
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that encouraging the use
2 of the State's agricultural resources and promoting food
3 security and self-sufficiency is important for the State.

4 The legislature further finds that without a sustainable
5 inventory of healthy, locally grown produce and locally raised
6 livestock food products, the State's food inventory is
7 vulnerable to natural disasters, global events, and work
8 stoppages by the shipping industry, which is responsible for
9 importing about eighty-five to ninety per cent of the State's
10 food.

11 The legislature further finds that supporting the local
12 agriculture industry and incentivizing consumers to buy locally
13 grown produce and locally raised livestock food products will
14 help the State's Sustainable Hawaii Initiative and its
15 sustainable living goals, including doubling the State's local
16 food production by 2020.



1 The legislature further finds that providing tax relief to
2 producers of locally grown produce and locally raised livestock
3 food products will make these local food products more
4 affordable, increase sales, and return more profits to the local
5 farmers and agriculture industry.

6 The purpose of this Act is to encourage the use of the
7 State's agricultural resources, promote food security and self-
8 sufficiency, incentivize consumers to buy local and consume more
9 healthy foods and drinks, support local farmers and the
10 agriculture industry, and inspire people to join the agriculture
11 industry by exempting amounts received from locally grown
12 produce and locally raised livestock food products from the
13 general excise tax.

14 SECTION 2. Section 237-24.3, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§237-24.3 Additional amounts not taxable.** In addition to
17 the amounts not taxable under section 237-24, this chapter shall
18 not apply to:

- 19 (1) Amounts received from the loading, transportation, and
20 unloading of agricultural commodities shipped for a
21 producer or produce dealer on one island of this State



1 to a person, firm, or organization on another island
2 of this State. The terms "agricultural commodity",
3 "producer", and "produce dealer" shall be defined in
4 the same manner as they are defined in section 147-1;
5 provided that agricultural commodities need not have
6 been produced in the State;

7 (2) Amounts received by the manager, submanager, or board
8 of directors of:

9 (A) An association of a condominium property regime
10 established in accordance with chapter 514B or
11 any predecessor thereto; or

12 (B) A nonprofit homeowners or community association
13 incorporated in accordance with chapter 414D or
14 any predecessor thereto and existing pursuant to
15 covenants running with the land,
16 in reimbursement of sums paid for common expenses;

17 (3) Amounts received or accrued from:

18 (A) The loading or unloading of cargo from ships,
19 barges, vessels, or aircraft, whether or not the
20 ships, barges, vessels, or aircraft travel



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1 between the State and other states or countries
2 or between the islands of the State;

3 (B) Tugboat services including pilotage fees
4 performed within the State, and the towage of
5 ships, barges, or vessels in and out of state
6 harbors, or from one pier to another; and

7 (C) The transportation of pilots or governmental
8 officials to ships, barges, or vessels offshore;
9 rigging gear; checking freight and similar
10 services; standby charges; and use of moorings
11 and running mooring lines;

12 (4) Amounts received by an employee benefit plan by way of
13 contributions, dividends, interest, and other income;
14 and amounts received by a nonprofit organization or
15 office, as payments for costs and expenses incurred
16 for the administration of an employee benefit plan;
17 provided that this exemption shall not apply to any
18 gross rental income or gross rental proceeds received
19 after June 30, 1994, as income from investments in
20 real property in this State; and provided further that
21 gross rental income or gross rental proceeds from



1 investments in real property received by an employee
2 benefit plan after June 30, 1994, under written
3 contracts executed prior to July 1, 1994, shall not be
4 taxed until the contracts are renegotiated, renewed,
5 or extended, or until after December 31, 1998,
6 whichever is earlier. For the purposes of this
7 paragraph, "employee benefit plan" means any plan as
8 defined in title 29 United States Code section
9 1002(3), as amended;

10 (5) Amounts received for purchases made with United States
11 Department of Agriculture food coupons under the
12 federal food stamp program, and amounts received for
13 purchases made with United States Department of
14 Agriculture food vouchers under the Special
15 Supplemental Foods Program for Women, Infants and
16 Children;

