

STAND. COM. REP. NO.

1439

Honolulu, Hawaii

, 2019

MAR 20

RE: S.B. No. 837

S.D. 2

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committees on Agriculture and Economic Development & Business, to which was referred S.B. No. 837, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO FARMS,"

beg leave to report as follows:

The purpose of this measure is to encourage and support the growth of new, small, and diversified farming businesses by excluding from income taxes the lesser of fifty-one percent of gross annual income or \$50,000 of gross annual income earned by a farmer from agricultural activities.

The Councilmember representing District 9 of the Hawai'i County Council, Hawai'i Farm Bureau, Ulupono Initiative, Hawai'i Center for Food Safety, Hawaii Coffee Association, O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i, and Maui Chamber of Commerce supported this measure. The Department of Agriculture, Department of Taxation, and Tax Foundation of Hawaii commented on this measure.

Your Committees have amended this measure by:

- (1) Clarifying that the income tax exclusion amounts are based on income earned from farming activities, rather than agricultural activities;

SB837 HD1 HSCR AGR-EDB HMS 2019-3069



- (2) Allowing a qualifying farmer to exclude the lesser of an unspecified percentage of gross annual income or an unspecified amount of gross annual income earned from farming activities;
- (3) Clarifying that "farm products" excludes farm products for personal use;
- (4) Requiring that the farmer be an individual earning more than an unspecified percentage of annual gross income from farm products and value-added farm products grown, raised, and value-added by the individual and sold within the State;
- (5) Removing the definitions for "persons" and "value-added";
- (6) Making the income tax exclusion effective after December 31, 2018;
- (7) Changing its effective date to July 1, 2150, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Agriculture and Economic Development & Business that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 837, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 837, S.D. 2, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Economic Development &
Business,



ANGUS L.K. MCKELVEY, Chair



RICHARD P. CREAGAN, Chair



