

SB 595

Testimony

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

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

BEFORE THE SENATE COMMITTEES ON AGRICULTURE
January, 29, 2013
Room 229
2:45 P.M.

SENATE BILL NO. 595
RELATING TO AGRICULTURE

Chairperson Nishihara and Members of the Committee,

Thank you for this opportunity to provide testimony on Senate Bill 595 relating to agriculture. Unfortunately, I will not be able to represent the Department of Agriculture at the hearing today. This is due to my responsibilities as Chair of the Board of Agriculture to convene the Board of Agriculture meeting which has been planned for many weeks to address several important issues that require board action.

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

Date: Tuesday, January 29, 2013
Time: 2:45 P.M.
Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 595, Relating to Agriculture

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

S.B. 595 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 tax 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.

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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



Hawaii's Agricultural Partnership

SENATE COMMITTEE ON AGRICULTURE

Tuesday January 29, 2013 2:45 pm Room 229

SB 595 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 Nishihara, Vice Chair Kouchi and Members of the Committees

4 Ag Hawaii strongly supports SB 595

4 Ag Hawaii would like to propose one amendment to the proposed legislation. As written the bill 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.

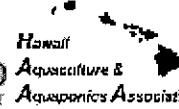
Hawaii's Livestock Ranchers & Farmers promote a sustainable livestock economy in Hawaii that continues to expand local use of its products while recognizing the need to transport animals interstate and intrastate.

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

Quantification has been provided by Young Brothers delineating the cost to the State of Hawaii in lost General Excise Taxes - For 2009, that amount was \$6,100 for General Excise taxes they collected on items which would be affected by this amendment.

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.



Local Food Coalition

SENATE COMMITTEE ON AGRICULTURE
Tuesday January 29, 2013 2:45 pm Room 229

SB 595 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 Nishihara, Vice Chair Kouchi 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 SB 595 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.

SENATE COMMITTEE ON AGRICULTURE
Tuesday January 29, 2013 2:45 pm Room 229

SB 595 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 Nishihara, Vice Chair Kouchi and Members of the Committees:

The Hawaii Aquaculture and Aquaponics Association which represents producers and researchers statewide strongly supports SB 595, with one important amendment. Please add beef, beef carcasses, lamb, sheep and goats and lamb, sheep and goat carcasses to the definition of Agricultural Commodity.

Over the years definitions of agriculture commodities have not always 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 places in statute where there are definitions of agricultural commodity that we 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. We ask that livestock and meat, milk eggs, poultry, aquaculture, etc. be included in the definition so that like other Agricultural commodities, these will be exempt from the State's General Excise Tax.

Young Brothers has provided 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 all forms of livestock production in Hawaii, including aquaculture, we are hopeful of significantly increasing our production and better help the State with its Bio-Security mandates for local food production.

We appreciate the opportunity to provide testimony on this matter.

Ron Weidenbach
HAAA President



Hawaii Cattlemen's Council, Inc.

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SENATE COMMITTEE ON AGRICULTURE
Tuesday January 29, 2013 2:45 pm Room 229

SB 595 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 Nishihara, Vice Chair Kouchi 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 SB 595 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.



HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)

1050 Bishop St. PMB 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO: COMMITTEE ON AGRICULTURE

Sen. Clarence K. Nishihara, Chair

Sen. Ronald D. Kouchi, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: Tuesday, January 29, 2013

TIME: 2:45 P.M.

PLACE: Conference Room 229

RE: SB 595 RELATING TO AGRICULTURE

Position: Strong Support

Chair Nishihara and Members of the Senate Agriculture Committee:

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.

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: cochonlibre@gmail.com
Subject: Submitted testimony for SB595 on Jan 29, 2013 14:45PM
Date: Monday, January 28, 2013 2:52:47 PM

SB595

Submitted on: 1/28/2013

Testimony for AGL on Jan 29, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Oppose	Yes

Comments: SB595 is even worse than 594- By giving a by to the livestock business, whether here or on the mainland, you are demonstrating a lack of regard for all the local businesses which will be forced to pick up the slack, especially here on O'ahu, where we are already paying an outrageous tax for rail. Do the right thing- kill SB 595!

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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From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: lynhowe1946@yahoo.com
Subject: Submitted testimony for SB363 on Jan 29, 2013 14:45PM
Date: Sunday, January 27, 2013 8:28:17 PM

SB363

Submitted on: 1/27/2013

Testimony for AGL on Jan 29, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Lyn Howe	Individual	Support	No

Comments: A tax exemption such as proposed would greatly help the small farmers continue to grow their businesses and support increased agriculture in Hawaii.

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