

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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**TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
March 11, 2013
Room 312
9:00 A.M.

**SENATE BILL NO. 595, SENATE DRAFT 1
RELATING TO AGRICULTURE**

Chairperson Wooley and Members of the Committee:

Thank you for this opportunity to provide testimony on Senate Bill 595, Senate Draft 1 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
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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: Monday, March 11, 2013

Time: 9:00 A.M.

Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 595, S.D. 1, Relating to Agriculture

The Department appreciates the intent of S.B. 595, S.D. 1, and provides the following information and comments for your consideration.

S.B. 595, S.D. 1 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 the description of S.B. 595, S.D. 1 indicates that the general excise tax exemption in Section 237-24.3(1), Hawaii Revised Statutes, applies to agricultural commodities, indicating that the sale of these agricultural commodities would be exempt from the general excise tax. However, the exemption in Section 237-24.3(1), Hawaii Revised Statutes, applies only to amounts received from loading, unloading, and transportation of agricultural commodities.

Thank you for the opportunity to provide comments.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEES ON AGRICULTURE
Monday, March 11, 2013 — 9 a.m. — Room 312

Ulupono Initiative Supports the intent of SB 595 SD1, Relating to Agriculture

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 SB 595 SD1, which adds to the definition of agricultural commodities exempt from the General Excise Tax (GET), with an amendment that would include beef, lamb and sheep. This would reduce the cost for milk, eggs, poultry, meat 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, which were inadvertently left off an earlier version of this bill. 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 support homegrown poultry, livestock and farm-raised seafood. Young Bros. has estimated that the exemption amount to \$6,100 based on 2009 figures, a small amount for the state but a big help for local livestock 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.

Kyle Datta
General Partner

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SUBJECT: GENERAL EXCISE, Expand definition of exempt agricultural commodities

BILL NUMBER: SB 595, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

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.

Defines “aquaculture products” and “aquaponics products” for purposes of the measure.

EFFECTIVE DATE: July 1, 2050

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 3/8/13

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 09, 2013 6:33 PM
To: AGRtestimony
Cc: leslie.kornblatt@gmail.com
Subject: *Submitted testimony for SB595 on Mar 11, 2013 09:00AM*

SB595

Submitted on: 3/9/2013

Testimony for AGR on Mar 11, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
leslie kornblatt	Individual	Oppose	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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HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)

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TO:

COMMITTEE ON AGRICULTURE

Rep. Jessica Wooley, Chair

Rep. Richard H.K. Onishi, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: Monday, March 11, 2013

TIME: 9:00 A.M.

PLACE: Conference Room 312

RE: SB 595, SD 1 RELATING TO AGRICULTURE

Position: Strong Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers and distributors of food in the State of Hawaii.

The existing HRS 147-1 definition of "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."

We strongly support this measure that expands the definition to include "Milk, poultry, eggs, poultry carcasses, or poultry meat to be consumed in the State, whether processed in the State or imported; and Aquaculture or aquaponic products to be consumed in the State, whether processed in the State or imported."

This measure provides a broader definition of agricultural commodities that better reflects Hawaii's agricultural industry. SB 595 supports the restoring of certain GET exemptions that were suspended until June 30, 2013.

The GET exemptions for the proposed agricultural commodities help reduce the cost of doing business in Hawaii, and for some, may make a difference for establishing new businesses or for existing businesses to continue to contribute to Hawaii's productive agriculture businesses. Your support of this measure is urged. Thank you for the opportunity to testify.



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

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March 11, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 595, SD1
RELATING TO AGRICULTURE

Room 312
9:00 AM

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

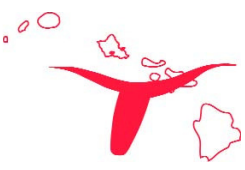
I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural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

HFBF supports of SB 595, SD1 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.



Hawaii Cattlemen's Council, Inc.

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HOUSE COMMITTEE ON AGRICULTURE HOUSE COMMITTEE ON WATER & LAND

MARCH 11, 2013 9:00 a.m. Room 312

SB 595 SD 1 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 Committee:

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 SB 595 SD 1 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.