



STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways & Means

Date: Friday, February 23, 2018
Time: 11:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 3031, S.D. 1, Relating to the Organic Foods Production Tax Credit

The Department of Taxation (Department) offers the following comments for your consideration.

S.B. 3031, S.D. 1, amends the credit by amending Hawaii Revised Statutes (HRS) section 235-110.94, as follows:

- Specifies that when the credit's \$2 million aggregate cap is exceeded, taxpayers may claim the credit on a pro rata basis;
- Specifies that the pro rata basis shall be calculated by dividing \$2,000,000 by the cumulative amount of all qualified expenses submitted for the taxable year, then multiplying that quotient by each taxpayer's qualified expenses for the taxable year;
- Amends the definition of "qualified expenses" to exclude the production of organic foods;
- Has a defective effective date as S.D. 1 applies to taxable years beginning after an unspecified date in 2017; and
- Repealed on December 31, 2021.

The Department first notes that the Senate Committee on Agriculture and Environment amended this measure by inserting language to specify the determination of "pro rata basis" for allocation of the tax credit, and by repealing language that allowed the Board of Agriculture to assess and collect a fee to offset the costs of certifying tax credit claims.

The Department is able to administer the credit as amended by this measure for taxable years beginning after December 31, 2017.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
Governor

DOUGLAS S. CHIN
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

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

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS & MEANS

**FEBRUARY 23, 2018
11:00 A.M.
CONFERENCE ROOM 211**

**SENATE BILL NO. 3031 SD1
RELATING TO ORGANIC FOODS PRODUCTION TAX CREDIT**

Chairperson Dela Cruz and Members of the Committee:

Thanks for the opportunity to testify on Senate Bill No. 3031 SD1 relating to organic foods production tax credit. This bill clarifies and strengthens the organic foods production tax credit. The Department supports this bill.

Act 258, SLH 2017 established a tax credit of farmers, ranchers, and producers seeking to obtain organic certification and requires the Department to certify the qualified expenses submitted by the taxpayer. In developing the qualification criteria, the Department identified questionable language within the Act that needed to be clarified and strengthened. The Department feels that this bill includes the necessary changes needed to properly administer the qualification process.

Thank you for the opportunity to testify on this measure.



SB-3031-SD-1

Submitted on: 2/22/2018 10:24:53 AM

Testimony for WAM on 2/23/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

SB-3031-SD-1

Submitted on: 2/21/2018 3:58:48 PM

Testimony for WAM on 2/23/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments: