

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 05, 2013 7:51 PM
To: AGRtestimony
Cc: tax.leg@hawaii.gov
Subject: Submitted testimony for HB1384 on Feb 7, 2013 09:15AM
Attachments: HB1384_TAX_02-07-13_AGR.pdf

HB1384

Submitted on: 2/5/2013

Testimony for AGR on Feb 7, 2013 09:15AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Frederick Pablo	Department of Taxation	Comments Only	Yes

Comments: Department of Taxation testimony

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**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2013**

ON THE FOLLOWING MEASURE:
H.B. NO. 1384, RELATING TO AGRICULTURE.

BEFORE THE:
HOUSE COMMITTEE ON AGRICULTURE

DATE: Thursday, February 7, 2013 **TIME:** 9:15 a.m.

LOCATION: State Capitol, Room 312

TESTIFIER(S): David M. Louie, Attorney General, or
Damien Elefante, Deputy Attorney General, or
Cynthia Johiro, Deputy Attorney General

Chair Wooley and Members of the Committee:

The Department of the Attorney General offers the following comments on this bill. The bill may be challenged as violating the Commerce Clause of the United States Constitution because it could be found to discriminate against interstate commerce.

One of the purposes of this bill is to create tax credits for “livestock feed” and “livestock feed development”. However, the tax credit is only applicable to “qualified producers” that raise poultry, livestock, fish, and crustaceans that are raised and located “in the State.” Based on this preferential language, this bill creates a general excise tax exemption to favor products that are raised or produced exclusively in the State.

A cardinal rule of Commerce Clause jurisprudence is that “[n]o State, consistent with the Commerce Clause, may ‘impose a tax which discriminates against interstate commerce . . . by providing a direct commercial advantage to local business.’” Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 268 (1984), *citing* Boston Stock Exchange v. State Tax Comm’n, 429 U.S. 318, 329 (1977).

In Bacchus, the United States Supreme Court found that an exemption similar to the exemption proposed in this bill violated the Commerce Clause. At issue in Bacchus was the Hawaii liquor tax, which was originally enacted in 1939 to defray the costs of police and other governmental services. Because the Legislature sought to encourage development of the Hawaiian liquor industry, it enacted an exemption from the liquor tax for okolehao (a brandy distilled from the root of the ti plant, an indigenous shrub of Hawaii) and for certain fruit wine

manufactured in Hawaii. The United States Supreme Court concluded that the exemption violated the Commerce Clause because the exemption had both the purpose and effect of discriminating in favor of local products.

The livestock feed and livestock feed development tax credits for qualified producers that raise poultry, livestock, fish, and crustaceans that are raised and located in the State, provided by this bill, appears to have similar purpose and effect as the exemption that violated the Commerce Clause in Bacchus.

Thus, we recommend that the raised and located in the State requirement be deleted from the bill.

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
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**TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

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

**HOUSE BILL NO. 1384
RELATING TO AGRICULTURE**

Chairperson Wooley and Members of the Committee:

Thank you for the opportunity to provide testimony on House Bill No. 1384. The three purposes of this bill are to:

1. Create a livestock feed tax credit of 15 percent or \$200,000, whichever is less, of livestock feed costs for the 2013 tax year; and
2. Create a livestock feed development tax credit of ten and five percent or \$225,000, whichever is less, of livestock feed development costs for the 2014-2015 tax years, respectively.
3. Amend the Important Agricultural Land Qualified Agricultural Cost Tax Credit by reducing the total amount of annual tax credits to \$6 million for the 2013 tax year, \$7 million for the 2014 tax year, and \$7.5 million for all tax years thereafter.

The Department supports this measure but has concerns. This measure provides for two appropriations, both of which are for unspecified amounts for FY13-14 to the Department. One appropriation is for staff and other expenses and the other appropriation is for staff and consultant expenses both for the purpose of implementing the tax credits established by the bill. Both appropriations are necessary to fully implement the mandates of the bill.



Regarding the two livestock tax credits, the Department will have to determine the most cost-effective means of certifying a taxpayer's qualification status at the time either credit is requested. We understand that the Department of Taxation will be the final arbiter on our certifications.

We thank you for this opportunity to present our testimony on this measure.



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

2343 Rose Street • Honolulu, Hawaii 96819
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Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

February 6, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 1384
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 is in strong support of HB 1384, revising tax credits associated with Important Agricultural Lands to assist Livestock Producers. Concurrently, we request amendments to clarify the measure as well as address resources associated with feed production.

