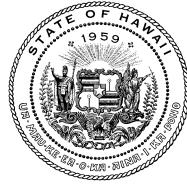


DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair  
and Members of the Senate Committee on Ways and Means

Date: Wednesday, March 1, 2017  
Time: 9:30 A.M.  
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 803, S.D. 1, Relating to Food Safety

The Department of Taxation (Department) appreciates the intent of S.B. 803, S.D. 1, and provides the following comments for your consideration.

S.B. 803, S.D. 1, creates the Food Safety Modernization Act tax credit. The credit is a nonrefundable income tax credit equal to the qualified expenses of a farmer, food processor, or produce merchant whose gross income from the sale of agricultural products is \$500,000 or less. Qualified expenses are expenses incurred to comply with the requirements of the Food Safety Modernization Act of 2011, Public Law 111-353. The credit has a per-taxpayer cap of \$50,000 per taxable year and an aggregate cap of \$2,000,000 per taxable year. The S.D. 1 adds provisions dictating that fees collected by the Department of Agriculture for the cost of certifying the credit be deposited into the Food Safety Modernization Act special fund, created in subsection (e) of the measure. The act is effective on approval and the tax credit applies to taxable years beginning after December 31, 2017.

The Department notes that the bill requires the Department of Agriculture to certify the amount of each credit and to track the cumulative amount of all credits claimed. The Department defers to the Department of Agriculture regarding its ability to make these certifications, but requests that the certification requirement for this credit be maintained. The Department of Taxation does not have the knowledge and expertise necessary to certify this credit.

Finally, the Department notes that it is able to administer this measure with the current effective date of taxable years beginning after December 31, 2017. This will allow sufficient time to make the necessary form, instruction, and computer system changes.

The estimated revenue impact on the general fund is approximately \$2 million for fiscal years 2018 through 2023.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
Governor

SHAN S. TSUTSUI  
Lt. Governor



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

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 WAYS & MEANS**

**MARCH 1, 2017  
9:30 A.M.  
CONFERENCE ROOM 211**

**SENATE BILL NO. 803 SD1  
RELATING TO FOOD SAFETY**

Chairperson Tokuda and Members of the Committee:

Thank for the opportunity to testify on Senate Bill 803 SD1 which proposes to establish an income tax credit and special fund to assist farmers with expenses associated with compliance with the Food Safety Modernization Act (FSMA). The Department supports the intent, offers comments, and a recommendation.

The Department recognizes that costs to comply with the FSMA will likely be considerable and may cause farm closures. Providing tax credits to the farmers will help offset their expenses to meet the FSMA requirements. The bill requires the Department to verify the nature and amount of the qualified expenses, certify the amount of tax credits, and maintain records of the names and addresses of the qualified taxpayers claiming the credits. In addition, although the bill provides the department the ability to assess and collect fees to offset the costs of certifying the tax credits claims, the bill does not allow the Department to adopt rules to carry out its responsibilities.

Clarity in the definition as to what is allowed as a qualified agricultural cost will help to ensure we are consistent in the manner we review and assess each application



and cost item for the tax credit. Therefore, we request to be authorized to adopt rules to carry out our responsibilities.

(Page 3, lines 12-16 new language is bold and double underscored, deletions are stricken through)

- "(3) Total all qualified and cumulative expenses that the department certifies; and
- (4) Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit; and
- (5) May adopt rules under chapter 91 necessary to effectuate the purposes of this section.**"

Additionally, the Department asks for general fund resources and additional personnel to establish this tax credit program and assist in the administration of the other tax credits we are responsible for (Sections 235-110.93 and 235-110.94).

Thank you for the opportunity to testify on this measure.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Establish Food Safety Income Tax Credit

**BILL NUMBER:** SB 803, SD-1

**INTRODUCED BY:** Senate Committee on Agriculture and Environment

**EXECUTIVE SUMMARY:** Establishes an income tax credit to assist farmers with expenses associated with compliance with the federal Food Safety Modernization Act. Given that this credit does not apply to farmers generally or small farmers generally, are we telling farmers that we don't expect them to grow food that would be safe for consumers without paying them public money?

**BRIEF SUMMARY:** Amends HRS chapter 235 by adding a new section allowing the food safety modernization act tax credit.

The amount of the tax credit would be 100% of the qualified expenses of the qualified taxpayer, up to a maximum of \$50,000. The credit is nonrefundable but may be carried forward indefinitely.

The department of agriculture would verify and certify the qualified expenses, like how motion picture and television production credit expenses are certified by the Hawaii film office.

Defines "qualified taxpayer" as a farmer, food processor, and produce merchant wholesaler who is subject to the Food Safety Modernization Act, Pub. L. No. 111-353, and whose gross income from the sale of agricultural products for the most recently reported fiscal year totals no more than \$500,000.

Defines "qualified expenses" as expenses incurred by a qualified taxpayer to comply with the requirements of the Food Safety Modernization Act.

