

SB 605

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

**SENATE BILL NO.605
RELATING TO AGRICULTURE**

Chairperson Gabbard and Members of the Committee:

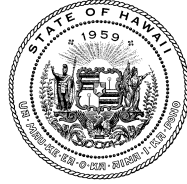
Thank you for the opportunity to testify on Senate Bill No. 605 that seeks to include livestock, aquaculture, and aquaponics to those agricultural commodities for which the amount received from loading, transportation, and unloading these commodities are exempt from the general excise tax. The Department of Agriculture supports the intent of this measure to the extent that it helps producers.

Thank you for the opportunity to submit our testimony.



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
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Agriculture and Environment

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

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 605, Relating to Agriculture

The Department of Taxation (Department) appreciates the intent of S.B. 605 and provides the following comments for your consideration.

S.B. 605 expands the definition of “agricultural commodities” for the purposes of the general excise tax (GET) exemption on amounts received from the loading, transportation, and unloading of agricultural commodities between islands. The bill expands the definition of “agricultural commodities” to include various livestock, meat, milk, and eggs, and “products of aquaculture or aquaponics, to be consumed in the State, whether processed in the State or imported.” The measure is effective July 1, 2017.

The Department first notes that there is no definition presently in the statutes of “products of aquaculture and aquaponics,” which may be needed in order to properly implement this expansion to the existing exemption.

Additionally, if the Committee wishes to advance this measure, the Department requests that the effective date be amended to so that the measure be made applicable to taxable years beginning after December 31, 2017, to allow the Department sufficient time to amend the relevant forms and instructions.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Broaden Exemption for Interisland Transport of Agricultural Commodities

BILL NUMBER: SB 605

INTRODUCED BY: NISHIHARA, Shimabukuro

BRIEF SUMMARY: Amends HRS section 237-24.3(1), which currently exempts from the GET amounts received from the interisland transportation of agricultural commodities, to also include interisland transportation of meat products, milk, poultry products, eggs, and products of aquaculture and aquaponics.

EFFECTIVE DATE: July 1, 2017.

STAFF COMMENTS: The existing exemption in HRS section 237-24.3(1) refers to several definitions in HRS section 147-1, which now refers to fresh fruits, vegetables, nuts, honey, and coffee. If the idea is to exempt interisland transportation of all kinds of agricultural products, especially locally grown and caught food products, flowers, and the like, a better definition may be found in HRS section 237-5, which is designed to capture many kinds of agricultural products and producers.

At present, the GET can only be imposed on transportation by water because GET on transportation of passengers or cargo by air is preempted by federal law, 49 U.S.C. section 40116. It may be desirable from a policy perspective to conform tax treatment of interisland transportation by water to tax treatment of interisland transportation by air.

Digested 1/26/2017



P.O. Box 253, Kunia, Hawai'i 96759
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e-mail info@hfbf.org; www.hfbf.org

February 1, 2017

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 605
RELATING TO RELATING TO AGRICULTURE

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 strongly support SB 612, which expands the agricultural commodities general excise tax exemption to include cattle, goats, lambs, sheep, hogs, pork, and chickens; meat and carcasses of cattle, goats, lambs, sheep, hogs, pork, and chickens; milk products; eggs; and products of aquaculture and aquaponics.

Hawaii's livestock industry faces numerous challenges. These challenges have been a contributing factor to the decline of the state's livestock industry. Sustainability, self-sufficiency and growing agriculture are popular concepts seen in many of the measures before the legislature this year. This Legislative Session, there have been many bills introduced that support of Hawaii's agricultural industry.

Our livestock and aquaculture industries are struggling with the high cost of their operations. This measure, which seeks to provide a GET exemption to assist Hawaii's livestock and aquaculture industries, is critical to insure the sustainability of Hawaii's livestock and aquaculture industries. This will help to reduce the operating costs and eventually help reduce the cost of purchasing local livestock and aquaculture products to local consumers.

Thank you for the opportunity to comment on this measure.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 10:24 AM
To: AEN Testimony
Cc: warrenmcfb@gmail.com
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/31/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

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

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Hawaii Cattlemen's Council, Inc.

COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Senator Mike Gabbard, Chair | Senator Gil Riviere, Vice Chair

DATE: Wednesday, February 1, 2017
TIME: 1:15 p.m.
PLACE: Conference Room 224

SB 605 – RELATING TO AGRICULTURE

Expands the agricultural commodities general excise tax exemption to include cattle, goats, lambs, sheep, hogs, pork, and chickens; meat and carcasses of cattle, goats, lambs, sheep, hogs, pork, and chickens; milk products; eggs; and products of aquaculture and aquaponics.

Chair Gabbard, Vice Chair Riviere, and Members of the Committee:

My name is Dale Sandlin, and I am Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 150+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council **strongly supports** SB 605 as this measure would provide a level playing field among the agricultural commodities, as all others enjoy this exemption.

