

Honolulu, Hawaii

FEB 6 - 2019

RE: S.B. No. 837  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 837 entitled:

"A BILL FOR AN ACT RELATING TO FARMS,"

begs leave to report as follows:

The purpose and intent of this measure is to encourage and support the growth of new, small, and diversified farming businesses by creating an exclusion from income tax for the lesser of fifty-one percent or \$50,000 of gross annual income earned for such businesses.

Your Committee received testimony in support of this measure from one member of the Hawai'i County Council; Hawaii Coffee Association; We Are One, Inc.; O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; Hawai'i Farm Bureau; and six individuals. Your Committee received comments on this measure from Department of Taxation, Department of Agriculture, and the Tax Foundation of Hawaii.

Your Committee finds that Hawaii imports far more goods and services than it exports. Your Committee additionally notes that the growth of small, diversified farming businesses will add to and diversify Hawaii's economy and encourage more local food production. A partial tax exclusion for such businesses will not significantly affect existing tax revenue collected by the State



but will strengthen the State's economy and improve the long-term economic well-being of the State as a whole.

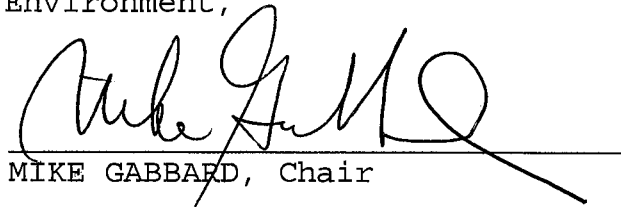
Your Committee further finds that by creating an exclusion from income tax for the lesser of fifty-one percent or \$50,000 of gross annual income earned for such businesses, this measure will help Hawaii address the imbalance in agricultural trade and significantly expand food production in the State.

Your Committee has amended this measure by:

- (1) Improving and tightening the definition of a "farmer" and adding a definition of "farm products", as recommended by the Department of Agriculture;
- (2) Postponing its application to taxable years after December 31, 2019, as recommended by the Department of Taxation; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 837, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 837, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Agriculture and  
Environment,



MIKE GABBAED, Chair



