

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

FEBRUARY 24, 2017
12:30 P.M.
CONFERENCE ROOM 308

HOUSE BILL NO. 728 HD1
RELATING TO AGRICULTURE

Chairperson Luke and Members of the Committee:

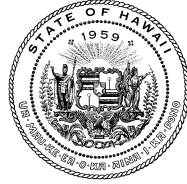
Thank you for the opportunity to testify on House Bill No. 728 HD1 that seeks to include livestock, aquaculture, and aquaponics to those agricultural commodities for which the amount received from loading, transportation, and unloading these commodities are exempt from the general excise tax. HD1 replaces the references to specific livestock and their respective carcasses and aquaculture and Section 147-1 (grading standards) with reference to Section 237-5 (general excise tax – definitions) and its definitions of “producer” and “agricultural products”. The Department of Agriculture supports the intent of this measure to the extent that it helps producers.

Thank you for the opportunity to comment on this measure.



DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Friday, February 24, 2017
Time: 12:30 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 728, H.D. 1, Relating to Agriculture

The Department of Taxation (Department) appreciates the intent of H.B. 728, H.D. 1, and provides the following comments for your consideration.

H.B. 728, H.D. 1, amends the existing general excise tax (GET) exemption for interisland transportation of agricultural commodities to apply to "agricultural products," as defined in section 237-5, Hawaii Revised Statutes (HRS). The measure has a defective effective date of July 31, 2150.

First, the Department notes that section 237-5, HRS, defines "agricultural products" to include floricultural, viticultural, forestry, nut, coffee, dairy, livestock, poultry, bee, animal, and any other farm, agronomic, or plantation products. This definition is broad and encompasses the definition of "agricultural commodities" from the original version of this measure.

Second, if the intent of the measure is to lessen the costs of interisland transportation of food, the Department recommends that the exemption be limited to agricultural products intended for use as food. Using the definition from section 237-5, HRS, without any limitation may have unintended consequences. For example, "agricultural products" includes flowers and may include lumber.

Finally, if the measure is advanced, the Department requests that the effective date be amended to so that the measure be made applicable to taxable years beginning after December 31, 2017, to allow the Department sufficient time to amend the relevant forms and instructions.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Broaden Exemption for Interisland Transport of Agricultural Commodities

BILL NUMBER: HB 728, HD-1

INTRODUCED BY: House Committee on Agriculture

SYNOPSIS: Amends HRS section 237-24.3(1), which currently exempts from the GET amounts received from the interisland transportation of agricultural commodities, to also include other producers, as defined in HRS section 237-5.

EFFECTIVE DATE: July 31, 2150.

STAFF COMMENTS: The existing exemption in HRS section 237-24.3(1) refers to several definitions in HRS section 147-1, which now refers to fresh fruits, vegetables, nuts, honey, and coffee. The current draft of the bill changes the definition to conform with HRS section 237-5, which is designed to capture many kinds of agricultural products and producers, including those raising livestock, growing flowers, and catching fish.

At present, the GET can only be imposed on transportation by water. GET on transportation of passengers or cargo by air is preempted by federal law. 49 U.S.C. section 40116; *Aloha Airlines, Inc. v. Director of Taxation*, 464 U.S. 7 (1983). But a charter boat fishing business made a similar preemption argument and did not prevail. *In re Reel Hooker Sportfishing, Inc.*, 236 P.3d 1230 (Haw. Ct. App. 2010), *cert. denied*, 131 S. Ct. 1616 (2011). It may be desirable from a policy perspective to conform tax treatment of interisland transportation by water to tax treatment of interisland transportation by air.

Digested 2/22/2017



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February 24, 2017

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 728, HD1
RELATING TO AGRICULTURE

Room 308
12:30 PM

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB strongly support HB 728, HD1, which expands the agricultural commodities general excise tax exemption to include cattle, goats, lambs, sheep, hogs, pork, and chickens; meat and carcasses of cattle, goats, lambs, sheep, hogs, pork, and chickens; milk products; eggs; and products of aquaculture and aquaponics.

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.

Our livestock and aquaculture industries are struggling with the high cost of their operations. This measure, which seeks to provide a GET exemption to assist Hawaii's livestock and aquaculture industries, is critical to insure the sustainability of Hawaii's livestock and aquaculture industries. This will help to reduce the operating costs and eventually help reduce the cost of purchasing local livestock and aquaculture products to local consumers.

Thank you for the opportunity to comment on this measure.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 23, 2017 6:00 AM
To: FINTestimony
Cc: director@bettercropshawaii.com
Subject: *Submitted testimony for HB728 on Feb 24, 2017 12:30PM*

HB728

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 12:30PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
BENNETTE MISALUCHA	Hawaii Crop Improvement Association	Support	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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



February 24, 2017

COMMITTEE ON FINANCE

Rep., Rep. Sylvia Luke, Chair; Rep. Ty Cullen, Vice Chair; and Committee Members
Public Hearing, February 24, 2017 at 12:30 p.m., Conference Room 308

**TESTIMONY of WILLIAM F. ANONSEN
MANAGING PARTNER/PRINCIPAL of THE MARITIME GROUP, LLC
IN SUPPORT of H.B. 728 HD1**

My name is William Anonsen and I am the Managing Partner/Principal of THE MARITIME GROUP, LLC. We support HB 728 HD1 which would serve to expand the agricultural products general excise tax exemption to include additional types of agricultural products, such as cattle beef, dairy milk, eggs and poultry meat, and aquaculture.

Hawaii's livestock industry has for several years faced numerous challenges, which have been contributing factors to the decline of the State's livestock industry. The passage of this measure is one of several ways to help our ranchers and farmers in reversing this trend and help to maximize our multi-island state's ability to increase our food subsistence and local sustainability.

Other agriculture commodities receive a general excise exemption, as such in fairness similar considerations should be provided our livestock industry. This measure seeks to assist Hawaii's livestock and aquaculture industries to reduce operating costs, and eventually reduce the cost of purchasing local livestock and aquaculture products by local consumers, to ensure the sustainability of Hawaii's livestock and aquaculture industries.

Mahalo for the opportunity to comment in support of this measure.

Sincerely,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal