



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2022**

ON THE FOLLOWING MEASURE:
S.B. NO. 1315, RELATING TO AGRICULTURE.

BEFORE THE:
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

DATE: Monday, February 7, 2022 **TIME:** 1:00 p.m.

LOCATION: State Capitol, Room 224, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or
Janine R. Udui, Deputy Attorney General

Chair Gabbard and Members of the Committee:

The Department of the Attorney General has concerns about this bill and provides the following comments.

The purpose of this bill is "to establish a food manufacturing tax credit to allow Hawaii to become a world leader in food security, self-sufficiency, and sustainability." (page 2, lines 3-4). To accomplish this, the bill creates a new income tax credit in an amount equal to the qualified expenses of a qualified taxpayer up to an undetermined maximum. (page 2, lines 9-17). A "qualified taxpayer" is defined to mean "food manufacturers that produce value-added products using local crops." (page 5, lines 19–20).

The requirement that the tax credit be limited to only taxpayers manufacturing products using local crops could be subject to challenge as a violation of the Commerce Clause of the United States Constitution. The Commerce Clause provides that Congress shall have the power to "regulate Commerce . . . among the several States." U.S. Const. art. I, § 8, cl. 3. "Though phrased as a grant of regulatory power to Congress, the clause has long been understood to have a 'negative' aspect that denies the States the power unjustifiably to discriminate against or burden the interstate flow of articles in commerce." *Oregon Waste Systems, Inc. v. Dep't of Env'tl. Quality*, 511 U.S. 93, 98, 114 S. Ct. 1345, 1349 (1994). This implicit constitutional restriction upon the

States has become known as the “negative” or “dormant” Commerce Clause doctrine. See *Rocky Mountain Farmers Union v. Corey*, 730 F.3d 1070, 1087 (9th Cir. 2013).

The doctrine prohibits States from “advancing their own commercial interests by curtailing the movement of articles of commerce, either into or out of the state,” *Fort Gratiot Sanitary Landfill, Inc. v. Michigan Dep’t of Natural Resources*, 504 U.S. 353, 359 112 S. Ct. 2019, 2023 (1992) (internal brackets omitted), upon concern about “economic protectionism,” *i.e.*, “regulatory measures designed to benefit in-state economic interests by burdening out-of-state competitors.” *Dep’t of Revenue of Ky. v. Davis*, 553 U.S. 328, 337-38, 128 S. Ct. 1801, 1808 (2008). For example, in *Bacchus Imports Ltd. v. Dias*, 468 U.S. 263, 104 S.Ct 3049 (1984), the United States Supreme Court struck down an exemption from the liquor tax for sales of okolehau and fruit wine brewed in Hawaii from locally grown products upon finding that the exemption bestowed a commercial advantage on locally produced products. The Court recognized that “[n]o one disputes that a State may enact laws pursuant to its police powers that have the purpose and effect of encouraging domestic industry[,]” but that “the Commerce Clause stands as a limitation on the means by which a State can constitutionally seek to achieve that goal.” *Id.* at 271, 104 S.Ct. at 3055. “One of the fundamental purposes of the Clause ‘was to ensure . . . against discriminating State legislation.’” *Id.* (quoting *Welton v. Missouri*, 91 U.S. 275, 280, 12 L. Ed. 347 (1876)).

With this bill, persons engaged in the production and sale of value-added products would qualify for the tax credit if their products are made exclusively with crops grown in Hawaii. The same tax credit would not be available to food producers selling products made with crops grown outside of Hawaii. The bill appears to bestow a commercial advantage on locally produced food products insofar as the credit encourages and incentivizes the purchase and use of locally produced crops over crops cultivated outside of the State. Similar to the situation in *Bacchus*, the proposed tax credit may be challenged as violating the Commerce Clause because it has “both the purpose and effect of discriminating in favor of local products.” *Bacchus*, 468 U.S. 263, 273, 104 S.Ct. at 3056.

The removal of the requirement that the tax credit be limited to producers of value-added products using only local crops would address the possible Commerce Clause challenge by allowing the tax credit to apply equally to all food producers of value-added products, regardless of where the crop used is sourced from. However, we realize that doing this may defeat the purpose of the bill. An alternative way to promote the local agriculture industry would be to offer tax incentives to anyone, resident or non-resident alike, that engages in local farming or food production activities.

Thank you for the opportunity to express our concern.

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
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**MONDAY, FEBRUARY 7, 2022
1:00 P.M.
VIA VIDEO CONFERENCE**

**SENATE BILL NO. 1315
RELATING TO AGRICULTURE**

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 1315 that establishes a food manufacturer tax credit that defines “qualified taxpayers” as manufacturers that produce value-added products using local crops.

