

STAND. COM. REP. NO. **2677**

Honolulu, Hawaii

MAR 02 2018

RE: S.B. No. 3031
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 3031, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE ORGANIC FOODS PRODUCTION TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify and strengthen the organic foods production tax credit.

More specifically, this measure:

- (1) Requires that, in any taxable year where the aggregate cap amount of the tax credit has been exceeded, all taxpayers claiming the tax credit receive a prorated credit amount;
- (2) Repeals the authority of the Board of Agriculture to assess and collect a fee to offset the costs of certifying tax credit claims; and
- (3) Provides that only expenses incurred to apply for, obtain, and maintain organic certification from the United States Department of Agriculture, pursuant to the Organic Foods Production Act, may be used to claim the tax credit.



Your Committee received written comments in support of this measure from the Department of Agriculture, Hawaii Farm Bureau Federation, OCC Legislative Priorities Committee, Democratic Party of Hawaii, and two individuals.

Your Committee received written comments on this measure from the Department of Taxation.

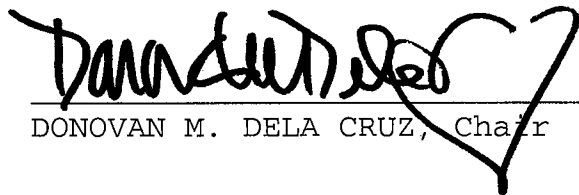
Your Committee finds that the organic foods production tax credit, codified as section 235-110.94, Hawaii Revised Statutes, was established to assist organic farmers by offsetting the costs to cultivate organically produced agricultural products. Your Committee also finds that obtaining and maintaining organic certification from the United States Department of Agriculture is a costly endeavor for small farmers.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure;
- (2) Applying the measure to unspecified taxable years; and
- (3) Deleting the unnecessary repeal date.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3031, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3031, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



