

**DAVID Y. IGE**  
GOVERNOR

**JOSH GREEN M.D.**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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**RONA M. SUZUKI**  
DIRECTOR OF TAXATION

**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

To: The Honorable Mike Gabbard, Chair;  
The Honorable Russell E. Ruderman, Vice Chair;  
and Members of the Senate Committee on Agriculture and Environment

From: Rona M. Suzuki, Director  
Department of Taxation

**Re: S.B. 3090, Relating to Agriculture**

Date: Monday, February 10, 2020

Time: 2:20 P.M.

Place: Conference Room 224, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 3090 and offers the following comments.

S.B. 3090 creates a new nonrefundable income tax credit for agricultural production equal to the qualified expenses of the qualified taxpayer, up to an unspecified cap. The Board of Agriculture (BOA) will be responsible for certifying credits up to an unspecified aggregate annual cap. This measure is effective upon approval and applies to taxable years beginning after December 31, 2019.

The Department notes that the measure as currently drafted does not define “qualified taxpayers” or “qualified expenses.” The Department suggests amending the measure to be more specific as to the taxpayers and expenses that would qualify for this credit.

The Department also notes that there are already several existing tax credits relating to agriculture and recommends this proposed credit be narrowly tailored to avoid duplicative or redundant credits that might lead to unintended losses of revenue.

The Department defers to the BOA on its ability to certify the proposed credit.

Finally, the Department respectfully requests that any changes to income tax be made applicable to taxable years beginning after December 31, 2020. This will give the Department sufficient time to make any necessary form and computer system changes.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER  
Chairperson, Board of Agriculture

MORRIS M. ATTA  
Deputy to the Chairperson

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND THE ENVIRONMENT

FEBRUARY 10, 2020  
2:20 P.M.  
CONFERENCE ROOM 224

SENATE BILL NO. 3090  
RELATING TO AGRICULTURE

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 3090 that establishes an agricultural production tax credit in support of food security, self-sufficiency, and sustainability. The Department of Agriculture supports this measure to the extent that it directly supports Hawaii's agricultural producers who are the foundation of Hawaii's drive towards increased food self-sufficiency and food security. We defer to the Department of Taxation as to the potential fiscal impacts of this measure.

The Department notes that this measure leaves unspecified the does not definitions and amounts for define "qualified expenses", and "qualified taxpayer," the and leaves unspecified the maximum amounts for tax credits that can be claimed by a qualified taxpayer as well as the total cumulative amount of tax credits available under this program annually. tax credit is equal to the qualified expenses up to a maximum, and the annual maximum of tax credits allowed. Further, this measure does not have an end date.

According to the 2017 Agricultural Census, there are just over 7,300 agricultural producers in Hawaii. The Department may require additional personnel, related resources and the authority to adopt rules to carry out its responsibilities to certify qualified expenses in a fair, timely, and transparent manner.



Thank you for the opportunity to testify on this important measure.

SB3090Draft\_AGR\_02-10-20\_AEN,WAM



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**Derek Kurisu**, KTA Superstores, *Advisor*  
**Beau Oshiro**, C&S Wholesale Grocers, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*

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**TO:**  
Committee on Agriculture and Environment  
Senator Mike Gabbard, Chair  
Senator Russell E. Ruderman, Vice Chair

**FROM:** HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

**DATE:** February 10, 2020  
**TIME:** 2:20pm  
**PLACE:** Conference Room 224

**RE:** SB3090 Relating to Agriculture

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA supports efforts to increase local food production. The high cost of labor in our state combined with the high cost of real estate make agricultural activities and food manufacturing commercially very challenging in Hawaii. Tax credits like this can help encourage local agriculture and potentially bring down the cost of local food in our state. We support tax credits for local agriculture and would support similar tax credits for all local food producers. Thank you for the opportunity to testify.