Currently, livestock and meat, from various species, are not included in the definition of an agricultural commodity in many places. In the past, we have worked to correct this as it is discovered and one of these places is in the exemption of GET for agricultural commodities. Since all other commodities enjoy this benefit, we ask for the same consideration.

We have asked Young Brothers to provide us with their estimate of how much this exemption would cost the State of Hawaii in lost General Excise Taxes, and hope to have that information by subsequent hearings of the bill. In 2009, YB estimated that amount was just \$6,100 for General Excise taxes they collected on items which would be affected by this amendment; a very small amount for the State, but a big amount for local livestock producers. As more cattle are kept in Hawaii for local consumption, this exemption would help improve the economics of livestock production in Hawaii and help the State improve our food security.

We respectfully ask this committee to support our industry as it has other commodity groups in the past.

Please excuse our lack of physical presence as our industry's national convention is being held on the mainland during the time of this hearing. We thank you for your understanding and for giving us the opportunity to testify on this important matter.



From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 2:06 PM
To: AEN Testimony
Cc: bspence@hawaiiranchers.com
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/31/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Betty Spence	Hawaii Cattle Producers Coop	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2017 7:10 PM
To: AEN Testimony
Cc: pono@ponoholo.com
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/29/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Harry von Holt	Ponoholo Ranch, Ltd	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2017 3:09 PM
To: AEN Testimony
Cc: alan@prloffice.com
Subject: Submitted testimony for SB605 on Feb 1, 2017 13:15PM

SB605

Submitted on: 1/29/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Ponoholo Ranch Limited	Support	No

Comments: This is an issue of parity. All other agricultural commodities have this G.E.T. Exemption. The reason we ask that livestock and meat, milk eggs, poultry, aquaculture, etc. be included in the definition is so like other Agricultural commodities, we will be exempt from the State's General Excise Tax on loading and unloading fees. Over the years we have come across definitions of agriculture commodities which have not included livestock, or the meat from livestock agriculture, milk, eggs, poultry and aquaculture/aquaponics, etc. and have sought to have those corrected so they are included. The problem is that there are so many different places where there are definitions, we seem to need to deal with them one by one as they come to our attention. In the past the legislature has always been very supportive on this very common sense issue.

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Meadow Gold Dairies



Written Testimony by: Glenn Muranaka
SB 605, Agriculture
Senate AEN Hearing, Tuesday, Weds. Feb. 1, 2017 – 1:15 pm
Room 224
Position: Support

Chair Gabbard and Members of the Senate AEN Committee:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897—120 years, providing Hawaii consumers with a variety of milk products and juices. Meadow Gold's long history has not come without effort. We continually adapt to our customers' and consumers' ever-changing needs, and we constantly evolve along with our industry, our community and our market. Over the years, this has required that we struggle, tighten our belts, innovate and work extremely hard, making us a better company in the process. The foundation of this work rests with the 330 employees that are committed to providing superior quality products.

We strongly support this measure that expands the definition to include cattle, beef and beef carcasses; goats, goat meat, and goat carcasses; lamb, lamb meat, and lamb carcasses, sheep, sheep meat and sheep carcasses, hogs, pork, and pork carcasses; milk and milk products; eggs; and chickens, poultry meat, and poultry carcasses; and products of aquaculture or aquaponics to be consumed in the State whether processed in the State or imported.

Currently HRS 147-1 definition of "Agricultural commodity" means fresh fruits and fresh vegetables of every kind and character, whether or not frozen or packed in ice, whether produced in the State or imported, nuts, and coffee, whether cherry or parchment, or green beans, which have been produced in the State, and raw unprocessed honey, whether produced in the State or imported."

This measure provides a broader definition of agricultural commodities that better reflects Hawaii's agricultural industry.

The GET exemptions for the proposed agricultural commodities help reduce the cost of doing business in Hawaii, and for some, may make a difference for establishing new businesses or for existing businesses to continue to contribute to Hawaii's productive agriculture businesses.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 944-5911.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 12:56 PM
To: AEN Testimony
Cc: iranon.k5@gmail.com
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/31/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Keone Iranon	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 6:24 AM
To: AEN Testimony
Cc: gregf@haleakalaranch.com
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/30/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Gregory Friel	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 5:33 AM
To: AEN Testimony
Cc: kaimiunger@gmail.com
Subject: Submitted testimony for SB605 on Feb 1, 2017 13:15PM

SB605

Submitted on: 1/30/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Keith	Individual	Support	No

Comments: McCandless Ranch strongly supports SB 605. Exempting livestock and meat from the GET would provide a level playing field with other agricultural commodities that currently enjoy this benefit as well as help the state of Hawaii meet their food sustainability goals.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2017 1:39 PM
To: AEN Testimony
Cc: ej@hawaiiantel.net
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/29/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
ellen jackson	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, January 28, 2017 2:40 PM
To: AEN Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB605 on Feb 1, 2017 13:15PM*

SB605

Submitted on: 1/28/2017

Testimony for AEN on Feb 1, 2017 13:15PM in Conference Room 224

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

Comments:

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