

---

# A BILL FOR AN ACT

RELATING TO KALO.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that kalo (*Colocasia*  
2   *esculenta*), also known as the taro plant, is a culturally  
3   significant plant to the State. The great seal of the State  
4   includes depictions of eight kalo leaves and kalo is statutorily  
5   designated as the state plant. The office of Hawaiian affairs  
6   is statutorily authorized to specifically seek available  
7   federal, state, county, or private funding to restore taro and  
8   lo'i cultivation. One of the agricultural objectives of the  
9   Hawaii state plan is to perpetuate, promote, and increase use of  
10   traditional Hawaiian farming systems, such as the use of loko  
11   i'a, māla, and irrigated lo'i, and growth of traditional Hawaiian  
12   crops, such as kalo.

13           The purpose of this Act is to:

14           (1) Designate kalo farming as a protected cultural  
15           activity;



1 (2) Exempt from income tax up to \$75,000 of income derived  
2 from kalo products, kalo farming, and activities  
3 directly related to kalo; and

4 (3) Exempt from the general excise tax amounts received  
5 from kalo products, kalo farming, and activities  
6 directly related to kalo.

7 SECTION 2. Section 226-25, Hawaii Revised Statutes, is  
8 amended by amending subsection (b) to read as follows:

9 "(b) To achieve the culture objective, it shall be the  
10 policy of this State to:

11 (1) Foster increased knowledge and understanding of  
12 Hawaii's ethnic and cultural heritages and the history  
13 of Hawaii.

14 (2) Support activities and conditions that promote  
15 cultural values, customs, and arts that enrich the  
16 lifestyles of Hawaii's people and which are sensitive  
17 and responsive to family and community needs.

18 (3) Encourage increased awareness of the effects of  
19 proposed public and private actions on the integrity  
20 and quality of cultural and community lifestyles in  
21 Hawaii.



1 (4) Encourage the essence of the aloha spirit in people's  
2 daily activities to promote harmonious relationships  
3 among Hawaii's people and visitors.

4 (5) Establish the protection of kalo (*Colocasia esculenta*)  
5 farming as a cultural activity."

6 SECTION 3. Section 235-7, Hawaii Revised Statutes, is  
7 amended by amending subsection (a) to read as follows:

8 "(a) There shall be excluded from gross income, adjusted  
9 gross income, and taxable income:

10 (1) Income not subject to taxation by the State under the  
11 Constitution and laws of the United States;

12 (2) Rights, benefits, and other income exempted from  
13 taxation by section 88-91, having to do with the state  
14 retirement system, and the rights, benefits, and other  
15 income, comparable to the rights, benefits, and other  
16 income exempted by section 88-91, under any other  
17 public retirement system;

18 (3) Any compensation received in the form of a pension for  
19 past services;

20 (4) Compensation paid to a patient affected with Hansen's  
21 disease employed by the State or the United States in



1 any hospital, settlement, or place for the treatment  
2 of Hansen's disease;

3 (5) Except as otherwise expressly provided, payments made  
4 by the United States or this State, under an act of  
5 Congress or a law of this State, which by express  
6 provision or administrative regulation or  
7 interpretation are exempt from both the normal and  
8 surtaxes of the United States, even though not so  
9 exempted by the Internal Revenue Code itself;

10 (6) Any income expressly exempted or excluded from the  
11 measure of the tax imposed by this chapter by any  
12 other law of the State, it being the intent of this  
13 chapter not to repeal or supersede any express  
14 exemption or exclusion;

15 (7) Income received by each member of the reserve  
16 components of the Army, Navy, Air Force, Marine Corps,  
17 or Coast Guard of the United States of America, and  
18 the Hawaii National Guard as compensation for  
19 performance of duty, equivalent to pay received for  
20 forty-eight drills (equivalent of twelve weekends) and  
21 fifteen days of annual duty, at an:



- 1 (A) E-1 pay grade after eight years of service;  
2 provided that this subparagraph shall apply to  
3 taxable years beginning after December 31, 2004;
- 4 (B) E-2 pay grade after eight years of service;  
5 provided that this subparagraph shall apply to  
6 taxable years beginning after December 31, 2005;
- 7 (C) E-3 pay grade after eight years of service;  
8 provided that this subparagraph shall apply to  
9 taxable years beginning after December 31, 2006;
- 10 (D) E-4 pay grade after eight years of service;  
11 provided that this subparagraph shall apply to  
12 taxable years beginning after December 31, 2007;
- 13 and
- 14 (E) E-5 pay grade after eight years of service;  
15 provided that this subparagraph shall apply to  
16 taxable years beginning after December 31, 2008;
- 17 (8) Income derived from the operation of ships or aircraft  
18 if the income is exempt under the Internal Revenue  
19 Code pursuant to the provisions of an income tax  
20 treaty or agreement entered into by and between the  
21 United States and a foreign country; provided that the



