

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
February 7, 2013
Room 312
9:15 A.M.**

**HOUSE BILL NO. 1260
RELATING TO AGRICULTURE**

Chairperson Wooley and Members of the Committee,

Thank you for this opportunity to provide testimony on House Bill 1260 relating to agriculture. This bill adds milk, poultry, eggs, poultry carcasses, poultry meat, aquaculture, and aquaponic products to the definition of an agricultural commodity under Section 237-24.3(1), Hawaii Revised Statutes. Section 237-24.3(1) exempts amounts received from loading, transporting, and unloading of agricultural commodities from the general excise tax. The Department of Agriculture supports the intent of the bill, which advances parity within the agricultural industry. Currently, milk, poultry products, aquaculture, and aquaponic products are not included within the definition of an agricultural commodity under Section 237-24.3(1).

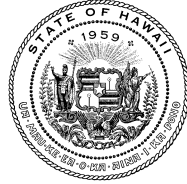
The Department defers to the Department of Taxation on taxation matters contained in this bill that are under their jurisdiction. We also defer to the Department of Budget and Finance regarding the fiscal impacts of any tax exemption.

Thank you, again, for the opportunity to provide testimony on this measure.



NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Jessica Wooley, Chair,
and members of the House Committee on Agriculture

Date: Thursday, February 7, 2013
Time: 9:15 A.M.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1260, Relating to Agriculture

The Department appreciates the intent of H.B. 1260, and provides the following information and comments for your consideration.

H.B. 1260 expands the definition of "agricultural commodity" found in Section 237-24.3(1), Hawaii Revised Statutes. The bill would result in amounts received from the loading, transportation, and unloading of milk, poultry, eggs, poultry meat, and aquaculture or aquaponic products being exempted from Hawaii's General Excise Tax, in addition to amounts received from the loading, transportation, and unloading of those items already considered agricultural commodities under the statute.

The Department notes that there is no definition of the terms "aquaculture products" or "aquaponics products" included in Chapter 237 or in Section 147-1, Hawaii Revised Statutes, which may make this expansion of the existing credit difficult to administer. The Department suggests adding clarification to this portion of the bill to ensure that amounts received from the loading, transportation, and unloading of the intended products are included.

Thank you for the opportunity to provide comments.



Hawaii Cattlemen's Council, Inc.

P O Box 437199 Kamuela HI 96743

Phone (808) 885-5599 • Fax (808) 887-1607

e-mail: HCattlemens@hawaii.rr.com

HOUSE COMMITTEE ON AGRICULTURE
Thursday February 07, 2013 9:15 pm Room 312

HB 1260 RELATING TO AGRICULTURE

Adds to the definition of agricultural commodities exempt from the GET, milk, poultry eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products to be consumed in the State, whether processed in the State or imported

Chair Wooley, Vice Chair Onishi and Members of the Committees:

My name is Alan Gottlieb, and I am the Government Affairs Chairperson of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 130+ 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 approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council strongly supports HB 1260 with one addition. As written, the bills adds milk, poultry, eggs... aquaculture, but it fails to add beef, beef carcasses, lamb, sheep and goats and lamb, sheep and goat carcasses to the Agricultural Commodity Definition.

Over the years we have come across definitions of agriculture commodities which have not included livestock, or the meat from livestock agriculture, milk, eggs, poultry and aquaculture/aquaponics, etc. and have sought to have those corrected so they are included. The problem is that there are so many different places where there are definitions, we seem to need to deal with them one by one as they come to our attention. In the past the legislature has always been very supportive on this very common sense issue.

The reason we ask that livestock and meat, milk eggs, poultry, aquaculture, etc. be included in the definition is so like other Agricultural commodities, we will be exempt from the State's General Excise Tax.

Young Brothers has provided us with information quantifying how much this will cost the State of Hawaii in lost General Excise Taxes. For 2009, that amount was just \$6,100 for General Excise taxes they collected on items which would be affected by this amendment, a very small amount for the State but a big amount for local livestock producers. In the future, if we can help improve the economics of livestock production in Hawaii, we hope to increase our production, and help the State with its agricultural self sufficiency and improve our food security.

We appreciate this opportunity to provide testimony on this matter.



February 5, 2013

Representative Jessica Wooley, Chair
Representative Richard H.K. Onishi, Vice Chair
House Committee on Agriculture

Testimony in Support of HB 1260, Relating to Agriculture (Adds to the definition of agricultural commodities exempt from the GET, milk, poultry, eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products to be consumed in the State, whether processed in the State or imported.)

Thursday, February 7, 2013, 9:15 a.m., in Conference Room 312

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to express its **support of HB 1260**, and of the various agricultural stakeholder groups who defend the goals of viable agricultural operations, and the conservation and protection of agriculture, including important agricultural lands (IAL) in Hawaii. The bill emphasizes the need for collaboration amongst diverse sectors of the community - business, government, and agricultural stakeholders - and the importance for them to work together cooperatively to implement IAL incentives in order to attain results which may prove beneficial and significant to all parties.

