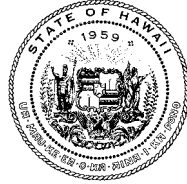


HB747HD1

Testimony

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 Clarence K. Nishihara, Chair
and Members of the Senate Committee on Agriculture

Date: Tuesday, March 19, 2013

Time: 2:45 P.M.

Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

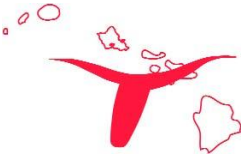
Re: H.B. 747 H.D. 1, Relating to Agriculture

The Department **appreciates the intent** of H.B. 747, H.D. 1 and provides the following information and comments for your consideration.

H.B. 747, H.D. 1 provides an exemption from Hawaii's general excise tax for amounts received from the slaughter and processing of poultry or livestock which have been produced in the State and are to be consumed in the State.

The Department defers to the Department of the Attorney General for an analysis of the constitutionality of this bill, but notes that the holding in Bacchus Imports Ltd. v. Dias, 468 U.S. 263 (1984) indicates that provisions that result in taxation that is discriminatory against products imported from outside the State would likely violate the Commerce Clause of the United States Constitution. This bill's requirement that the poultry or livestock or carcasses or meat thereof be produced within the State may be discriminatory against interstate commerce. The Department therefore suggests removing the requirement that the poultry or livestock be produced in the State.

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: HICattlemens@hawaii.rr.com

SENATE COMMITTEE ON AGRICULTURE
Tuesday March 19, 2013 2:45 a.m. Room 229

HB 747 HD1 RELATING TO AGRICULTURE

Exempts from the general excise tax amounts received for
the slaughter and processing of poultry and livestock.

Chair Nishihara, Vice Chair Kouchi and Members of the Committees:

My name is Alex Franco; I'm a beef processor on Maui and President of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is a statewide organization comprised of five county level Cattlemen's Associations that have over 130 members and occupy approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council strongly supports HB 747 HD1 which exempts from the General Excise Tax the slaughter and processing of poultry and livestock

Many local beef producers are moving toward raising more local beef as there is a growing demand for this product in Hawaii. As this growing local beef industry transitions itself to become part of Hawaii's local food movement it run across high cost of slaughter and processing due to lower numbers during this start up phase. The beef industry's goal is to market and process more numbers of cattle and build critical mass which will ultimately lower theses processing cost over time.

Presently we need to increase numbers of cattle by encouraging more ranchers to supply Hawaii growing market. An exemption of G.E. Tax well help in reducing some of our costs as we try to build some degree of critical mass to continue to lower our costs.

We appreciate this opportunity to provide testimony on this matter.

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: jacinthow001@hawaii.rr.com
Subject: *Submitted testimony for HB747 on Mar 19, 2013 14:45PM*
Date: Sunday, March 17, 2013 10:43:31 PM

HB747

Submitted on: 3/17/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
William G. Jaciintho	Maui Cattlemen's Association	Support	No

Comments:

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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

March 19, 2013

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 747, HD1
RELATING TO AGRICULTURE

Room 229
2:45 PM

Chair Nishihara, Vice Chair Kouchi 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 747, HD1 which exempts from the general excise tax the amounts received for the slaughter and processing of poultry and livestock.

Hawaii's livestock industry faces numerous challenges. These challenges have been a contributing factor to the decline of the state's livestock industry. Sustainability, self-sufficiency and growing agriculture are popular concepts seen in many of the measures before the legislature this year. This Legislative Session, there have been many bills introduced that support of Hawaii's Agricultural Industry.

This year, HFBF has introduced a package of measures addressing the real needs of our farmers and ranchers all associated with increasing farm and ranch viability. These include infrastructure needs, permitting, and regulatory assistance.

This measure will provide a GET exemption for services paid for animal processing. This will help to reduce the operating costs and eventually help reduce the cost of purchasing local livestock products to local consumers..