. 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. The tax credit applies to taxable years beginning after December 31, 2021.

We defer to the Department of Taxation as to the potential fiscal impacts of this measure.

The Department notes that this measure does not define “qualified expenses” and partly defines “qualified taxpayer,” 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. 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 whose products may be bought, processed, and sold by food



manufacturers. The Department currently lacks the capacity to perform the duties and may require additional personnel, related resources, a special fund in which to deposit and use the fees collected to qualify agricultural costs and certify tax credits, 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 measure.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Mike Gabbard, Chair;
The Honorable Clarence K. Nishihara, Vice Chair;
and Members of the Senate Committee on Agriculture and Environment

From: Isaac W. Choy, Director
Department of Taxation

Date: Monday, February 7, 2022
Time: 1:00 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 1315, Relating to Agriculture

The Department of Taxation (Department) offers the following comments on S.B. 1315 for the committee's consideration.

S.B. 1315 amends chapter 235, Hawaii Revised Statutes (HRS), to create a new nonrefundable tax credit for qualified taxpayers who are food manufacturers producing value-added products using local crops. The amount of the credit is equal to the qualified expenses of the qualified taxpayer, up to an unspecified cap. There is also an unspecified annual aggregate cap. Both the aggregate cap and certification of the credit will be administered by the Board of Agriculture. The credit applies to tax years beginning after December 31, 2021.

First, the Department defers to the Board of Agriculture on its ability to certify the credit and administer the aggregate cap, but requests that third-party certification be maintained. The Department does not have then necessary subject-matter expertise for certification.

Second, the Department notes that there is no definition of or restriction on what counts as "qualified expenses." The Department recommends adopting a clear definition of "qualified expenses" that limits eligibility only to expenses that are relevant and necessary for purposes of the credit. This will help limit significant unintended losses in revenue and better accomplish the Legislature's desired goals.

Additionally, the Department notes that the current definition of "qualified taxpayer" is vague and may be easily misconstrued. It is not clear what distinguishes a "food manufacturer" from an "agricultural producer," nor are there specific definitions or explanations of what qualifies as a "value-added product" or a "local crop." The Department recommends defining these terms avoid unintended revenue losses.

Third, the Department notes that the requirement to use local crops in manufacturing food to be a “qualified taxpayer” may violate the Commerce Clause of the U.S. Constitution.

Finally, the Department respectfully requests that the credit be made available for taxable years beginning after December 31, 2022. This will give the Department sufficient time to make the necessary administrative and computer changes.

Thank you for the opportunity to provide testimony on this measure.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

FEBRUARY 7, 2022

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 1316
RELATING TO AGRICULTURE

Conference Room 224 & Videoconference
1:00 PM

Aloha Chair Gabbard, Vice-Chair Nishihara, 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 SB 1316, which establishes an agricultural production tax credit that includes agricultural producers who produce at least fifty percent of food crops for local consumption.

Farming is a tough business. High production costs are a major driver of narrow profit margins for Hawaii's farmers. Land, water, labor, taxes, transportation, utilities, inputs, invasive species, and food safety regulations are all costs of doing business that often results in our farmers just being able to break even. 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.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Food Manufacturer Tax Credit

BILL NUMBER: SB 1315 (Carried over from 2021 Session)

INTRODUCED BY: KOUCHI (Introduced by request of another party), ACASIO, CHANG, KANUHA, KEOHOKALOLE, SAN BUENAVENTURA, SHIMABUKURO

EXECUTIVE SUMMARY: Establishes a food manufacturer tax credit. Defines qualified taxpayers as manufacturers that produce value-added products using local crops.

SYNOPSIS: Adds a new section to Chapter 235, HRS, that would provide a nonrefundable credit equal to 100% of the qualified expenses of the qualified taxpayer, up to a maximum of \$____. Provides an aggregate cap of \$____ for all qualified taxpayers in any taxable year.

Provides that all claims for a tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Defines “qualified taxpayer” as food manufacturers that produce value-added products using local crops.

Does not define qualified expenses.

Provides a mechanism for the Department of Agriculture to certify credit claims. Provides that the Department of Agriculture to charge a fee to offset the costs of certifying tax credit claims.

EFFECTIVE DATE: Applicable to taxable years beginning after December 31, 2021.

STAFF COMMENTS: The credit proposed by this bill has some problems.

Largest on the list is the failure of the bill to define qualified expenses. The definition of qualified expenses is essential to tell us what is creditable.

