

STAND. COM. REP. NO. **262**

Honolulu, Hawaii

FEB 15 2017

RE: S.B. No. 1196
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 1196 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to bring Hawaii law into compliance with federal law relating to the sale of organic foods by small organic farms and businesses.

Your Committee received testimony in support of this measure from Kakalina Farms LLC and one individual. Your Committee received comments on this measure from the Department of Agriculture, Department of Taxation, and Tax Foundation Hawaii.

Your Committee finds that the Legislature passed Act 258, Session Laws of Hawaii 2016, codified as section 235-110.94, Hawaii Revised Statutes, which established the organic foods production tax credit for farmers, ranchers, and producers seeking to obtain organic certification as an effort to reduce the burden on emerging small farmers seeking costly, but necessary, certifications and inspections promoting the production of locally-grown food. The federal Organic Foods Production Act also provides exemptions for certain small farmers of organic products to reduce their operation costs. This measure ensures that Hawaii laws are in compliance with the Organic Foods Production Act for purposes of claiming the organic foods production tax credit.

Your Committee has amended this measure by:

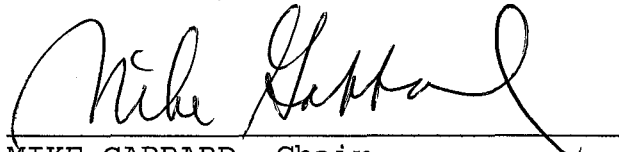
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- (1) As recommended by the Department of Agriculture, adding an additional provision to the definition of "qualified taxpayer" to include a farmer who provides a letter each year from the certifier confirming that the exempt organic farming operation seeking to establish or maintain qualification for the tax credit is in good standing with respect to its exempt status and in full compliance with applicable organic production and handling and labeling requirements;
- (2) As recommended by the Department of Taxation, changing the effective date to apply to taxable years beginning after December 31, 2016; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1196, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1196, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture and
Environment,


MIKE GABBARD, Chair



