

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

LATE

TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

FEBRUARY 8, 2017
8:30 A.M.
CONFERENCE ROOM 312

HOUSE BILL NO. 924
RELATING TO STATE FINANCES

Chairperson Creagan and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 924, which increases the general excise tax by one percentage point for a two-year period to provide a dedicated funding source for the acquisition of agricultural lands. The Department supports this bill provided it does not impact the priorities listed in the Executive Budget.

Providing State land to agriculturalists will allow local farmers the opportunity to obtain affordable lease rents and the ability to invest in future operations. The State's goal of food sustainability is directly affected with the ability to offer affordable agricultural lands. This bill will dedicate a funding source for the Agribusiness Development Corporation to do just that.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION
BEFORE THE COMMITTEE ON AGRICULTURE

Wednesday, February 8, 2017
8:30 a.m.

HOUSE BILL NO. 924
RELATING TO STATE FINANCES

Chairperson Creagan and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC supports House Bill No. 924 which increases the general excise tax to provide a dedicated funding source for the acquisition of agricultural lands and establishes the Acquisition of Agricultural Lands Trust Fund to further this purpose.

Today, many local farmers are struggling to stay in business, or are contemplating giving up their farm operations due to a number of challenges. The high cost of agricultural land and the inability to secure a long-term land agreement continue to be major barriers that inhibit local farms from thriving in Hawaii.

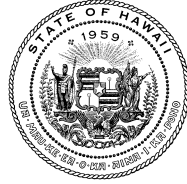
Providing a dedicated funding source to acquire agricultural land is critical for enhancing the State’s food security. The funding will not only help the State

significantly increase its agricultural land inventory for food production, it will also provide opportunities to boost the economic viability of the agriculture industry as a whole.

Thank you for the opportunity to testify, and for your consideration of this bill.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Richard P. Creagan, Chair
and Members of the House Committee on Agriculture

Date: Wednesday, February 8, 2017

Time: 8:30 A.M.

Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 924, Relating to State Finances

The Department of Taxation (Department) appreciates the intent of H.B. 924 and provides the following comments for your consideration.

Part I of H.B. 924 increases the rate of general excise tax (GET) from four to five percent. The bill does not amend the wholesale rate of GET. Part I also makes several technical nonsubstantive amendments to the GET law. Lastly, Part I of the bill provides that the additional revenue generated by the GET increase must be deposited into the acquisition of agricultural lands trust fund (trust fund). Part II of the bill establishes the acquisition of agricultural lands trust fund. Part III provides that the bill is effective July 1, 2017, and that section I of the bill is repealed on June 30, 2019.

First, the Department notes that it cannot implement the amendment to section 237-31, Hawaii Revised Statutes, as currently drafted. It is not possible to calculate the "additional revenues generated and collected from the increase in general excise tax rates" without a base amount set forth by statute. Any fluctuation to GET revenue can be attributable to an infinite number of factors. It is also conceivable that an increase in GET could cause a reduction to revenue because of the increased price. In order address this, the Department suggests taking a percentage of GET revenue collected, such as 20% (which seems consistent with the measure's intent) or a fixed amount, to be allocated to the special fund.

Second, the Department is not able implement a change in the GET rate by the current effective date of the bill. The proposed change in rate will require computer system changes, tax form and instructions changes, and taxpayer education. The Department requests an effective date of January 1, 2019 or later to allow the Department sufficient time to make such changes.

Thank you for the opportunity to provide comments.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:41 PM
To: AGRtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB924 on Feb 8, 2017 08:30AM*

HB924

Submitted on: 2/6/2017

Testimony for AGR on Feb 8, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	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.

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TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Tax Increase to Fund Acquisition of Agricultural Lands

BILL NUMBER: HB 924

INTRODUCED BY: OSHIRO, Creagan

EXECUTIVE SUMMARY: Increases the general excise tax by one percentage point for a two-year period to provide a dedicated funding source for the acquisition of agricultural lands. Creates a new special fund, the Acquisition of Agricultural Lands Trust Fund, to do this. With a tax increase of this magnitude, economic ripple effects are likely to be enormous because of the all-encompassing nature of the tax. Also, experience shows that tax increases that start out as temporary can take on a life of their own and refuse to die.

BRIEF SUMMARY: Amends HRS section 237-13 to raise the base GET tax rate to 5%.

Establishes the Acquisition of Agricultural Lands Trust Fund in HRS chapter 163D. Amends HRS section 237-31 to require that fund to receive any additional revenues attributable to this Act.

Makes conforming amendments to HRS sections 237-15, 237-16.5(a), and 237-18(f).

EFFECTIVE DATE: July 1, 2017; GET provisions repealed on July 1, 2019.

STAFF COMMENTS: This measure is proposed to provide additional revenue for acquisition of agricultural lands by increasing the general excise tax by 1% “for two years.” It should be remembered that any increase in the general excise tax rate will not only increase the cost of living in the state but also increase the cost of doing business. Thus, businesses must build the added cost of the additional rate into their overhead and, therefore, it must be recovered in the cost of the goods and services they sell. The general excise tax is perhaps the worst tax to increase because of its broad-based application. Increases in the cost of living, as well as the cost of doing business in the state will drive more and more businesses out of operation and with them the jobs Hawaii’s people need.