The definition of “qualified taxpayer” may cause the provision to violate the U.S. Constitution’s Commerce Clause. See *In re Hawaiian Flour Mills, Inc.*, 868 P.2d 419 (1994); *Bacchus Imports, Inc. v. Dias*, 468 U.S. 263 (1984); Hawaii Tax Information Release No. 93-4.

The credit as proposed is a 100% credit, meaning, at least for qualified expenses under the as yet undisclosed limit, the business pays nothing and the Hawaii taxpayers pay everything. There is currently nothing to indicate that the business seeking the credits would have “skin in the game.”

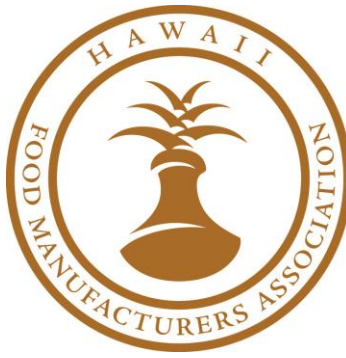
The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system

less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize this activity, then a direct appropriation would be more accountable and transparent. That way lawmakers will be very clear on (1) how much we taxpayers are paying, and (2) what we are getting in return.

Digested: 2/3/2022



**Testimony to the Senate Committee on Agriculture and Environment
Monday, February 7, 2022, at 1:00 P.M.**

RE: SB 1315 Relating to Agriculture

Chair Gabbard, Vice Chair Nishihara, and Members of the Committee:

The Hawaii Food Manufacturers Association (HFMA) Strongly Supports SB 1315 which Establishes a Food Manufacturer Tax Credit.

The Hawaii Food Manufacturers Association (HFMA) is a non-profit organization of approximately 120 members that has been promoting Hawaiian grown or manufactured products since 1977. The HFMA works to increase the understanding and appreciation of the unique flavors, quality, and care that go into the production of Hawaii's fine foods and beverages represented by our valued members and enjoyed by our valued community.

The food manufacturing industry in Hawaii generates \$900 million in annual revenue and is the largest manufacturing sector in the state using local inputs according to the Hawaii State Department of Business, Economic Development and Tourism. The industry provides over 6,100 jobs in the state and an annual payroll of more than \$160 million.

One of the barriers to increasing agricultural production in Hawaii is access to capital and start-up funds. Currently, there is no incentive for investors in the State or from the mainland to invest in Hawaii's food manufacturers. Investing in food manufacturing companies in Hawaii would revitalize the industry and continue to grow our economy.

The State of Hawaii currently imports around 85% of its food. By passing this bill, it would allow the state to be more self-sustaining and support local businesses.

The HFMA applauds the State for its support and its goal to double local food production by 2030. While the food manufactures of this state are hard at work to reach this goal, the additional support this bill would provide is crucial to the continued success of the industry.

Thank you for this opportunity to provide testimony.



Email: communications@ulupono.com

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT
Monday, February 7, 2022 — 1:00 p.m.

Ulupono Initiative supports SB 1315, Relating to Agriculture.

Dear Chair Gabbard and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports SB 1315, which establishes a food manufacturer tax credit for qualified taxpayers who produce value-added products using local crops.

Ulupono supports local food manufacturing as it provides market options for local farmers and ranchers to bring products to consumers. By processing various fruits, vegetables, meats, or dairy products into value-added goods, farmers and ranchers can utilize all of their products, that may have previously been considered food waste, and diversify their revenue streams. This tax incentive will help grow local production and influence future investments in food manufacturing.

Ulupono would like to note that this measure does not define a “qualified expense.” As this bill moves forward, we ask the committee to consider the various expenses that would be covered with such a broad tax credit. For example, food manufacturing costs that may qualify include access to land and water, equipment purchases, labor force, food safety compliance, and processing and packaging.

We recommend that this committee consider amending the definition of a “qualified taxpayer” to read as:

- “Qualified taxpayer” means food manufacturers that produce [~~value-added products using local crops~~] local value-added processed, agricultural, or food products.

We also recommend adding the following definitions:

Investing in a Sustainable Hawai'i

- “Local value-added processed, agricultural, or food product” shall be defined to mean at least fifty-one per cent of the product’s primary agricultural product shall be grown, raised, and harvested in Hawai‘i.”
- “Primary agricultural product” means the major agricultural product in a processed or value-added agricultural or food product

These definitions were mirrored after the Department of Agriculture’s Seal of Quality Program – the top-of-the-line program established to protect the Hawai‘i brand for both fresh and value-added products.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

SB-1315

Submitted on: 2/3/2022 4:45:01 PM

Testimony for AEN on 2/7/2022 1:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Barbara Barry	Individual	Support	No

Comments:

Aloha,

I support SB1315,

Mahalo,

Barbara Barry

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
ON
SENATE BILL NO. 1315

February 7, 2022
1:00 p.m.
Room 224 and Videoconference

RELATING TO AGRICULTURE

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 1315 adds a new section to Chapter 235, HRS, that establishes a non-refundable income tax credit for food manufacturers that produce value-added products using local crops; provides that the tax credit shall be equal to the qualified expenditures of the taxpayer, up to an unspecified maximum amount; sets the annual aggregate cap for the tax credit as an unspecified amount; and requires the Board of Agriculture to certify the tax credits and maintain records of taxpayers who claim the tax credit.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.