As Hawaii seeks to increase its' level of self sufficiency and sustainability the need for expanded infrastructure and resources to support agriculture along with long overdue maintenance of existing infrastructure become very apparent. Without these investments agriculture cannot grow. There are two options. Public sector financed infrastructure development OR incentivized private investments. During these difficult budget times, depending on the State or Counties to totally finance these projects is unreasonable given the various demands already facing the various agencies. A partnership to reach our mutual goals is reasonable.

As the concept of IAL was born in Hawaii (which by the way, is unique in the nation), the crafters of the measure which included representatives from the public and private sector, were extremely sensitive that the designation does not bet interpreting as a "taking". An incentive process was created to encourage the landowners to designate while investing in the designated lands so viable agriculture – the ultimate goal of IAL could occur. Let's not forget that without farmers and ranchers on the land, IAL is merely open space and does not fulfill the intent of our Constitutional Mandate to preserve and protect IAL to provide for levels of self sufficiency for the people of Hawaii. It must be remembered that lands designated as IAL loose their development potential

and in reality result in a loss to the landowner of borrowing capacity when they go to the bank. These incentives are critical to encourage designation and investments.

The amendments we request address two issues:

- 1) Clarification of language in the current statute. The tax department has questions regarding the interpretation of Chapter 235, so the proposed amendments in HB 121 address these issues. They do not change the level of credits nor the use of the credits but clarify the original intent of the measure.
- 2) Expand the use of the existing credit for drought mitigation. Source development for the islands is critical. Agriculture needs water to succeed. Projections by the Counties of future municipal demand is illustrated below. While this graph does not represent agricultural needs that are not within the municipal system, the trend lines can be expected to be the same.

Even with conservation uses, changes in weather patterns and instream standard requirements reduce existing capacity. This means we not only need to provide for new uses but must replace existing sources. A focused and accelerated effort to increase water source development is needed. Also, many areas of the State are under regular water restrictions whether they be voluntary or required. These types of resource constraints do not foster agriculture. The measure proposed in HB1261 addresses this need and we respectfully request amending this measure to include that language.

Since the inception of IAL, and as livestock interests such as Parker Ranch have designated their lands, there have often been questions about the designation of ranch lands. Yet, if Hawaii wants local meats and poultry products, some designation should occur. Affordable and reliable livestock feed has been a problem especially during droughts. This measure seeks to utilize a portion of the IAL tax credits currently authorized in law to provide a temporary safety net for livestock producers and incentivize the production of local feed. This does not require that the livestock producers be on IAL land. It is a measure helping hand recognizing that the ultimate purpose of IAL is to increase Hawaii's agriculture capacity. The amount of the tax credits allowed by this measure is subtracted from the currently authorized IAL tax credits so does not incur additional impacts to the budget.

Based on these proposals, following are examples of what this bill will accomplish:

Incentive	Taxpayer Investment	State Tax Credit
Existing IAL credits	\$5.45M or more	up to \$1M
Livestock feed subsidy*	\$1.34M or more	up to 200K
Livestock feed dev*	\$2.25M	up to 225K

*Not associated with IAL .. no designation involved but \$\$ from IAL authorization

In summary, the amendments we are requesting are:

- 1) Insert language from HB121 clarify Chapter 325
- 2) Insert language from HB1261 addressing drought mitigation

HFBF respectfully requests your **strong support with amendments** of this measure to implement the measures needed to fulfill the State's vision for increased self sufficiency and sustainability. Thank you for this opportunity to provide our opinion on this important matter.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 05, 2013 10:49 PM
To: AGRtestimony
Cc: darakawa@lurf.org
Subject: Submitted testimony for HB1384 on Feb 7, 2013 09:15AM
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HB1384

Submitted on: 2/5/2013

Testimony for AGR on Feb 7, 2013 09:15AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
David Arakawa	Land Use Research Foundation	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Livestock feed tax credits

BILL NUMBER: SB 975; HB 1384 (Identical)

INTRODUCED BY: SB by Nishihara and Chun Oakland; HB by Onishi, Cheape, Hanohano, Morikawa, Wooley

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a qualified producer to claim a **livestock feed income tax credit** equal to the lesser of 15% of the livestock feed costs incurred by the producer or \$200,000. Defines “livestock feed costs” as the purchase amount of all edible materials consumed by cows, goats, poultry, sows, and beef cattle which contribute energy or nutrients to the animal’s diet and which are distributed or imported.

