

STAND. COM. REP. NO.

2049

Honolulu, Hawaii

FEB 06 2018

RE: S.B. No. 2685  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 2685 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 exempt the gross proceeds of the sale of produce that is intended for human consumption within the State received by any qualified small farmer from the general excise tax until 2022.

Your Committee received testimony in support of this measure from the Department of Agriculture; Hawai'i Farm Bureau; and Hawaii Cattlemen's Council, Inc. Your Committee received comments on this measure from the Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that the growth of small, diversified farming businesses adds to and diversifies Hawaii's economy. Your Committee further finds that the creation of an exemption from general excise tax for the gross proceeds of small farmers from the sale of produce will encourage the growth of new, small, and diversified farming businesses, will not significantly affect tax collections by the State, and will improve the long-term economic well-being of the State.

Your Committee has amended this measure by:



- (1) Deleting language that made the tax exemption applicable to produce intended for human consumption only within the State;
- (2) Adding language to the definition of "qualified small farmer" to require that produce be grown on a parcel of land that is classified and zoned as agricultural land by the Land Use Commission and county;
- (3) Applying the measure to gross income or gross proceeds received after December 31, 2018, and before January 1, 2023;
- (4) Changing the repeal date to January 1, 2023; and
- (5) 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. 2685, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2685, 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



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Agriculture and Environment**  
**AEN**

Bill / Resolution No.:* <b>SB 2685</b>	Committee Referral: <b>AEN, WAM</b>	Date: <b>1/31/18</b>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
RIVIERE, Gil (VC)				X
NISHIHARA, Clarence K.				X
RHOADS, Karl	<del>X</del>	X		
RUDERMAN, Russell E.	X			
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>2</b>

Recommendation:    
 Adopted    
 Not Adopted

Chair's or Designee's Signature:

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\*Only one measure per Record of Votes