1928 Republican Street Honolulu, HI 96819 Phone: (808) 845-9868 Fax: (808) 848-7848

**Testimony to the Senate Committee on Agriculture and Environment
Monday, February 7, 2022, at 1:00 P.M.
Conference Room 224 & Videoconference**

RE: SB 1315 Relating to agriculture

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

The Hawaiian Chip Company supports SB 1315, to provide Hawaii's Food Manufacturers with a tax credit.

The Hawaiian Chip Company is a Hawaii based food manufacturer that primarily specializes in making sweet potato and taro chips. Getting any tax credit would alleviate the burden of escalating supply costs. Staying competitive with food products made elsewhere is becoming an impossible task due to the high cost of doing business in Hawaii. Without assistance, this company will have to downsize from supporting over twenty full-time jobs in Hawaii.

Thank you for your consideration.

SB-1315

Submitted on: 2/4/2022 8:10:39 PM

Testimony for AEN on 2/7/2022 1:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Dante Carpenter	Testifying for Carpenter & Carpenter, Inc.	Support	No

Comments:

Sen. Gabbard, Chair; Sen. Nishihara, Vice-Chair; and Members of the Agriculture & Environment Committee (AEN):

I am Dante Carpenter, Consultant to the **Waialua Egg Farm**, Farm-Fresh and Cage-Free Egg Production Facility located in Waialua, O'ahu. Be advised that this Egg-production facility is a "State-of-the-Art" enterprise with eventual capacity to produce One (1) million eggs per day for sale to residents within the State of Hawai'i. Presently there are over 200,000 young hens, delivered as young chicks, who have begun being egg producers in the Waialua Egg Farm Facility. Over \$40 million dollars have been spent in property acquisition, design & construction of these modern facilities to meet all the newest health and safety requirements of modern Egg Production!

Indeed, the Waialua Egg Farm strongly supports either or both the Tax Credit Bills as SB1315, and SB 1316, calling for either "Food Manufacturing" or "Agricultural Production" in the developing of food products for Hawai'i markets and its residents' consumption.

Respectfully submitted,

Dante Carpenter



COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair

SB1315
RELATING TO AGRICULTURE

Monday, February 7, 2022, 1:00 PM
VIA VIDEOCONFERENCE

Chair Gabbard, Vice Chair Nishihara, and Members of the Committee,

The Hawaii Cattlemen's Council (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of over 750 thousand acres of land in Hawaii, or 20% of the State's total land mass. We represent the interests of Hawaii's cattle producers.

The Hawaii Cattlemen's Council **supports SB1315** to establish a food manufacturer tax credit. We support efforts that reduce costs for those that are producing value-added products using local crops, as the cost of production in Hawaii is high, and incentives are necessary to encourage the use of local crops.

We appreciate the opportunity to testify on this measure.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director





1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

Charlie Gustafson, Tamura Super Market, *Chair*
Eddie Asato, Pint Size Hawaii, *Vice Chair*
Gary Okimoto, Safeway, *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
John Schliff, Rainbow Sales and Marketing, *Advisor*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

TO: Committee on Agriculture and Environment
Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 7, 2022
TIME: 1pm
PLACE: Via Videoconference

RE: SB1315 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 is in support of this measure to establish a food manufacturer tax credit. Hawaii food manufacturers are already making a range of great products. These businesses are innovative and perseverant. They are vital economic drivers in our state that create jobs and promote a more robust local economy by making local products for local people.

These businesses demonstrate that local food manufacturing is an area with great potential. This bill is a great example of the positive support our Hawaii businesses need right now from our government in order to survive and thrive. Manufacturing in Hawaii presents many challenges like high labor costs and the distance from other markets. This bill can help to offset those challenges and promote much needed growth in our local food manufacturing sector.

Investing in local food manufacturing makes our state less food dependent, more food self-sufficient, and more resilient. During the economic downturn in our state the amount of GET being collected fell precipitously, as did income taxes, payroll taxes however did not decrease by the same percentage. By supporting local companies that create jobs this measure will also help create a more stable tax base for the State. We urge you to pass this measure and we thank you for the opportunity to testify.