer on one island of this State to a person, firm, or organization on another island of this State. The terms "**agricultural commodity**", "producer", and "produce dealer" shall be defined in the same manner as they are **defined in section 147-1**; provided that agricultural commodities need not have been produced in the State.

In other words, chapter 237, HRS, is the General Excise Tax Law. Section 237-24.3 of this law exempts certain transactions from the GET, including amounts received from "the loading, transportation, and unloading of agricultural commodities" as this term is defined in section 147-1, HRS. The measure now before you (HB2527 SD) proposes to expand the definition of "agricultural commodities" to include livestock and related products, by amending section 147.1, HRS, to read (new language underlined):

Agricultural commodity" means fresh fruits and fresh vegetables of every kind and character, whether or not frozen or packed in ice, whether produced in the State or imported, nuts, and coffee, whether cherry or parchment, or green beans, which have been produced in the State, [and] raw unprocessed honey, whether produced in the State or imported[.], milk, poultry eggs or poultry carcass or meat to be consumed in the State, and any animal included in section 142-49 or its carcass or meat, whether produced in the State or imported."

This amendment of section 147.1, HRS, would allow livestock and related products to get a GET exemption under HRS section 237-24.3 for the loading, transportation, and unloading of agricultural commodities. The GET impact of the proposed exemption regarding livestock should be minimal: for 2009, we estimate that Young Brothers' GET liability on revenues derived from the transportation of livestock is roughly \$6,000.

Thank you for the opportunity to testify on SB2527 SD2.

TAXBILLSERVICE

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SUBJECT: MISCELLANEOUS, Expand definition of agricultural commodity

BILL NUMBER: SB 2527, SD-2

INTRODUCED BY: Senate Floor Amendment

BRIEF SUMMARY: Amends HRS section 147-1 to expand the definition of "agricultural commodity" to include milk, poultry eggs, or poultry carcass or meat to be consumed in the state, and any animal included in section 142-49 or its carcass or meat, whether produced in the state or imported.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: Under HRS section 237-24.3 amounts received from the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer on one island of this state to a person, firm, or organization on another island of this state are exempt under the general excise tax. While the definition of "agricultural commodity" does not include milk, poultry eggs or poultry carcass or meat, this measure would extend the general excise tax exemption for the shipment of such products between the islands.

Digested 3/10/10