The general excise tax is all-encompassing. The Hawaii courts have said it is “a wide and tight net.” *In re Island Holidays, Ltd.*, 59 Haw. 307, 316, 582 P.2d 703, 708 (1978). It covers “virtually every economic activity imaginable.” *Pratt v. Kondo*, 53 Haw. 435, 436, 496 P.2d 1, 2 (1972). It “applies at all levels of economic activity ... and to virtually all goods and services.” *In re Central Union Church*, 63 Haw. 199, 202, 624 P.2d 1346, 1349 (1981). It is an “omnipresent snare.” *Wasson-Bendon Partners v. Kamikawa*, 93 Haw. 267, 278, 999 P.2d 865, 876 (Ct. App. 2000). Not only will the general excise tax increase the cost of doing business, but it will affect the cost of all other non-food purchases, be it clothes, textbooks for university students, rent for those people who don’t own their shelter which are generally the poor and middle class, the price at the pump for gasoline – everything right down the line. Residents of

Honolulu already know what such an increase can do the price of goods and services because of the transit surcharge.

More importantly, because the general excise tax is a tax on gross income, most businesses will try to recover as much of the cost of the tax by passing it on to the customer. As Oahu taxpayers learned when the 0.5% surcharge on the general excise tax for transit went into effect, the amount passed on to the customer went not from 4% to 4.5% but the charge went from 4.16% to 4.712%. Thus, the tax rate passed on will be more than the nominal 5%. Indeed, a 5% tax corresponds to a pass-on rate of 5.263%, and in Honolulu the rail surcharge will result in a pass-on rate of 5.820%. Again, such an increase will ripple through the economy and into the cost of all goods and services purchased by residents and visitors alike. To that degree, taxpayers can take their hats off to farmers for upping the cost of living and doing business in Hawaii.

And then there is the promise that the tax increase will be temporary. Temporary? In the world of Hawaii tax that word seems to have an entirely different meaning.

Let's take as an example our hotel room tax. When lawmakers initially passed it, it was to be a temporary 5% tax on hotel rooms to fund construction of the Hawaii convention center. Once the center was built, they said, the tax will go away.

That was in 1986.

And by the way, the tax isn't a mere 5% any more. In 2013, lawmakers were considering the "temporary" increase from 7.25% to 9.25% that they had approved a few years earlier, and they decided they couldn't live without the revenue. So they made the 9.25% rate permanent. Isn't 28 years a long time for a tax that was supposed to be temporary?

Then, there is a tax that is imposed on each barrel of petroleum products. It started off at a nickel per barrel to create a fund for environmental cleanup to be used if a disaster like the Exxon Valdez ever were to take place off our shores.

In 2009, lawmakers raised the nickel to \$1.05, an increase of 2000%. This was to be a temporary increase because the state had fallen upon tough economic times, and it is supposed to disappear on July 1, 2015. It didn't. The barrel tax is now permanent. So we are now looking at higher prices for everything involving petroleum products, including gasoline and electricity (guess what we burn to generate electricity).

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs now.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 12:30 PM
To: AGRtestimony
Cc: spawaikiki@gmail.com
Subject: Submitted testimony for HB924 on Feb 8, 2017 08:30AM

HB924

Submitted on: 2/7/2017

Testimony for AGR on Feb 8, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
dennis boyd miller	Individual	Oppose	No


Comments: Dear Representatives, I'm Dennis Miller, a Waikiki resident. I'm writing to oppose this bill. Please do not raise taxes every time you want to spend money. Please take a look at ways to reduce spending and raise money in other ways. For example, if you would pass the HB129 Hawaii Health Authority bill, we could design a health care system that eliminates insurance company micromanagement of doctors, which would eliminate 80% of the administrative cost of health care. The administrative cost of health care is 35% of total health care spending. Switching to a single payer health care system saves money. Next, legalize recreational marijuana and tax it. Windfall. Next, legalize hemp and watch the businesses spring up in that direction. Next, slightly increase labor law enforcement in the direction of educating businesses that pay their staff as independent contractors that they are risking an audit if they don't begin to voluntarily comply with labor laws, and start to pay their staff as employees. Watch the state payroll taxes increase. There are many ways the state could cut wasteful spending, and, creatively raise money. Please do not add another tax on top the outrageously expensive health care premiums which are already strangling all entities in Hawaii that have no choice except to pay, or quit. Thank you, Dennis Miller


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 | 808-733-7060

 | 808-737-4977

 | 1259 A'ala Street, Suite 300
Honolulu, HI 96817

February 8, 2017

The Honorable Richard P. Creagan, Chair

House Committee on Agriculture
State Capitol, Room 312
Honolulu, Hawaii 96813

RE: H.B. 924, Relating to State Finances

HEARING: Wednesday, February 8, 2017, at 8:30 a.m.