No other income tax credit may be claimed for qualified livestock feed costs for which a credit is claimed under this section for the taxable year. The cost upon which the tax credit is computed shall be determined at the entity level. In the case of a partnership, S corporation, estate, trust, or other pass through entity, distribution and share of the credit shall be determined pursuant to section 704(b) of the Internal Revenue Code. If a deduction is taken under section 179 (with respect to election expense depreciable business assets) of the Internal Revenue Code, no tax credit shall be allowed for that portion of the qualified livestock feed cost for which a deduction was taken. The basis of eligible property for depreciation or accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of credit allowable and claimed under this section. No deduction shall be allowed for that portion of otherwise deductible qualified livestock feed costs on which a credit is claimed under this section.

Credits in excess of a taxpayer’s income tax liability shall be refunded provided such amounts are in excess of \$1. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of the claim for the credit. Claims for the credit shall be on forms provided by the department of taxation.

Requires the department of agriculture to: (1) maintain records of the total amount of qualified livestock feed costs for each taxpayer claiming a credit; (2) verify the amount of the qualified livestock feed costs claimed; (3) calculate all livestock feed costs claimed; and (4) certify the total amount of the tax credit for each taxable year. The department shall issue a certificate to the taxpayer verifying the livestock feed costs and the credit amount certified for each taxable year. Requires the taxpayer to file the certificate with the taxpayer’s tax return with the department of taxation. This information shall be available for public inspection and dissemination under HRS chapter 92F.

The department of agriculture shall certify no more than \$1,500,000 in tax credits in the aggregate beginning after tax years beginning after December 31, 2012 and ending before January 1, 2014.

Defines “qualified producer” as any person in the business of producing: (1) milk from a herd, located in Hawaii, of not fewer than 350 cows or 100 lactating milking goats; (2) poultry products from a flock, raised and located in Hawaii of at least 50 birds; (3) pork from a herd, raised and located in Hawaii of at least 50 sows; (4) beef that is grown, slaughtered, processed, and marketed in Hawaii provided that producers who finish at least 100 head of beef cattle annually shall be eligible for this tax credit; (5) sheep that are raised in the state; provided that producers with current annual sales of at least 30 sheep or lambs shall be eligible for this tax credit; or (6) fish and crustaceans, raised in the state; provided that producers with current annual sales of at least 2,000 pounds of fish, or crustaceans, or both shall be eligible for this tax credit.

This section shall take effect on January 1, 2013 and be applicable to tax years beginning after December 31, 2012 and ending before January 1, 2014.

Adds a new section to HRS chapter 235 to allow each qualified producer to claim a **livestock feed development tax credit** equal to the lesser of: (1) 10% of livestock feed development costs incurred by the qualified producer, or \$225,000 for the taxable year beginning after December 31, 2013 and ending before January 1, 2015; and (2) the lesser of 5% of livestock feed development costs, or \$225,000, for the taxable year beginning after December 31, 2014 and ending before January 1, 2016. Defines “feed development costs” as the purchase amount of materials or equipment needed to produce edible materials consumed by cows, goats, poultry, sows, and beef cattle, which contribute energy or nutrients to the animal’s diet, including seeds, fertilizers, insecticides, and fungicides used for the purposes of producing feed.

Requires the department of agriculture to: (1) maintain records of the total amount of qualified agriculture expenditures for livestock feed development for each taxpayer claiming a credit; (2) verify the amount of the livestock feed development costs claimed; (3) calculate all livestock feed development costs claimed; and (4) certify the total amount of the tax credit for each taxable year. The department shall issue a certificate to the taxpayer verifying the taxpayer’s qualifying producer status, the amount of qualified livestock feed development costs claimed and the credit amount certified for each taxable year. Requires the taxpayer to file the certificate with the taxpayer’s tax return with the department of taxation. This information shall be available for public inspection and dissemination under HRS chapter 92F.

The department of agriculture shall not certify more than \$500,000 in credits in the aggregate for all taxpayers for each taxable year. The department of taxation shall not allow the aggregate amount of tax credits claimed to exceed \$500,000 in any taxable year.

No other income tax credit may be claimed for qualified livestock feed development costs for which a credit is claimed under this section for the taxable year. The cost upon which the tax credit is computed shall be determined at the entity level. In the case of a partnership, S corporation, estate, trust, or other pass through entity, distribution and share of the credit shall be determined pursuant to section 704(b) of the Internal Revenue Code. If a deduction is taken under section 179 (with respect to election expense depreciable business assets) of the Internal Revenue Code, no tax credit shall be allowed for that portion of the qualified livestock feed cost for which a deduction was taken. The basis of eligible property for depreciation or accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of credit allowable and claimed under this section. No deduction shall be allowed for that

portion of otherwise deductible qualified livestock feed development costs on which a credit is claimed under this section.