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, Exempt amounts received from the slaughter and processing of poultry or livestock produced and consumed in the state

BILL NUMBER: HB 747, HD-1

INTRODUCED BY: House Committee on Agriculture

BRIEF SUMMARY: Amends HRS section 237-24.3 to exempt from the general excise tax, the amounts received from the slaughter and processing of poultry, poultry carcasses, livestock, livestock carcasses or meat processed and consumed in the state.

EFFECTIVE DATE: July 1, 2050; provided that the amendments made to HRS section 237-24.3 of this act shall not be repealed when that section is reenacted on December 31, 2014, pursuant to Act 239, SLH 2007, as amended by Act 196, SLH 2009, and Act 91, SLH 2010.

STAFF COMMENTS: This measure proposes a general excise tax exemption to encourage the slaughter and processing of poultry and livestock in the state provided that they are also consumed in the state. It should be remembered that the use of the tax system for such purposes is an inefficient means to accomplish such goals. Exemptions from the excise tax recognize that the imposition of the tax would impose an unusual burden or would otherwise cause the taxpayer to do business in an inefficient manner just to circumvent the tax. Exemptions from the general excise tax are also granted because the entity is a nonprofit or if the tax imposed would have a severe economic impact on the state's economy. The proposed exemption from the general excise tax meets none of these criteria.

It should be noted that the general excise tax rate imposed on producing and processing is set at the lesser 0.5% rate. Thus, the exemption being proposed in this bill will have little, if any, impact or consequence. The other point to remember is that the lesser rate does provide economists, planners, and industry officials with important information about the industry, the size, economic impact, and growth statistics. All of this information would be lost should the exemption in this measure be adopted. It should be noted that in 1977 the department of taxation discontinued asking taxpayers to allocate their general excise income by industry and activity. As a result, a year's worth of information was lost which, in turn, handicapped forecasters of the state's economy. Given the lesser rate and the fact that the tax does not appear to be an insurmountable barrier to the success of these select businesses, this proposed exemption cannot be justified.

That said, lawmakers need to take a good look and see that, on one hand they are scrounging for money attempting to raise new funds with everything from user fees to taxes on specific groups of people and, on the other hand, introduce measures like this one. If all of the tax give-aways that have no rational basis were adopted, they would probably bankrupt the treasury. It should be repeated over and over again that the tax system is not designed to provide some sort of lure to attract taxpayers into doing or acting in some sort of unusual way, but the tax system exists to raise the funds necessary to operate

government. Lawmakers may want to propose various tax breaks for their constituents while continuing to squander the tax resources on more public programs and personnel. However, doing so raises the question of whether or not elected officials have any clue about what their fiduciary responsibility is. This is indeed sad as the voting public has entrusted these elected officials with their hard-earned tax dollars.

Instead of attempting to give away the state treasury with such myopic tax breaks, lawmakers need to pay more attention to the overall economic climate of the state which currently suffers from a continuing burden of taxes and regulations. Lawmakers should remember, giving a tax break to one type of activity comes at a cost to all other taxpayers not so favored unless they are willing to effect a commensurate decrease in state spending. So one has to ask what is the unusual burden of taxes borne by this particular industry or activity or is this proposal nothing more than pandering to the fad industry of the day? There is literally no justification for this proposal.

Finally, from a technical and administrative, if not compliance perspective, the exemption is granted only if the products slaughtered are consumed in the state. There is no reasonable way a slaughterhouse business will know where the products they processed will be consumed - on a Hawaii table or in another country or state or for that matter in transit on a ship or a plane. Thus, this proposal, as drafted, is unworkable.

Digested 2/20/13

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: hawaiifish@gmail.com
Subject: Submitted testimony for HB747 on Mar 19, 2013 14:45PM
Date: Sunday, March 17, 2013 12:13:21 PM

HB747

Submitted on: 3/17/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Ron Weidenbach	Hawaii Aquaculture and Aquaponics Association	Support	No

Comments: The HAAA strongly supports the intent of this measure. However, for clarity, we respectfully request that Section 1, (2) (C) be amended to read "Agricultural, meat, or fish or aquaculture products;" so that it is clear that all seafood products are included, eg., shrimp, oysters, clams, ogo, etc., rather than only listing fish.

