

STAND. COM. REP. NO. 3029

Honolulu, Hawaii

**MAR 04 2022**

RE: S.B. No. 2353  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2353 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.

More specifically, this measure establishes an exclusion from income tax for the lesser of an unspecified percentage of gross annual income or an unspecified amount of gross annual income earned by a farmer from farming activities.

Your Committee received written comments in support of this measure from the Department of Agriculture, Hawaii Cattlemen's Council, Hawaii Farm Bureau, Hawaii Food Industry Association, Ulupono Initiative, and two individuals.

Your Committee received written comments in opposition to this measure from the Department of Taxation.

Your Committee received written comments on this measure from the Department of Budget and Finance and Tax Foundation of Hawaii.



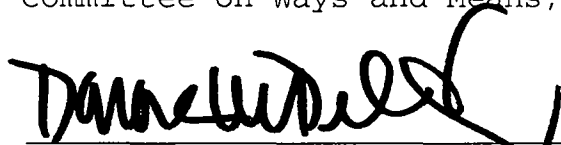
Your Committee finds that Hawaii has a significant negative trade flow as it imports far more goods and services than it exports. Your Committee also finds that Hawaii needs to address the imbalance in agricultural trade and significantly expand food production in the State.

Your Committee has amended this measure by:

- (1) Clarifying the definition of the term "farmer";
- (2) Adding a definition of the term "farming activities";
- (3) Disallowing the deduction of any ordinary and necessary business expenses incurred in producing the income excluded by this measure;
- (4) Replacing the term "gross annual income" with "federal adjusted gross income";
- (5) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (6) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2353, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2353, S.D. 1.

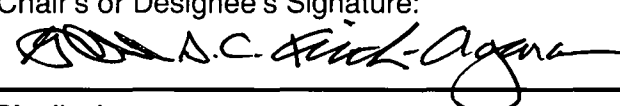
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-First Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

|  |                     |                 |                     |         |
|--|---------------------|-----------------|---------------------|---------|
| Bill / Resolution No.:*  | Committee Referral: | Date:           |                     |         |
| SB 2353  | AEN, WAM            | 2/24/22         |                     |         |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____                                      |                     |                 |                     |         |
| The Recommendation is:   |                     |                 |                     |         |
| <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 |                     |                 |                     |         |
| Members  | Aye                 | Aye (WR)        | Nay                 | Excused |
| DELA CRUZ, Donovan M. (C)  | X                   |                 |                     |         |
| KEITH-AGARAN, Gilbert S.C. (VC)  | X                   |                 |                     |         |
| INOUYE, Lorraine R.  | X                   |                 |                     |         |
| KANUHA, Dru Mamo   | X                   |                 |                     |         |
| KIDANI, Michelle N.  | X                   |                 |                     |         |
| MISALUCHA, Bennette E.   | X                   |                 |                     |         |
| MORIWAKI, Sharon Y.  | X                   |                 |                     |         |
| SHIMABUKURO, Maile S.L.  | X                   |                 |                     |         |
| TANIGUCHI, Brian T.  | X                   |                 |                     |         |
| WAKAI, Glenn   | X                   |                 |                     |         |
| FEVELLA, Kurt  |                     | X               |                     |         |
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| <b>TOTAL</b>   | 10                  | 1               |                     |         |
| Recommendation:  |                     |                 |                     |         |
| <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |                     |                 |                     |         |
| Chair's or Designee's Signature:   |                     |                 |                     |         |
|   |                     |                 |                     |         |
| Distribution:  |                     |                 |                     |         |
| Original   | Yellow              | Pink            | Goldenrod           |         |
| File with Committee Report   | Clerk's Office      | Drafting Agency | Committee File Copy |         |

\*Only one measure per Record of Votes