In strong support of the use of agricultural lands for purposes allowed under state and county laws and ordinances, LURF partnered with the Hawaii Farm Bureau Federation (HFBF) and other agricultural stakeholders to pass the IAL legislation, which provides for the voluntary and government designation of IAL, loans for qualified agricultural expenses and other incentives to support productive and sustainable farming operations on agricultural lands. LURF and HFBF have also supported legislation to provide irrigation water and other incentives to agricultural lands and farmers.

HB 1260. This bill proposes to add to the definition of agricultural commodities exempt from the GET, milk, poultry, eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products to be consumed in the State, whether processed in the State or imported.

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LURF's Position. The purpose of this bill is consistent with the underlying intent and objectives of the IAL laws (Hawaii Revised Statutes [HRS], Sections 205-41 to 52), which were enacted to fulfill the mandate in Article XI, Section 3, of the Hawaii State Constitution, "to conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands." The IAL laws established a new paradigm which avoids requirements and mandates, and instead focuses on promoting agricultural viability by providing incentives for farmers and landowners to designate lands as IAL, and to build necessary infrastructure. This bill is thus an effort to expand the existing IAL program by establishing additional incentives for landowners to preserve and maintain IAL.

As noted in HRS Section 205-41, the intent of Act 183 (2005) was to develop agricultural incentive programs to promote agricultural viability, sustained growth of the agricultural industry, and the long-term use and protection of important agricultural lands for agricultural use in Hawaii concurrently with the process of identifying important agricultural lands as required under the Act. Such incentives and programs are identified in HRS 205-41, and include tax credits and/or exemptions that promote investment in agricultural businesses or value-added agricultural development, specifically escalating tax credits based on the tax revenues generated by increased investment or agricultural activities conducted on IAL.

LURF appreciates the underlying intent of HB 1260, which is to support agriculture and aid agriculture-related businesses, and believes that the bill is consistent with the purpose and intent of the IAL laws. Passage of the long-awaited IAL legislation would be meaningless without implementation of these incentives which require the cooperation and support of the business and economic community. The establishment of tax credits, exemptions, and incentives for those engaged, or desirous of engaging, in agricultural activities are critically needed to support viable agricultural activity in this State. It is therefore hoped and anticipated that efforts will be made and all appropriate legislative measures be taken to fully effectuate the intent and objectives of the IAL laws.

Thank you for the opportunity to present testimony regarding this matter, in support of this bill.



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

2343 Rose Street • Honolulu, Hawaii 96819
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272
Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

February 7, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 1260
RELATING TO AGRICULTURE

Room 312
9:15 AM

Chair Wooley, Vice Chair Onishi, and Members of the Committee:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community

HFBF supports of HB 1260 which adds milk, poultry eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products to the definition of "Agricultural Commodity" exempt from the GET for loading, transporting, and unloading of agricultural commodities under Section 247-24.3 (1), Hawaii Revised Statutes.

Currently, Section 147-1, Hawaii Revised Statues, defines "agricultural commodity" as 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.

HFBF believes that milk, poultry eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products are also agricultural commodities and should added to the definition in Section 147-1 so that these agricultural commodities receiving the exemption provided in Section 247-24.3 (1)

Thank you for this opportunity to provide our testimony on this important matter.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Expand definition of exempt agricultural commodities

BILL NUMBER: SB 595; HB 1260 (Identical)

INTRODUCED BY: SB by Nishihara, Wakai and 2 Democrats; HB by Wooley and 1 Democrat

BRIEF SUMMARY: Amends HRS section 237-24.3(1) to provide that the definition of “agricultural commodity” shall also mean milk, poultry, eggs, poultry carcasses, or poultry meat, aquaculture or aquaponic products to be consumed in the state.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: Under the current law, amounts received from the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer from one island to a person, firm, or organization on another island are exempt from the general excise tax. The agricultural commodities which are exempt include fresh fruits and vegetables, whether produced in the state or imported, nuts, and coffee which have been produced in the state, and raw unprocessed honey, whether produced in the state or imported. This measure proposes to expand the definition of agricultural commodity to include milk, poultry, eggs, poultry carcasses, or poultry meat, aquaculture or aquaponic products to be consumed in the state, regardless of whether they are processed in the state or imported and make them exempt from the general excise tax when shipped from one island to another.

While the measure would grant a general excise tax exemption to the loading and unloading and shipping of these items from one island to another, as drafted, the exemption proposed by this measure would only apply to products consumed in the state. It is doubtful whether the agricultural commodities will be consumed in the state or will be exported out of state at the time they are shipped.

On the other hand, if the intent is to indirectly reduce the cost of these agricultural commodities which are to be consumed in the state, consideration should be given to expanding the exemption such that it is not limited to “agricultural commodities.” Inasmuch as Hawaii is an island state, the movement of goods from one area of the state to another must either be by barge or flown for those goods to reach the final consumer. Imposition of the general excise tax on the activity that moves those goods merely adds to the cost of those goods, making them more expensive than their counterparts imported from outside the state as there is a general exemption for stevedoring activities regardless of the type of goods being unloaded.