1 tax laws of the local governments of that country  
2 reciprocally exempt from the application of all of  
3 their net income taxes, the income derived from the  
4 operation of ships or aircraft that are documented or  
5 registered under the laws of the United States;

6 (9) The value of legal services provided by a legal  
7 service plan to a taxpayer, the taxpayer's spouse, and  
8 the taxpayer's dependents;

9 (10) Amounts paid, directly or indirectly, by a legal  
10 service plan to a taxpayer as payment or reimbursement  
11 for the provision of legal services to the taxpayer,  
12 the taxpayer's spouse, and the taxpayer's dependents;

13 (11) Contributions by an employer to a legal service plan  
14 for compensation (through insurance or otherwise) to  
15 the employer's employees for the costs of legal  
16 services incurred by the employer's employees, their  
17 spouses, and their dependents;

18 (12) Amounts received in the form of a monthly surcharge by  
19 a utility acting on behalf of an affected utility  
20 under section 269-16.3; provided that amounts retained



1 by the acting utility for collection or other costs  
2 shall not be included in this exemption;

3 (13) Amounts received in the form of a cable surcharge by  
4 an electric utility company acting on behalf of a  
5 certified cable company under section 269-134;  
6 provided that any amounts retained by that electric  
7 utility company for collection or other costs shall  
8 not be included in this exemption; ~~and~~

9 (14) One hundred per cent of the gain realized by a fee  
10 simple owner from the sale of a leased fee interest in  
11 units within a condominium project, cooperative  
12 project, or planned unit development to the  
13 association of owners under chapter 514A or 514B, or  
14 the residential cooperative corporation of the  
15 leasehold units.

16 For purposes of this paragraph:

17 "Fee simple owner" shall have the same meaning as  
18 provided under section 516-1; provided that it shall  
19 include legal and equitable owners;



1 "Legal and equitable owner", and "leased fee  
2 interest" shall have the same meanings as provided  
3 under section 516-1; and

4 "Condominium project" and "cooperative project"  
5 shall have the same meanings as provided under section  
6 514C-1[-]; and

7 (15) Any income up to \$75,000 derived from the direct sale  
8 of kalo products, land used for kalo farming, or any  
9 activity directly related to kalo farming. For  
10 purposes of this paragraph, "kalo" means taro  
11 (*Colocasia esculenta*)."

12 SECTION 4. Section 237-24, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "§237-24 Amounts not taxable. This chapter shall not  
15 apply to the following amounts:

- 16 (1) Amounts received under life insurance policies and  
17 contracts paid by reason of the death of the insured;
- 18 (2) Amounts received (other than amounts paid by reason of  
19 death of the insured) under life insurance, endowment,  
20 or annuity contracts, either during the term or at  
21 maturity or upon surrender of the contract;





- 1           (3) Amounts received under any accident insurance or  
2           health insurance policy or contract or under workers'  
3           compensation acts or employers' liability acts, as  
4           compensation for personal injuries, death, or  
5           sickness, including also the amount of any damages or  
6           other compensation received, whether as a result of  
7           action or by private agreement between the parties on  
8           account of the personal injuries, death, or sickness;
- 9           (4) The value of all property of every kind and sort  
10          acquired by gift, bequest, or devise, and the value of  
11          all property acquired by descent or inheritance;
- 12          (5) Amounts received by any person as compensatory damages  
13          for any tort injury to the person, or to the person's  
14          character reputation, or received as compensatory  
15          damages for any tort injury to or destruction of  
16          property, whether as the result of action or by  
17          private agreement between the parties (provided that  
18          amounts received as punitive damages for tort injury  
19          or breach of contract injury shall be included in  
20          gross income);



- 1 (6) Amounts received as salaries or wages for services  
2 rendered by an employee to an employer;
- 3 (7) Amounts received as alimony and other similar payments  
4 and settlements;
- 5 (8) Amounts collected by distributors as fuel taxes on  
6 "liquid fuel" imposed by chapter 243, and the amounts  
7 collected by such distributors as a fuel tax imposed  
8 by any Act of the Congress of the United States;
- 9 (9) Taxes on liquor imposed by chapter 244D on dealers  
10 holding permits under that chapter;
- 11 (10) The amounts of taxes on cigarettes and tobacco  
12 products imposed by chapter 245 on wholesalers or  
13 dealers holding licenses under that chapter and  
14 selling the products at wholesale;
- 15 (11) Federal excise taxes imposed on articles sold at  
16 retail and collected from the purchasers thereof and  
17 paid to the federal government by the retailer;
- 18 (12) The amounts of federal taxes under chapter 37 of the  
19 Internal Revenue Code, or similar federal taxes,  
20 imposed on sugar manufactured in the State, paid by  
21 the manufacturer to the federal government;



