

STAND. COM. REP. NO.

3074

Honolulu, Hawaii

MAR 24 2016

RE: H.B. No. 2458  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Hawaiian Affairs, to which was referred  
H.B. No. 2458, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to require a  
wholesale rate of an unspecified per cent of general excise taxes  
to apply to the gross proceeds of sale or gross income arising  
from the sale of all products produced from Hawaiian loko i'a.

Your Committee received testimony in support of this measure  
from the Office of Hawaiian Affairs, Aha Moku Advisory Committee,  
Makaha Hawaiian Civic Club, and one individual. Your Committee  
received testimony in opposition to this measure from the  
Department of the Attorney General. Your Committee received  
comments on this measure from the Department of Taxation and Tax  
Foundation of Hawaii.

Your Committee finds that Hawaiian loko i'a are culturally  
significant and valuable to the State of Hawaii. Your Committee  
further finds that this measure helps to preserve the practice of  
sustainable aquaculture.

Your Committee has heard the concerns of the Department of  
Taxation regarding the administrative burden of creating a new tax  
rate exclusively for Hawaiian loko i'a products and the concerns of



the Department of the Attorney General regarding the Commerce Clause of the United States Constitution.

Accordingly, your Committee has amended this measure by:

- (1) Inserting one-half of one percent as the amount of the wholesale general excise tax rate;
- (2) Amending the definition of "Hawaiian loko i'a" to further clarify that the tax rate shall not discriminate against interstate commerce; and
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion.

Your Committee notes the concerns of the Department of Taxation relating to identification of Hawaiian loko i'a products and requests that if your Committee on Ways and Means decides to hear this measure, it consider S.B. No. 537, S.D. 1, Regular Session of 2015, as a resource for guidance.

As affirmed by the record of votes of the members of your Committee on Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2458, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2458, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Hawaiian Affairs,



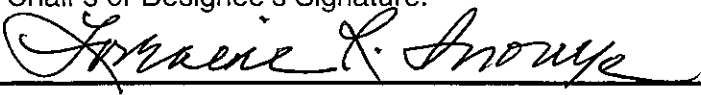
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MAILE S.L. SHIMABUKURO, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Hawaiian Affairs**  
**HWN**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2458, HD2	HWN, WAM	3/21/16		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
SHIMABUKURO, Maile S.L. (C)	✓			
ENGLISH, J. Kalani (VC)				✓
INOUYE, Lorraine R.	✓			
KIM, Donna Mercado				✓
SLOM, Sam			✓	
<b>TOTAL</b>	2		1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:     Original     Yellow     Pink     Goldenrod				
File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes

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# A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1           SECTION 1. The legislature finds that Hawaiian loko i'a  
2 (fishponds) are unique aquacultural systems that are an integral  
3 part of Hawaiian culture. Loko i'a are environmentally  
4 sustainable aquacultural enterprises, which also provide  
5 cultural benefits to Hawaii, employment opportunities, and  
6 fishstock enhancement. Fishpond production provides a highly  
7 desirable food source for local communities and offers income  
8 for the fishpond operator. While fishpond production is  
9 potentially profitable, profit margins are small.

10           The legislature further finds that products produced by  
11 Hawaiian loko i'a should be taxed at the wholesale rate of one-  
12 half of one per cent to help promote the cultivation of loko i'a.

13           SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16           "§237-    Products produced by Hawaiian loko i'a; wholesale  
17 rate. (a) The wholesale rate of one-half of one per cent shall



1 apply to all of the gross proceeds of sale or gross income  
2 arising from the sale of all products produced from Hawaiian  
3 loko i'a.

4 (b) For purposes of this section, "Hawaiian loko i'a" means  
5 the unique, traditional system and methodology of aquaculture  
6 originally practiced by the aboriginal people of Hawaii.  
7 Generally referred to as "loko i'a", the system mastered by  
8 ancient Hawaiians includes but is not limited to loko kuapa,  
9 loko umeiki, and loko pu'uone. Loko i'a are natural or  
10 artificial enclosures; loko kuapa are enclosures built upon a  
11 reef, loko umeiki are a type of permanent fish-trap structure,  
12 and loko pu'uone are enclosed by sand. The term includes  
13 fishponds built outside of the State of Hawaii. The term  
14 excludes any fishpond designed in a manner or constructed for  
15 purposes other than those associated with traditional loko i'a  
16 management and culture."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2050.

19



**Report Title:**

General Excise Tax; Loko i'a; Hawaiian Fishpond

**Description:**

Establishes a general excise tax at the wholesale rate of one-half of one per cent for the gross proceeds or income from all products produced from Hawaiian loko i'a. Effective 7/1/2050.  
(SD1)

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