Credits in excess of a taxpayer's income tax liability shall be refunded provided such amounts are in excess of \$1. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of the claim for the credit. Claims for the credit shall be on forms provided by the department of taxation.

This section shall take effect on January 1, 2014, and be applicable to tax years beginning after December 31, 2013 and ending before January 1, 2016.

Amends HRS section 235-110.93(h) to provide that the aggregate annual amount of certified important agricultural land qualified agricultural cost tax credits shall not exceed: (1) \$6,000,000 for the taxable year beginning after December 31, 2012, and ending before January 1, 2014; (2) \$7,000,000 per taxable year for the taxable years beginning after December 31, 2013, and ending before January 1, 2016; and (3) \$7,500,000 per taxable year for all other successive taxable years.

Appropriates \$ _____ in general funds for fiscal 2014 to the department of agriculture for staffing or other expenses necessary to implement the tax credits established or amended by this act.

Appropriates \$ _____ in general funds for fiscal 2014 to the department of taxation for staffing and consultant expenses necessary to implement the tax credits established or amended by this act.

EFFECTIVE DATE: July 1, 2013 and as noted in the measure

STAFF COMMENTS: This measure proposes income tax credits which may be used to: (1) offset costs of livestock feed in the amount of 15% or \$200,000, whichever is less; and (2) offset costs incurred by a qualified producer for livestock feed development costs incurred in the amount of 10%, 5% or \$225,000 whichever is less. Since these credits would be granted without regard to the taxpayer's need for tax relief, the adoption would merely result in a payout of state funds for these feed costs, it would do so at the expense of other taxpayers who do not qualify for any of the credits. It should be remembered that tax credits generally are designed to alleviate an undue burden on those who are unable to carry that burden, largely the poor and low income. If the intent of the legislature is to subsidize such operations, then an appropriation of general funds would be much more accountable and transparent. Taxpayers would know how much is being spent on the program and compare it with other public services and programs with respect to importance to the health and safety of the community.

Rather than merely handing out a tax preference where there is no indicator of financial or economic need for that tax break, state government should explore ways to support farmers in not only making important agricultural lands available for rent at reasonable costs, but also insure that the crops produced command a reasonable rate of return with such skills as marketing, packaging and distribution.

While Act 233, SLH 2008, adopted various incentives to encourage the agricultural use of lands which qualify as important agricultural lands, it should be remembered that the tax system is not an efficient method to accomplish such social goals. Since the proposed measure would grant preferential treatment

to an even more select group of taxpayers at the expense of other taxpayers who are ineligible for the exemption, its enactment cannot be justified.

If the ultimate goal is to perpetuate agricultural activity, then the problem needs to be approached from the opposite end, that is, what can state government do to support and encourage agricultural activity so that farmers can earn a profitable living farming the land? To date, all state government has done is to stand in the way of successful farming enterprises by burdening farmers with regulation upon regulation. The state has to be a part of the solution and not a part of the problem. Enacting tax incentives, as this measure proposes, does not address the problems faced by farmers today and in the future.

From a planning point of view, because the designation of important agricultural lands is being left up to the landowner who happens to be engaged in agricultural activity basically on a commercial scale, it precludes taking a holistic approach to the future of Hawaii. Instead of being able to step back and decide what the current and future needs of the people of Hawaii are and will be, there will be a willy-nilly approach to land use planning. Instead of policymakers setting directions for the future, they are throwing out carrots of tax incentives so they can abdicate their responsibility for setting land use planning priorities. Even the Final Report on Incentives for Important Agricultural Land would have preferred that important agricultural lands be designated but acknowledges that no policymaking body has had the will, if not the courage, to undertake the task in the more than 30 years since that amendment was added to the constitution. Thus, this proposal is not only fiscally irresponsible, but it is a demonstration of how elected officials shrink from their responsibility to make a decision.

Instead of just handing out a credit to livestock producers for the purchase of feedstock that is probably imported into the state for their animals, why not explore the possibility of encouraging farmers of crops to grow feedstock by providing non-financial incentives such as low cost leases in agricultural parks, provision of irrigation from the state water system, and other resources readily available at the state's finger tips that would reduce the cost of growing the feedstock and, therefore, the cost of the feedstock to producers of livestock. What a novel idea, but it certainly makes sense to the overall agricultural situation in Hawaii, leading to a more sustainable food chain for Hawaii residents.