- 1           (13) An amount up to, but not in excess of, \$2,000 a year  
2           of gross income received by any blind, deaf, or  
3           totally disabled person engaging, or continuing, in  
4           any business, trade, activity, occupation, or calling  
5           within the State; a corporation all of whose  
6           outstanding shares are owned by an individual or  
7           individuals who are blind, deaf, or totally disabled;  
8           a general, limited, or limited liability partnership,  
9           all of whose partners are blind, deaf, or totally  
10          disabled; or a limited liability company, all of whose  
11          members are blind, deaf, or totally disabled;
- 12          (14) Amounts received by a producer of sugarcane from the  
13          manufacturer to whom the producer sells the sugarcane,  
14          where:
- 15            (A) The producer is an independent cane farmer, so  
16            classed by the Secretary of Agriculture under the  
17            Sugar Act of 1948 (61 Stat. 922, chapter 519) as  
18            the Act may be amended or supplemented;
- 19            (B) The value or gross proceeds of the sale of the  
20            sugar, and other products manufactured from the  
21            sugarcane, are included in the measure of the tax



1                   levied on the manufacturer under section  
2                   237-13(1) or (2);

3           (C)   The producer's gross proceeds of sales are  
4                   dependent upon the actual value of the products  
5                   manufactured therefrom or the average value of  
6                   all similar products manufactured by the  
7                   manufacturer; and

8           (D)   The producer's gross proceeds of sales are  
9                   reduced by reason of the tax on the value or sale  
10                  of the manufactured products;

11       (15)   Money paid by the State or eleemosynary child-placing  
12                  organizations to foster parents for their care of  
13                  children in foster homes;

14       (16)   Amounts received by a cooperative housing corporation  
15                  from its shareholders in reimbursement of funds paid  
16                  by the corporation for lease rental, real property  
17                  taxes, and other expenses of operating and maintaining  
18                  the cooperative land and improvements; provided that  
19                  the cooperative corporation is a corporation:

20           (A)   Having one and only one class of stock  
21                  outstanding;



1 (B) Each of the stockholders of which is entitled  
2 solely by reason of the stockholder's ownership  
3 of stock in the corporation, to occupy for  
4 dwelling purposes a house, or an apartment in a  
5 building owned or leased by the corporation; and

6 (C) No stockholder of which is entitled (either  
7 conditionally or unconditionally) to receive any  
8 distribution not out of earnings and profits of  
9 the corporation except in a complete or partial  
10 liquidation of the corporation;

11 (17) Amounts received by a managed care support contractor  
12 of the TRICARE program that is established under title  
13 10 United States Code chapter 55, as amended, for the  
14 actual cost or advancement to third party health care  
15 providers pursuant to a contract with the United  
16 States; [~~and~~]

17 (18) Amounts received by a contractor of the Patient-  
18 Centered Community Care program that is established by  
19 the United States Department of Veterans Affairs  
20 pursuant to title 38 United States Code section 8153,  
21 as amended, for the actual costs or advancements to



1           third party health care providers pursuant to a  
2           contract with the United States[-]; and  
3        (19) Amounts received by a person for the direct sale of  
4           kalo products, land used for kalo farming, or any  
5           activity directly related to kalo farming. For  
6           purposes of this paragraph, "kalo" means taro  
7           (Colocasia esculenta)."

8           SECTION 5. Statutory material to be repealed is bracketed  
9           and stricken. New statutory material is underscored.

10          SECTION 6. This Act shall take effect upon its approval;  
11         provided that:

12           (1) Sections 3 and 4 of this Act shall apply to taxable  
13           years beginning after December 31, 2016;

14           (2) The amendments made to section 235-7(a), Hawaii  
15           Revised Statutes, by section 3 of this Act, shall not  
16           be repealed when that section is reenacted on  
17           January 1, 2018, pursuant to section 3 of Act 166,  
18           Session Laws of Hawaii 2007, as amended by Act 220,  
19           Session Laws of Hawaii 2012; and

20           (3) The amendments made to section 237-24, Hawaii Revised  
21           Statutes, by section 4 of this Act, shall not be



1 repealed when that section is reenacted on  
2 December 31, 2018, pursuant to section 4 of Act 70,  
3 Session Laws of Hawaii 2009, as amended by Act 164,  
4 Session Laws of Hawaii 2013.

5



**Report Title:**

Kalo Farming; Protected Cultural Activity; Zoning, Income Tax,  
and General Excise Tax Exemptions

**Description:**

Supports kalo (taro) farming by designating the protection of kalo farming as a state objective and provides income tax and general excise tax exemptions for income derived and amounts received, respectively, from the direct sale of kalo products, land used for kalo farming, and any activity directly related to kalo farming. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