Caps the credit at \$2 million for all qualified taxpayers in any taxable year, but provides that any taxpayer who is not eligible to claim the credit in a taxable year due to the \$2,000,000 cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

**EFFECTIVE DATE:** Upon approval, applies to taxable years beginning after December 31, 2017.

**STAFF COMMENTS:** This proposed tax credit would appear undesirable as a matter of tax policy because the creditable behavior is a federal law that the taxpayer must comply with anyway.

The existence of this credit sends the wrong message. Are we telling farmers that we don't expect them to grow food that would be safe for consumers without paying them public money?

If we don't give them the money and they go out of business, shouldn't we be saying, "Why do we need to have a farmer in the marketplace who is willing to put unsafe food on the market?"

If this credit is put on the books, it may create an undesirable precedent. All taxpayers need to spend money to comply with the law. How about a credit for people who have to pay to have a tax return prepared?

Maybe farmers generally, or small farmers generally, might be deserving of assistance. If that is the case, the proper way to deliver the assistance is through grants of appropriated funds.

Digested 2/27/2017



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEE ON WAYS & MEANS  
Wednesday, March 1, 2017 — 9:30 a.m. — Room 211

**Ulupono Initiative Strongly Supports SB 803 SD 1, Relating to Food Safety**

Dear Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

My name is Kyle Datta and I am General Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and reduce waste. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono strongly supports SB 803 SD 1**, which provides an income tax credit to farmers for compliance with food safety regulations and sets up a food safety modernization act special fund, because it aligns with our goal of creating more locally produced food.

One of the greatest challenges facing agricultural enterprises over the next few years is getting into compliance with new federal food safety regulations. These new rules are expected to protect public health by providing more information about food production. However, the new regulations are expected to be significantly more strict than the current guidelines, which requires more time and cost for compliance. It is a challenge for our farmers and ranchers to navigate the nuances of the law, track new data requirements, and implement best practices for food safety. Without this funding, farmers and ranchers, particularly smaller scale operations, may be in violation of the law or be forced to shut down, which will jeopardize the future of local agriculture in Hawai'i.

As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

We believe that by collaborating, we can help produce more local food and support an economically robust homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

*Investing in a Sustainable Hawai'i*



Kyle Datta  
General Partner



P.O. Box 253, Kunia, Hawai'i 96759  
Phone: (808) 848-2074; Fax: (808) 848-1921  
e-mail [info@hfbf.org](mailto:info@hfbf.org); [www.hfbf.org](http://www.hfbf.org)

March 1, 2017

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON SB 803, SD1**  
RELATING TO FOOD SAFETY

Room 211  
9:30 AM

Aloha Chair Tokuda, Vice Chair Dela Cruz, 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 supports SB 803, SD1**, which establishes an income tax credit to assist farmers with expenses associated with compliance with the Food Safety Modernization Act (FSMA).

Foodborne illnesses can be serious and we should seek ways to reduce the risk. This bill will provide that assistance to our farmers for the costs they will incur to become food safety compliant.

The many criteria associated with FSMA to be compliant should not be an impediment for safe food. Hawaii cannot afford to further lose farmers as we strive to increase local food production. We want to incentivize our farmers' ability to continue their operations and provide Hawaii with abundant safe food.

Hawaii Farm Bureau respectfully requests your **strong support of SB 803, SD1**, which will assist farmers with expenses to become compliant with the Food Safety Modernization Act.

Thank you for the opportunity to testify on this measure.





**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
WEDNESDAY, MARCH 1, 2017 AT 9:30 A.M.**

To The Honorable Jill N. Tokuda, Chair;  
The Honorable Donovan M. Dela Cruz Vice Chair; and  
Members of the Committee on Ways and Means

**TESTIMONY IN SUPPORT OF SB 803 TO PROVIDE AN INCOME TAX CREDIT TO FARMERS  
TO ASSIST IN COSTS OF COMPLIANCE WITH FDA FOOD SAFETY MODERNIZATION ACT**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our support of SB 803.

This bill fits with one of our important legislative priorities this year, which is to support the agriculture industry and our local farmers. One of the more recent issues to arise that could negatively affect our agriculture industry are the new requirements imposed by the FDA's Food Safety Modernization Act. Farmers may be faced with huge costs and time consuming processes in order to comply with many of the new regulations, which is a burden that many cannot undertake with the already unpredictable nature of the agriculture industry. Therefore, we support this bill that would give an income tax credit to farmers to assist with meeting the costs of complying with the federal Food Safety Modernization Act. This is vital for our agriculture industry that provides a number of jobs and resources for our local community.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be passed.

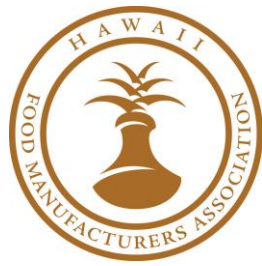
Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

*Pamela Tumpap*

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



**Testimony to the Senate Committee on Ways and Means  
Wednesday, March 1, 2017 at 9:30 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL 803 SD1 RELATING TO FOOD SAFETY**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Hawaii Food Manufacturers Association ("HFMA") **supports** SB 803 SD1, which establishes an income tax credit to assist farmers with expenses associated with compliance with the Food Safety Modernization Act.