Digested 2/4/13



Email: communications@uluponoinitiative.com

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

Ulupono Initiative Strongly Supports HB 1384, 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 1384, which changes the important agricultural lands (IAL) tax credit cap to \$6 million per year for the 2013 tax year and \$7 million per year for the 2014 and 2015 tax years, and \$7.5 million per year thereafter. This bill also creates a livestock feed tax credit from 1/1/2013 to 12/31/2013. And it creates livestock feed development tax credit from 1/1/2014 to 12/31/2015 and appropriates funds for staffing and consulting expenses.

Hawai'i's livestock producers have been hard-hit by the Mainland drought creating much higher-than-normal feed costs prompting the need for a feed tax credit. Currently, some Hawai'i producers are paying feed costs of about 70 percent of their operating expenses compared to 50 percent paid by their Mainland counterparts. This credit will help keep these local businesses producing food through this difficult time.

We also strongly support an additional Livestock Feed Development Tax Credit, which will help develop our own local feed sources. We understand that subsidies, grants and tax credits cannot so on indefinitely and this would help play a key role in making Hawai'i's livestock industries more self-sufficient. We also would support extending these grant programs to goat, sheep and aquaculture/aquaponics producers.

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

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Hawaii's Agricultural Partnership

LATE

HOUSE COMMITTEE ON AGRICULTURE

Thursday February 07, 2013 9:15 pm Room 312

HB 1384 RELATING TO AGRICULTURE

Amends the important agricultural land qualified agricultural cost tax credit by changing the tax credit cap to \$6,000,000 per year for the 2013 tax year and \$7,000,000 per year for the 2014 and 2015 tax years, and \$7,500,000 per year thereafter. Creates a livestock feed tax credit from 1/1/2013 to 12/31/2013. Creates livestock feed development tax credit from 1/1/2014 to 12/31/2015. Appropriates funds for staffing and consulting expenses.

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

4 Ag Hawaii strongly supports HB 1384

Hawaii's Livestock Farmers continue to endure the effects of a prolonged and devastating drought - as one rancher put it "a drought of almost biblical proportions". Coupled with the ongoing drought on the mainland, which has devastated this year's grain harvests resulting in rapidly escalating grain & livestock feed prices, imported feeds have skyrocketed. Hawaii's Family Owned Farmers need your help to meet these increasing costs to be able to produce local products to help Hawaii's Food Security.

In order for Hawaii's Family Livestock Farmers to meet these much higher-than-normal feed costs, a feed tax credit, as provided for in Section 1 of this bill, is sorely needed. Additionally Section 2 deals with a Livestock Feed Development Tax Credit, which we strongly support at this time.

Furthermore, we would support extending Section 1 and Section 2 grant programs to goat, sheep and aquaculture/aquaponics producers.

4 Ag Hawaii is a non-profit 501[c] [3] corporation established as a public-private partnership focused on goals that include: promoting the agricultural economic welfare of Hawai'i and its counties; conducting agricultural economic; educational & media programs, and fostering statewide interest for responsible agricultural economic development of our islands.

Thank you for the opportunity to provide testimony on this matter.



Hawaii Cattlemen's Council, Inc.

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e-mail: HCattlemens@hawaii.rr.com



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

HB 1384 RELATING TO AGRICULTURE

Amends the important agricultural land qualified agricultural cost tax credit by changing the tax credit cap to \$6,000,000 per year for the 2013 tax year and \$7,000,000 per year for the 2014 and 2015 tax years, and \$7,500,000 per year thereafter.

Creates a livestock feed tax credit from 1/1/2013 to 12/31/2013.

Creates livestock feed development tax credit from 1/1/2014 to 12/31/2015.

Appropriates funds for staffing and consulting expenses.

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 1384.

The cost of livestock feed has been devastating for Hawaii's Livestock Producers. In addition to the 8 years on-going drought we have had in Hawaii, a devastating drought has decimated this year's grain harvests in at least four Midwestern states resulting in rapid increases in grain and livestock feed prices. Livestock producers dependent on such imported feeds are experiencing significant feed price increases and such increases are projected by the USDA Farm Service Agency to continue for the rest of 2013 until the next successful grain harvest. In the meantime, farmers and ranchers can expect to pay premium prices for imported grains and feeds.

In order for Hawaii's livestock producers to meet these much higher-than-normal feed costs, a feed tax credit, as provided for in Section 1 of this bill, is needed.

Furthermore, Section 2 deals with a Livestock Feed Development Tax Credit, which we strongly support. Grants, tax credits and subsidies cannot go on forever, and developing our own local feed sources are an integral part of making Hawaii's livestock industries more self sufficient.

Furthermore, we would support extending Section 1 and Section 2 grant programs to goat, sheep and aquaculture/aquaponics producers.

We appreciate this opportunity to provide testimony on this matter.