

Honolulu, Hawaii

FEB 05 2021

RE: S.B. No. 497
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 497 entitled:

"A BILL FOR AN ACT RELATING TO MANUFACTURING,"

begs leave to report as follows:

The purpose and intent of this measure is to create a manufacturing development income tax credit to incentivize the food manufacturing industry in the State.

Your Committee received testimony in support of this measure from the Hawaiian Chip Company, LLC; Chamber of Commerce Hawaii; Diamond Bakery Co., Ltd.; Spicy Ninja Sauce LLC; Hawaii Food Industry Association; Hawai'i Farm Bureau; Ulupono Initiative LLC; Punahale Provisions, PBC; Retail Merchants of Hawaii; and one individual. Your Committee received comments on this measure from the Department of Agriculture; Department of Taxation; Hawaii Technology Development Corporation; and Tax Foundation of Hawaii.

Your Committee finds that the food manufacturing industry in Hawaii can help the State's food security by strengthening the link between farmers and other agricultural producers and Hawaii's small businesses that process raw fruits, vegetables, grains, meats, and dairy products into finished goods ready for the grocer or wholesaler to sell to households, restaurants, or institutional food services. Act 215, Session Laws of Hawaii 2015, created the manufacturing development program which aids manufacturing

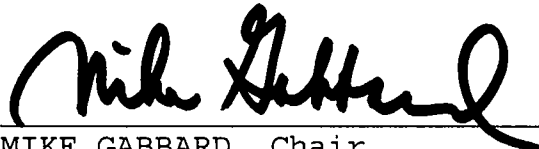


businesses in the State through grants. Every new manufacturing job created adds another 1.6 jobs to the local service economy, and for every dollar in manufacturing sales, another \$1.34 is added to the economy. Thus, investments in manufacturing can have a stronger impact than investments in other economic sectors. Your Committee finds that this measure establishes income tax credits for expenditures made to purchase food manufacturing equipment, train employees to use food manufacturing equipment, and improve the energy efficiency of operations to help fuel manufacturing in Hawaii, grow the agriculture economy, and provide more products for both local consumption and export.

Your Committee has amended this measure by making it applicable to taxable years beginning after December 31, 2021, to allow the Department of Taxation the sufficient time to make the necessary form and computer system changes.

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. 497, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 497, 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 GABBARD, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:
SB 497	AEN, WAM	02/01/2021

The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
NISHIHARA, Clarence K. (VC)	✓			
ACASIO, Laura	✓			
RHOADS, Karl	✓			
FEVELLA, Kurt	✓			
TOTAL	5			

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes