

**SB 803**

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 SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT**

**FEBRUARY 3, 2017  
1:15 P.M.  
CONFERENCE ROOM 224**

**SENATE BILL NO. 803  
RELATING TO FOOD SAFETY**

Chairperson Gabbard and Members of the Committee:

Thank for the opportunity to testify on Senate Bill 803, which proposes to establish an income tax credit to assist farmers with expenses associated with compliance with the Food Safety Modernization Act (FSMA). The department supports the intent and offers comments.

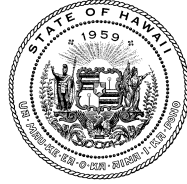
The department recognizes that costs to comply with the FSMA are prohibitive and could threaten possible farm closures and providing tax credits to the farmers will help offset the anticipated expenses to meet the FSMA requirements. However, the department lacks the expertise and resources to verify the nature and amount of the qualified expenses; certify the amount of tax credit and maintain records of the names and addresses of the qualified taxpayers claiming the credits, as proposed in the bill. In addition, although the bill provides the department the ability to create rules and to assess and collect a fee to offset the costs of certifying the tax credits claims, the bill does not allow the creation of a special fund or specify where the fees are to be deposited. It does not also provide the resources that may be needed in certifying such a tax credit.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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To: The Honorable Mike Gabbard, Chair  
and Members of the Senate Committee on Agriculture and Environment

Date: Friday, February 3, 2017  
Time: 1:15 P.M.  
Place: Conference Room 224, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 803, Relating to Food Safety

The Department of Taxation (Department) appreciates the intent of S.B. 803 and provides the following comments for your consideration.

S.B. 803 creates the Food Safety Modernization Act tax credit. The credit is a nonrefundable income tax credit equal to the qualified expenses of a farmer, food processor, or produce merchant whose gross income from the sale of agricultural products is \$500,000 or less. Qualified expenses are expenses incurred to comply with the requirements of the Food Safety Modernization Act of 2011, Public Law 111-353. The credit has a per-taxpayer cap of \$50,000 per taxable year and an aggregate cap of \$2,000,000 per taxable year. The credit applies to taxable years beginning after December 31, 2017.

The Department notes that the bill requires the Department of Agriculture to certify the amount of each credit and to track the cumulative amount of all credits claimed. The Department defers to the Department of Agriculture regarding its ability to make these certifications, but requests that the certification requirement for this credit be maintained. The Department of Taxation does not have the knowledge and expertise necessary to certify this credit.

Finally, the Department notes that it is able to administer this measure with the current effective date.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Establish Food Safety Income Tax Credit

**BILL NUMBER:** SB 803

**INTRODUCED BY:** GABBARD, BAKER, KEITH-AGARAN, KIM, NISHIHARA, RIVIERE, RUDERMAN

**EXECUTIVE SUMMARY:** Establishes an income tax credit to assist farmers with expenses associated with compliance with the federal Food Safety Modernization Act. Are we telling farmers that we don't expect them to grow food that would be safe for consumers without paying them public money?

**BRIEF SUMMARY:** Amends HRS chapter 235 by adding a new section allowing the food safety modernization act tax credit.

The amount of the tax credit would be 100% of the qualified expenses of the qualified taxpayer, up to a maximum of \$50,000. The credit is nonrefundable but may be carried forward indefinitely.

The department of agriculture would verify and certify the qualified expenses, like how motion picture and television production credit expenses are certified by the Hawaii film office.

Defines "qualified taxpayer" as a farmer, food processor, and produce merchant wholesaler who is subject to the Food Safety Modernization Act, Pub. L. No. 111-353, and whose gross income from the sale of agricultural products for the most recently reported fiscal year totals no more than \$500,000.

Defines "qualified expenses" as expenses incurred by a qualified taxpayer to comply with the requirements of the Food Safety Modernization Act.

Caps the credit at \$2 million for all qualified taxpayers in any taxable year, but provides that any taxpayer who is not eligible to claim the credit in a taxable year due to the \$2,000,000 cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

**EFFECTIVE DATE:** Upon approval, applies to taxable years beginning after December 31, 2017.

**STAFF COMMENTS:** This proposed tax credit would appear undesirable as a matter of tax policy because the creditable behavior is a federal law that the taxpayer must comply with anyway.

Are we telling farmers that we don't expect them to grow food that would be safe for consumers without paying them public money? If we don't give them the money and they go out of

Re: SB 803  
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business, shouldn't we be saying, "Good riddance, why do we need to have a farmer in the marketplace who is willing to put unsafe food on the market?"

Digested 1/27/2017



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February 3, 2017

HEARING BEFORE THE  
SENATE AGRICULTURE AND ENVIRONMENT COMMITTEE

**TESTIMONY ON SB 803**  
RELATING TO FOOD SAFETY

Room 224  
1:15 PM

Aloha Chair Gabbard, Vice Chair Riviere, 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 supports SB 803**, which establishes an income tax credit to assist farmers with expenses associated with compliance with the Food Safety Modernization Act (FSMA).

Foodborne illnesses can be serious and we should seek ways to reduce the risk. This bill will provide that assistance to our farmers for the costs they will incur to become food safety compliant.

The many criteria associated with FSMA to be compliant should not be an impediment for safe food. Hawaii cannot afford to further lose farmers as we strive to increase local food production. We want to incentivize our farmers' ability to continue their operations and provide Hawaii with abundant safe food.

Hawaii Farm Bureau respectfully requests your **strong support of SB 803** which will assist farmers with expenses to become compliant with the Food Safety Modernization Act.

Thank you for the opportunity to testify on this measure.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 2, 2017 12:45 PM  
**To:** AEN Testimony  
**Cc:** warrenmcfb@gmail.com  
**Subject:** \*Submitted testimony for SB803 on Feb 3, 2017 13:15PM\*

**SB803**

Submitted on: 2/2/2017

Testimony for AEN on Feb 3, 2017 13:15PM in Conference Room 224

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Warren Watanabe	Maui County Farm Bureau	Support	No

Comments:

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**Sent:** Tuesday, January 31, 2017 12:06 PM  
**To:** AEN Testimony  
**Cc:** ablukens@yahoo.com  
**Subject:** \*Submitted testimony for SB803 on Feb 3, 2017 13:15PM\*

**SB803**

Submitted on: 1/31/2017

Testimony for AEN on Feb 3, 2017 13:15PM in Conference Room 224

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ashley Lukens	Hawaii Center for Food Safety	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, January 28, 2017 10:24 PM  
**To:** AEN Testimony  
**Cc:** dale@hicattle.org  
**Subject:** \*Submitted testimony for SB803 on Feb 3, 2017 13:15PM\*

**SB803**

Submitted on: 1/28/2017

Testimony for AEN on Feb 3, 2017 13:15PM in Conference Room 224

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dale Sandlin	Hawaii Cattlemens Council	Support	No

Comments:

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**Sent:** Sunday, January 29, 2017 4:28 PM  
**To:** AEN Testimony  
**Cc:** alan@prloffice.com  
**Subject:** \*Submitted testimony for SB803 on Feb 3, 2017 13:15PM\*

**SB803**

Submitted on: 1/29/2017

Testimony for AEN on Feb 3, 2017 13:15PM in Conference Room 224

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alan Gottlieb	Individual	Support	No

Comments:

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