While the current exemption was adopted when the bulk of goods moving between the islands were agricultural products, today with the diversification of the economic base on all islands, goods come in all shapes and sizes - for example, furniture and koa boxes shipped from Kauai to shortbread cookies shipped from the Big Island. Lawmakers should consider enacting a broad exemption for all stevedoring activities regardless of whether the transportation is interstate or intrastate and regardless of whether the goods are consumed in the state or exported.

Digested 1/25/13



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON AGRICULTURE
Thursday, February 7, 2013 — 9:15 a.m. — Room 312

Ulupono Initiative Strongly Supports HB 1260, Relating to Agriculture

Dear Chair Wooley, Vice Chair Onishi and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports HB 1260, which adds to the definition of agricultural commodities exempt from the General Excise Tax (GET). This would reduce the cost for milk, eggs, poultry and farm-raised seafood to be consumed in the state by exempting these activities from the GET.

The Legislature earlier exempted agricultural commodities from the GET and this bill would amend that definition (which already includes fruits and vegetables) so that livestock and meat produced in the state to be consumed locally, including aquaculture and aquaponic products, will be eligible for the GET exemption. We also would favor the addition of other livestock meat and carcasses, including beef, sheep, goats, and lamb to the agricultural commodities definition. Ulupono is also concerned that the GET multiplies along the food supply chain, increasing the price which makes local food less competitive than imports. These actions would support homegrown poultry, livestock and farm-raised seafood.

Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2350, Honolulu, HI 96813

808 544 8960 o | 808 544 8961 f
www.uluponoinitiative.com





LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, 4th Floor
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

February 5, 2013

Representative Jessica Wooley, Chair
Representative Richard H.K. Onishi, Vice Chair
House Committee on Agriculture

Testimony in Support of HB 1264, Relating to Agricultural Loans (Expands the department of agriculture agricultural loan program to provide loans for infrastructure, infrastructure improvements, and the implementation of new farming techniques.)

Thursday, February 7, 2013, 9:15 a.m., in Conference Room 312

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide testimony in **support of HB 1264**, and to offer comments.

HB 1264. This bill proposes to expand the department of agriculture agricultural loan program to provide loans for infrastructure, infrastructure improvements, and the implementation of new farming techniques.

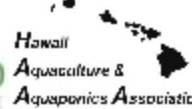
LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such projects and ventures critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe HB 1264 will greatly assist with costs which must be incurred in connection with establishing new agricultural methods and techniques; expanding and improving their growing and processing facilities, including bringing them to current safety standards as may be required; and with costs which must be incurred for maintenance and upgrade of existing infrastructure and improvements.

As this Committee may already be aware, the unsustainable costs cast upon land owners and agricultural stakeholders by various safety and security standards, programs and regulations are another serious concern, as the enactment of regulations relating to maintenance and operation of water systems, infrastructure, as well as growing and processing machinery and facilities are proving to be potentially counterproductive to the long-term objective of sustainable agriculture.

As potential issues relating to public health, and food safety and security continue to be a significant concern, LURF and its members appreciate this measure being taken to assist agricultural stakeholders.

LURF believes that the proposed expansion of the agricultural loan program may also encourage new farmers by assisting them to develop new businesses and to meet sustainability goals in food production.

For the reasons stated above, LURF is in **support of HB 1264**, and respectfully urges your favorable consideration of this bill.



Local Food Coalition

LATE

HOUSE COMMITTEE ON AGRICULTURE
Thursday February 07, 2013 9:15 pm Room 312

HB 1260 RELATING TO AGRICULTURE

Adds to the definition of agricultural commodities exempt from the GET, milk, poultry eggs, poultry carcass, poultry meat, and aquaculture and aquaponic products to be consumed in the State, whether processed in the State or imported

Chair Wooley, Vice Chair Onishi and Members of the Committees:

My name is Alan Gottlieb, and I represent the Local Food Coalition on this matter.

The Local Food Coalition (LFC) brings together farmers, ranchers, livestock producers, investors and other leading organizations, who collectively manage more than 1 million acres of land, and produce the majority of food in our state. Solving our challenge of increasing the local food supply — putting more local food on local plates — can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

The Local Food Coalition strongly supports HB 1260 with one addition. As written, the bills adds milk, poultry, eggs... aquaculture, but it fails to add beef, beef carcasses, lamb, sheep and goats and lamb, sheep and goat carcasses to the Agricultural Commodity Definition.

The reason we ask that livestock and meat, milk eggs, poultry, aquaculture, etc. be included in the definition is so like other Agricultural commodities, we will be exempt from the State's General Excise Tax.

Young Brothers has provided us with information quantifying how much this will cost the State of Hawaii in lost General Excise Taxes. For 2009, that amount was just \$6,100 for General Excise taxes they collected on items which would be affected by this amendment, a very small amount for the State but a big amount for local livestock producers. In the future, if we can help improve the economics of livestock production in Hawaii, we hope to increase our production, and help the State with its agricultural self sufficiency and improve our food security.

We appreciate this opportunity to provide testimony on this matter.