
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. Section 163D-7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§163D-7 Agricultural projects; agricultural development**
4 **plans.** (a) The corporation may develop and implement
5 agricultural projects where large tracts of agricultural land
6 have been or will be taken out of productive agriculture or
7 where, through detailed analysis, opportunities exist to exploit
8 potential local, national, and international markets.

9 (b) The corporation may initiate and coordinate the
10 preparation of business and agricultural development plans for
11 its projects. The plans shall include a proposal for the
12 organization of the enterprise, a marketing information and
13 strategy, the impact on existing agricultural operations
14 throughout the State, and a recommendation for the construction,
15 reconstruction, rehabilitation, improvement, alteration, or
16 repair of any infrastructure or accessory facilities in
17 connection with any project.



1 (c) The corporation may enter into cooperative agreements
2 with coordinating entrepreneurs or public agencies when the
3 powers, services, and capabilities of the persons or agencies
4 are deemed necessary and appropriate for the development and
5 implementation of the business and agricultural development
6 plans.

7 (d) The corporation may purchase, accept, and maintain
8 permanent conservation easements, or transfer these easements to
9 a qualified land trust in accordance with the federal Natural
10 Resources Conservation Service farm and ranch lands protection
11 program.

12 (e) Upon application by eligible farmers and ranchers
13 pursuant to criteria determined by the corporation, the
14 corporation shall lease agricultural land under the
15 corporation's control that is suitable for farming and ranching
16 to approved farmers and ranchers at the rate of one dollar per
17 year until the farmer's or rancher's use of the land for
18 agricultural activity has resulted in a profit, at which time
19 the farmer or rancher shall commence paying to the corporation
20 an annual supplemental lease rent equivalent to per
21 cent of the net profit derived from sales of agricultural



1 products produced on land leased pursuant to this subsection;
2 provided that a producer of agricultural products as defined in
3 section 237-5 shall be exempt from payment of excise tax on the
4 amounts received from sales of agricultural products produced on
5 land leased pursuant to this subsection.

6 ~~[(e)]~~ (f) Notwithstanding any provision of this chapter to
7 the contrary, when leasing corporation-controlled agricultural
8 land, the corporation may contract with a financial institution
9 chartered under chapter 412 or a federal financial institution,
10 as defined under section 412:1-109, that transacts business in
11 this State to provide lease management services. For the
12 purposes of this subsection, "lease management services"
13 includes the collection of lease rent and any other moneys owed
14 to the corporation related to the lease of agricultural land
15 under the corporation's control.

16 ~~[(f)]~~ (g) The agricultural planning activities of the
17 corporation shall be coordinated with the county planning
18 departments and the county land use plans, policies, and
19 ordinances.

20 ~~[(g)]~~ (h) The corporation may amend the business and
21 agricultural development plans as may be necessary.



1 [~~h~~] (i) Any undertaking by the corporation pursuant to
2 this chapter shall be with the express written consent of the
3 landowner or landowners directly affected."

4 SECTION 2. Section 163D-16, Hawaii Revised Statutes, is
5 amended by amending subsection (b) to read as follows:

6 "(b) If state lands under the control and management of
7 other public agencies are required by the corporation for its
8 purposes, including for purposes of securing additional lands
9 for lease to farmers and ranchers pursuant to section 163D-7(e),
10 the agency having the control and management of those required
11 lands, upon request by the corporation and with the approval of
12 the governor, may lease the lands to the corporation upon such
13 terms and conditions as may be agreed to by the parties."

14 SECTION 3. 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,~~]:

20 (A) Loading, transportation, and unloading of

21 agricultural commodities shipped for a producer



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

9 (B) Sale of agricultural products produced on lands
10 leased under section 163D-7(e);

11 (2) Amounts received by the manager, submanager, or board
12 of directors of:

13 (A) An association of a condominium property regime
14 established in accordance with chapter 514B or
15 any predecessor thereto; or

16 (B) A nonprofit homeowners or community association
17 incorporated in accordance with chapter 414D or
18 any predecessor thereto and existing pursuant to
19 covenants running with the land,

20 in reimbursement of sums paid for common expenses;

21 (3) Amounts received or accrued from:



(A) The loading or unloading of cargo from ships, barges, vessels, or aircraft, whether or not the ships, barges, vessels, or aircraft travel between the State and other states or countries or between the islands of the State;

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

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

(4) Amounts received by an employee benefit plan by way of contributions, dividends, interest, and other income; and amounts received by a nonprofit organization or office, as payments for costs and expenses incurred for the administration of an employee benefit plan; provided that this exemption shall not apply to any gross rental income or gross rental proceeds received



1 after June 30, 1994, as income from investments in
2 real property in this State; and provided further that
3 gross rental income or gross rental proceeds from
4 investments in real property received by an employee
5 benefit plan after June 30, 1994, under written
6 contracts executed prior to July 1, 1994, shall not be
7 taxed until the contracts are renegotiated, renewed,
8 or extended, or until after December 31, 1998,
9 whichever is earlier. For the purposes of this
10 paragraph, "employee benefit plan" means any plan as
11 defined in title 29 United States Code section
12 1002(3), as amended;

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

20 (6) Amounts received by a hospital, infirmary, medical
21 clinic, health care facility, pharmacy, or a



1 practitioner licensed to administer the drug to an
2 individual for selling prescription drugs or
3 prosthetic devices to an individual; provided that
4 this paragraph shall not apply to any amounts received
5 for services provided in selling prescription drugs or
6 prosthetic devices. As used in this paragraph:

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

16 "Prosthetic device" means any artificial device
17 or appliance, instrument, apparatus, or contrivance,
18 including their components, parts, accessories, and
19 replacements thereof, used to replace a missing or
20 surgically removed part of the human body, which is
21 prescribed by a licensed practitioner of medicine,



1 osteopathy, or podiatry and that is sold by the
2 practitioner or that is dispensed and sold by a dealer
3 of prosthetic devices; provided that "prosthetic
4 device" shall not mean any auditory, ophthalmic,
5 dental, or ocular device or appliance, instrument,
6 apparatus, or contrivance;

7 (7) Taxes on transient accommodations imposed by chapter
8 237D and passed on and collected by operators holding
9 certificates of registration under that chapter;

10 (8) Amounts received as dues by an unincorporated
11 merchants association from its membership for
12 advertising media, promotional, and advertising costs
13 for the promotion of the association for the benefit
14 of its members as a whole and not for the benefit of
15 an individual member or group of members less than the
16 entire membership;

17 (9) Amounts received by a labor organization for real
18 property leased to:

19 (A) A labor organization; or

20 (B) A trust fund established by a labor organization
21 for the benefit of its members, families, and



1 dependents for medical or hospital care, pensions
2 on retirement or death of employees,
3 apprenticeship and training, and other membership
4 service programs.

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

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

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



1 SECTION 4. No later than September 1, 2022, the board of
2 agriculture shall adopt rules under chapter 91 necessary to
3 effectuate the purposes of this Act.

4 SECTION 5. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 6. This Act shall take effect on July 1, 2021.

7
INTRODUCED BY: RL McDaniel

JAN 26 2021



Report Title:

Agriculture; Agribusiness Development Corporation; Land Leases;
Agricultural Products; General Excise Tax Exemption

Description:

Requires the agribusiness development corporation to lease agricultural land under its control at the rate of \$1 per year until use of the land has resulted in a profit, at which time an annual supplemental lease rent equivalent to an unspecified percentage of the net profit derived from sales of agricultural products produced on the leased land becomes applicable. Exempts a producer of agricultural products from payment of excise tax on the amounts received from sales of agricultural products produced on the leased land.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