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From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: corey@bigislanddairy.com
Subject: *Submitted testimony for HB747 on Mar 19, 2013 14:45PM*
Date: Saturday, March 16, 2013 7:35:59 PM

HB747

Submitted on: 3/16/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
corey gillins	Big Island Dairy	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: jsgreenwell@lanihau.net
Subject: Submitted testimony for HB747 on Mar 19, 2013 14:45PM
Date: Saturday, March 16, 2013 6:37:20 AM

HB747

Submitted on: 3/16/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Jim Greenwell	Palani Ranch Company	Support	No

Comments: This would be a very supportive step to allow local ag to more effectively compete with imported meats.

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Email: communications@uluponoinitiative.com

SENATE COMMITTEE ON AGRICULTURE
Tuesday, March 19, 2013 — 2:45 p.m. — Room 229

Ulupono Initiative Supports HB 747 HD 1, Relating to Agriculture

Chair Nishihara, Vice Chair Kouchi 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 747 HD 1**, which would reduce the cost of processing poultry and livestock by exempting these activities from the General Excise Tax (GET).

The Legislature earlier exempted agricultural commodities from the GET and this bill includes a similar exemption for services paid for animal processing. These actions would support homegrown poultry, livestock and farm-raised seafood. Ulupono is concerned that the GET multiplies along the food supply chain, increasing the price and making local food less competitive than imports. In addition, applying the GET at the processing level penalizes food processing, which is a wholesale transaction. The bill can be modified further to address concerns raised by the Attorney General's office/Dept. of Taxation regarding the Commerce Clause.

This exemption will help to reduce the operating costs to these local industries and eventually help reduce the cost of purchasing local meat by local consumers. Several slaughterhouses and processors around the State are already exempt from the General Excise tax because they are either a coop (which was exempted from GET years ago) or are in an Enterprise Zone. We estimate that the cost of such an exemption would be less than \$50,000 per year, 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.

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





Hawaii's Agricultural Partnership

SENATE COMMITTEE ON AGRICULTURE

Tuesday March 19, 2013 2:45 PM.

HB 747 HD1 RELATING TO AGRICULTURE

Exempts from the general excise tax amounts received for the slaughter and processing of poultry and livestock.

Chair Nishihara, Vice Chair Kouchi and Members of the Committees:

4 Ag Hawaii **strongly supports** HB 747 HD1 which exempts from the General Excise Tax the slaughter and processing of poultry and livestock.

Due to several concerns such as drought & invasive species – beyond our ranchers and farmers ability to control – *as well as limited and high cost processing capacities* –the industry could be forced to downsize – an option which could forever affect not only our treasured agricultural heritage, but also, and arguably more important, the future of fragile Hawaii's diversified economy and food security.

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.

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: eterwey@hotmail.com
Subject: *Submitted testimony for HB747 on Mar 19, 2013 14:45PM*
Date: Friday, March 15, 2013 7:24:58 PM

HB747

Submitted on: 3/15/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Edith Terwey	Individual	Support	No

Comments:

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To: [AGL Testimony](#)
Cc: halina@hawaii.edu
Subject: Submitted testimony for HB747 on Mar 19, 2013 14:45PM
Date: Monday, March 18, 2013 10:15:28 AM

HB747

Submitted on: 3/18/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Halina M Zaleski	Individual	Support	No

Comments: Please support these are crucial links for retail sales of local livestock and poultry products.

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To: [AGL Testimony](#)
Cc: lisa@asagihatchery.com
Subject: *Submitted testimony for HB747 on Mar 19, 2013 14:45PM*
Date: Monday, March 18, 2013 3:27:16 PM

HB747

Submitted on: 3/18/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Asagi	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: mary@bellosmillwork.com
Subject: *Submitted testimony for HB747 on Mar 19, 2013 14:45PM*
Date: Monday, March 18, 2013 3:18:33 PM

HB747

Submitted on: 3/18/2013

Testimony for AGL on Mar 19, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Bello	Individual	Support	No

Comments:

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