Pono Hawai'i Initiative

Josh Frost - President • Patrick Shea - Treasurer • Kristin Hamada  
Nelson Ho • Summer Starr

Monday, February 10, 2020

Relating to Agriculture  
Testifying in Support

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) **supports SB3090 Relating to Agriculture**, which establishes an agricultural production tax credit.

In order to reach Hawaii's food production goals by 2030, the State needs to find ways to incentivize farmers. Currently there is limited to no incentive for investors to invest in Hawaii's agricultural production. These tax credits will help Hawai'i reach its goals.

For all these reasons, we urge you to move this bill forward.

Mahalo for the opportunity,  
Gary Hooser  
Executive Director  
Pono Hawai'i Initiative

**SB-3090**

Submitted on: 2/9/2020 9:00:07 AM

Testimony for AEN on 2/10/2020 2:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alan Gottlieb	Testifying for Ponoholo Ranch Limited	Support	No

Comments:



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February 9, 2020

TESTIMONY IN SUPPORT

**SUBJECT:** Support for SB3090 – Agricultural Production Tax Credit

(Date/Time of Hearing: 2/10/2020 at 2:20 p.m.)

Dear Chair Gabbard, Vice Chair Ruderman and members of the committee,

On behalf of the North Shore Economic Vitality Partnership (North Shore EVP), I would like to extend our full support of SB3090, which will establish an agricultural production tax credit to allow Hawaii to become a world leader in food security, self-sufficiency, and sustainability.

The North Shore EVP runs the only USDA GroupGAP food safety certification program in Hawaii. GroupGAP allows groups of farms to work together to obtain their USDA Harmonized GAP certification and spread the cost savings across all members of the group. Our goal is to reduce the costs required to comply with federal Food Safety & Modernization Act standards and position Hawaii's farms to affordably meet the demands of the local marketplace.

In our work with farms across the state we find many smaller farms with little incentive to expand operations. In fact many farmers wish to remain below a \$25,000 gross income threshold in order to remain exempt from Food Safety & Modernization Act requirements for documentation of good agricultural practices and possible inspections by FDA personnel. As a result these small farms exclude themselves from contributing to the state goals of doubling local food production for local consumption by 2030.

North Shore EVP strongly supports this bill. Production tax credits will put more money back in the pockets of farmers who currently receive only about \$0.07 of every dollar spent on produce in Hawaii. However the committee may consider incorporating performance thresholds that incentivize farmers to reinvest tax credits with the goal of increasing production over a specified period of time.

Thank you for the opportunity to testify on this bill.

Sincerely,

*Kevin M Kelly*

Kevin Kelly  
President & CEO  
North Shore EVP

**SB-3090**

Submitted on: 2/6/2020 8:31:10 PM

Testimony for AEN on 2/10/2020 2:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jennifer Azuma Chrupalyk	Individual	Support	No

Comments:





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February 10, 2020

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**TESTIMONY ON SB 3090**  
RELATING TO AGRICULTURE

Room 224  
1:15 PM

Aloha Chair Gabbard, Vice Chair Ruderman, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 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.

**The Hawaii Farm Bureau supports the intent of SB 3090**, which establishes an agricultural production tax credit

HFB supports any initiative that reduces the cost of production so that locally produced goods can compete with imported products, strengthening our local economy.

Hawaii Farm Bureau Policy states:

"State tax and monetary policies should be designed to encourage private initiative to help stabilize farm economics in the State of Hawaii, to promote employment and economic growth and to distribute the tax burden equitably. Further such policy should be used by the state, when appropriate, to encourage agricultural growth and expansion."

This measure falls in the "encourage agricultural growth and expansion." category. HFB supports SB 3090 which is an investment in Hawaii's farmers and ranchers and encourages new and expanding farming businesses.

Thank you for this opportunity to testify on this important subject.