HFMA is a non-profit organization that serves as a conduit for resources, tools and expertise to benefit existing and start-up companies in the state's \$900 million food manufacturing industry. Established in 1977, HFMA is the only statewide food manufacturing association in the United States, representing approximately 130 companies and industry stakeholders. HFMA advocates on behalf of the local manufacturing community and works to increase public awareness of Hawaii's unique, locally made food and beverage products.

With deadlines for the Food Safety Modernization Act coming up, this bill provides support to ensure that Hawaii's farmers can meet the deadlines. Doing business in Hawaii is already difficult with many mandates and additional costs imposed on its businesses. The implementation of FSMA adds another hurdle that Hawaii's agriculturalists must cross to stay in business. Agribusiness is a struggling, yet important part of Hawaii's economy. Faced with the stringent requirements of FSMA compliance, this bill would be testament to Hawaii's desire to support a self-sustaining economy and provide necessary assistance to help farmers stay in business.

Thank you for the opportunity to testify.

**2016-2018 Board of Directors**

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Aurora Saulo  
*University of Hawaii*

Nina Tanabe  
*Pacific Food Technology*

Susan Utsugi  
*Central Pacific Bank*

Jason Wong  
*HFM FoodService*

**SB803**

Submitted on: 2/27/2017

Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dale Sandlin	Hawaii Cattlemens Council	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 27, 2017 4:55 PM  
**To:** WAM Testimony  
**Cc:** director@bettercropshawaii.com  
**Subject:** \*Submitted testimony for SB803 on Mar 1, 2017 09:30AM\*

**SB803**

Submitted on: 2/27/2017

Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
BENNETTE MISALUCHA	Hawaii Crop Improvement Association	Support	No

**Comments:**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 28, 2017 6:31 PM  
**To:** WAM Testimony  
**Cc:** nwalshjones@aol.com  
**Subject:** Submitted testimony for SB803 on Mar 1, 2017 09:30AM

**SB803**

Submitted on: 2/28/2017  
Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Nancy Jones	Hydroponics Alternatives LLC	Support	No

Comments: Aloha Honorable Committee Members: We submit this testimony in support of SB 803, SD 1 -- as amended -- that provides for an income tax credit for qualified expenses associated with complying with the FDA's Food Safety and Modernization Act (FSMA) and also establishes an FSMA special fund. To ensure a safe, local food supply for Hawai'i's consumers and remain competitive in the export market, farmers and ranchers are faced with implementing the FSMA (not unlike GLOBALGAP/EUREPGAP adopted by the majority of food importers and many food producers worldwide). However in connection with the FSMA, while hydroponics growers like us must comply with frequent, expensive, water testing (even with City water), conventional farmers and ranchers may also bear the added costs of expensive testing for soil and other production elements. At the same time, the already understaffed Hawaii Department of Agriculture (HDOA) folks -- with the adoption of this bill -- are now tasked with implementing this tax credit program. Adopting this tax credit program not only benefits Hawai'i's farmers and ranchers, but all Hawai'i consumers. It also promotes greater food security and may decrease dependence on food imports from Mexico/South America and elsewhere. For these reasons, we urge your committee to please pass SB 803, SD 1 out of your committee with additional language (if needed) to support the HDOA as much as possible in implementing this tax credit and special fund program. Mahalo for this opportunity to present testimony supporting this important measure.

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**To:** WAM Testimony  
**Cc:** lorie.farrell@gmail.com  
**Subject:** \*Submitted testimony for SB803 on Mar 1, 2017 09:30AM\*

**SB803**

Submitted on: 2/28/2017  
Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lorie Farrell	Hawaii Farmers & Ranchers United	Support	No

Comments:

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**Sent:** Monday, February 27, 2017 4:21 PM  
**To:** WAM Testimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for SB803 on Mar 1, 2017 09:30AM\*

**SB803**

Submitted on: 2/27/2017

Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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**To:** WAM Testimony  
**Cc:** gordines@kauaiflowers.com  
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**SB803**

Submitted on: 2/28/2017  
Testimony for WAM on Mar 1, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John R. Gordines	Individual	Support	No

Comments:

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**LATE**

Aloha Senator Gabbard and Committee Members,

The Food Safety Modernization Act "FSMA" compliance is a huge burden facing Hawaii farmers. As Hawaii farmers are facing many challenges, FSMA is a huge obstacle for many farmers, their future and food security for Hawaii.

Please support SB 803 as Hawaii needs to increase its food sustainability to meet the Sustainable Hawaii Initiative in 2020.

Mahalo for this opportunity to provide testimony.

Sarah Styan

Hanapepe

HI