17 (6) Amounts received by a hospital, infirmary, medical
18 clinic, health care facility, pharmacy, or a
19 practitioner licensed to administer the drug to an
20 individual for selling prescription drugs or
21 prosthetic devices to an individual; provided that



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1 this paragraph shall not apply to any amounts received
2 for services provided in selling prescription drugs or
3 prosthetic devices. As used in this paragraph:

4 "Prescription drugs" are those drugs defined
5 under section 328-1 and dispensed by filling or
6 refilling a written or oral prescription by a
7 practitioner licensed under law to administer the drug
8 and sold by a licensed pharmacist under section 328-16
9 or practitioners licensed to administer drugs;
10 provided that "prescription drugs" shall not include
11 cannabis or manufactured cannabis products authorized
12 pursuant to chapters 329 and 329D; and

13 "Prosthetic device" means any artificial device
14 or appliance, instrument, apparatus, or contrivance,
15 including their components, parts, accessories, and
16 replacements thereof, used to replace a missing or
17 surgically removed part of the human body, which is
18 prescribed by a licensed practitioner of medicine,
19 osteopathy, or podiatry and that is sold by the
20 practitioner or that is dispensed and sold by a dealer
21 of prosthetic devices; provided that "prosthetic



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- 1 device" shall not mean any auditory, ophthalmic,
2 dental, or ocular device or appliance, instrument,
3 apparatus, or contrivance;
- 4 (7) Taxes on transient accommodations imposed by chapter
5 237D and passed on and collected by operators holding
6 certificates of registration under that chapter;
- 7 (8) Amounts received as dues by an unincorporated
8 merchants association from its membership for
9 advertising media, promotional, and advertising costs
10 for the promotion of the association for the benefit
11 of its members as a whole and not for the benefit of
12 an individual member or group of members less than the
13 entire membership;
- 14 (9) Amounts received by a labor organization for real
15 property leased to:
- 16 (A) A labor organization; or
17 (B) A trust fund established by a labor organization
18 for the benefit of its members, families, and
19 dependents for medical or hospital care, pensions
20 on retirement or death of employees,



1 apprenticeship and training, and other membership
2 service programs.

3 As used in this paragraph, "labor organization" means
4 a labor organization exempt from federal income tax
5 under section 501(c)(5) of the Internal Revenue Code,
6 as amended;

7 (10) Amounts received from foreign diplomats and consular
8 officials who are holding cards issued or authorized
9 by the United States Department of State granting them
10 an exemption from state taxes; ~~and~~

11 (11) Amounts received as rent for the rental or leasing of
12 aircraft or aircraft engines used by the lessees or
13 renters for interstate air transportation of
14 passengers and goods. For purposes of this paragraph,
15 payments made pursuant to a lease shall be considered
16 rent regardless of whether the lease is an operating
17 lease or a financing lease. The definition of
18 "interstate air transportation" is the same as in 49
19 U.S.C. section 40102 ~~[--]~~; and



1 (12) Amounts received by a producer of locally grown
 2 produce and locally raised livestock food products
 3 from a consumer. As used in this paragraph:

4 "Locally grown produce" means any agricultural,
 5 horticultural, or vegetable product of the soil
 6 consumed for nutrition by humans that is grown in the
 7 State and sold within the State.

8 "Locally raised livestock food products" means
 9 any product consumed for nutrition by humans that
 10 consists of or is derived from livestock raised in the
 11 State and sold within the State."

12 SECTION 3. This Act does not affect rights and duties that
 13 matured, penalties that were incurred, and proceedings that were
 14 begun before its effective date.

15 SECTION 4. Statutory material to be repealed is bracketed
 16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect on January 1, 2020.

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JAN 18 2019



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Report Title:

Taxation; General Excise Tax; Locally Grown Produce; Locally Raised Livestock Food Products

Description:

Exempts locally grown produce and locally raised livestock food products from the general excise tax.

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