Aloha Chair Creagan, Vice Chair DeCoite and Members of the Committee,

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,000 members. HAR **strongly opposes** H.B. 924, which increases the General Excise Tax ("GET") by 1% for a two-year period to provide a dedicated funding source for the acquisition of agricultural lands. Additionally, it establishes the Acquisition of Agricultural Lands Trust Fund.

HAR believes that while agricultural lands is of great value to our State, the GET increase in this measure will be especially burdensome for low to moderate-income families. Hawaii's excise tax is a regressive tax that weighs more heavily on the poor because lower-income residents are forced to contribute a larger share of their incomes to cover the tax.

The burden of the pyramiding of the GET is hidden in the prices of goods and services. For example, if a person buys a loaf of bread on O'ahu for \$5.00, the store will typically add the excise tax of 4.712% and charges the person \$5.24, so the "visible tax" is 24 cents. In reality, however, the \$5.00 price has to cover the tax on goods and services as the bread moves through the production chain albeit at a lesser 0.5%. When it is all added up, the tax is a lot more than 24 cents.


Hawaii's general excise tax is unique and while it looks like a sales tax being imposed on every transaction, it is nothing like a retail sales tax found in some forty-four other states. This is because it is not a tax that is paid by the consumer, but one that is imposed on the business for the "privilege of doing business in the state."





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Studies have shown that with the pyramiding effect of the GET, the effective tax rate is considerably higher. For example, an increase from 4% to 5% or 5.5% on O'ahu would be equivalent to at least 17.5% upwards to 26% retail sales tax depending on the pyramiding whereas the GET in Hawaii is applied to 160 of 168 goods and services, the most of any State in the nation.

HAR believes that Hawaii's families and businesses continuously struggle to keep up with the cost of living and doing business in Hawai'i and a GET increase will only add to this burden. An increase to the GET will have a regressive impact on families already living paycheck-to-paycheck, our renters and our seniors.

There are many important programs that the state funds, but doing this could set a dangerous precedent for other programs with constituencies to come in for further tax increases.

Mahalo for the opportunity to testify in strong opposition to this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE

BILL NUMBER: HB 924

INTRODUCED BY: OSHIRO, Creagan

EXECUTIVE SUMMARY: Increases the general excise tax by one percentage point for a two-year period to provide a dedicated funding source for the acquisition of agricultural lands. Creates a new special fund, the Acquisition of Agricultural Lands Trust Fund, to do this. With a tax increase of this magnitude, economic ripple effects are likely to be enormous because of the all-encompassing nature of the tax. Furthermore, [temporary]

BRIEF SUMMARY: Amends HRS section 237-13 to raise the base GET tax rate to 5%.

Establishes the Acquisition of Agricultural Lands Trust Fund in HRS chapter 163D. Amends HRS section 237-31 to require that fund to receive any additional revenues attributable to this Act.

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A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs now.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Agriculture
Wednesday, February 8, 2017 at 8:30 A.M.
Conference Room 312, State Capitol**

LATE

RE: HOUSE BILL 924 RELATING TO STATE FINANCES

Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 924, which increases the general excise tax by one percentage point for a two-year period to provide a dedicated funding source for the acquisition of agricultural lands; establishes the Acquisition of Agricultural Lands Trust Fund to further this purpose.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

While we understand the intent of this measure, the Chamber does not support an increase in the General Excise Tax for acquisition of agricultural lands. Businesses are already struggling to stay afloat and trying their best in continuing to provide benefits to their employees and avoiding job cuts during these tough economic times. Merely keeping up with operating expenses is difficult, especially for small businesses. Therefore, a tax increase will become an additional cost imposed on companies that they cannot afford to undertake at this time.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 5:06 PM
To: AGRtestimony
Cc: gifts9954@gmail.com
Subject: *Submitted testimony for HB924 on Feb 8, 2017 08:30AM*



HB924

Submitted on: 2/7/2017

Testimony for AGR on Feb 8, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Vickery	Individual	Support	No

Comments:

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LATE TESTIMONY

Testimony to the 2017 29th Legislature,
House Committee on Agriculture
In support of House Bill 924

Members of the House Committee on Agriculture:

My name is Ernest Tottori, Chairman of the Board of HPC Foods also known as Taro Brand. My Company produces poi and sprouts and also processes cut fruits and vegetables. We have been in business for over 70 years. In this timeframe, we have seen many of the agriculture related businesses end their life cycle.

Hawaii no longer has fresh milk from cows grown within the State. Our chickens are imported from the mainland United States. Although we have limited supply of beef grown on the Big Island, most beef and pork are imported from the mainland United States. HC&S recently processed their final sugar cane haul.

Our produce farmers cannot produce a sufficient supply of fruits and vegetables to meet the demands for feeding our State. While we do not want to see an increase in taxes, in order to grow agriculture in the State of Hawaii, HPC Foods supports House Bill 924.

Respectfully submitted,



Ernest Tottori

Chairman of the Board
HPC Foods, Ltd.