**SB-3090**

Submitted on: 2/9/2020 3:37:40 PM

Testimony for AEN on 2/10/2020 2:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Nicole K Galase	Testifying for Hawaii Cattlemen's Council	Support	No

Comments:



February 9, 2020

**Testimony of Kalona Brand Company in Support of Senate Bill 3090**

Aloha Chair Gabbard, Vice-Chair Ruderman, and Members of the Senate Committee on Agriculture and Environment,

The State of Hawaii has a goal to double local food production by 2030. However, it is estimated that Hawaii currently imports 85 – 90% of our food, and other necessities. Much of Hawaii's agricultural lands are fallow, being converted to gentlemen estates and urban sprawl, and being put into unsustainable uses. Hawaii's economy is almost completely dependent on tourism and military spending.

Yet it was not that long ago that Hawaii was 100% self-sufficient. Hawaii had developed some of the most abundant, efficient, and innovative agricultural systems in the world. Through these innovative agricultural systems, and traditional land use practices, our islands experienced sustainable abundance, peace, and prosperity.

Hawaii has a tremendous opportunity to leverage our resources to diversify our economy, create rural economic development, keep agricultural lands in agriculture, support regenerative and sustainable land use practices, and increase local production of food, fiber, and other agricultural products. Hawaii has year-round growing conditions, rich fertile soils, clean water, and a long history of innovation and excellence in agriculture. There is a growing movement to revitalize agriculture in Hawaii and re-institutionalize the industry, yet there is limited government and institutional support.

One of the primary barriers to scaling up a sustainable agriculture industry in Hawaii is the lack of access to capital. There are limited incentives for companies and investors to invest in Hawaii's agricultural production. Yet substantial investments are required in order to revitalize the industry, rebuild our agricultural systems and infrastructure, and support the farmers and agricultural enterprises.

Kalona Brand Company seeks to revitalize agriculture in Hawaii by developing sustainable farm operations and food systems. We strive for sustainable food systems that provide long-term financial viability, actively engage and strengthen communities, steward the aina with environmentally sound land use practices, and competitiveness in a global economy. We believe there is great potential to scale up a regenerative and vertically integrated agricultural industry in Hawaii creating unique Hawaii grown and Hawaii made food products.

Kalona Brand Company supports SB 3090 and the establishment of an agricultural production tax credit to allow Hawaii to become a world leader in food security, self-sufficiency, and sustainability.

Mahalo nui loa,

Kawika Burgess

President and Chief Executive Officer

1050 Bishop St. Suite 386, Honolulu HI 96813 (808) 731-8040

[www.kalonabrand.com](http://www.kalonabrand.com)

**SB-3090**

Submitted on: 2/10/2020 1:17:48 PM

Testimony for AEN on 2/10/2020 2:20:00 PM



<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lea Hong	Testifying for The Trust for Public Land	Support	No

Comments:

Aloha e Chair Gabbard, Vice-Chair Ruderman, and Committee Members:

The Trust for Public Land supports SB 3090, which would establish an agricultural production tax credit. One of The Trust for Public Land's long-standing programs is its Sustainable Hawai'i Program -- which conserves lands that produce our food, and forests that protect our drinking water supplies. The agricultural production tax credit would incentivize capital investments in agriculture. Although it is unclear from the bill how "qualified expenses" are defined, we hope that further clarity will be provided as this bill makes it through the legislative process.

Mahalo for this opportunity to testify.

Lea Hong

Hawaiian Islands State Director, The Trust for Public Land

Edmund C. Olson Trust Fellow

**SB-3090**

Submitted on: 1/30/2020 3:36:10 PM

Testimony for AEN on 2/10/2020 2:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Megan Blazak	Individual	Support	No

Comments:

**SB-3090**

Submitted on: 2/8/2020 11:18:45 AM

Testimony for AEN on 2/10/2020 2:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rynette Keen	Individual	Support	No

Comments:

As a Native Hawaiian, I recognize the importance of our beloved islands becoming self-sustaining in the areas of locally produced food sources. As such, I am in support of this Act and ask you also to support this measure. The excessive taxation of our local production of food sources needs to be remedied, and I believe that this Act is a step in the right direction. I encourage all of you to support SB3090.