

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 HOUSE COMMITTEE ON AGRICULTURE

**FRIDAY, MARCH 18, 2022
9:00 A.M.**

CONFERENCE ROOM 325 & VIA VIDEOCONFERENCE

**SENATE BILL NO. 341 SD2
RELATING TO TARO**

Chairperson Hashem and Members of the Committee:

Thank you for the opportunity to present testimony on Senate Bill 341 SD2. This bill establishes an exemption from state income tax for an unspecified portion of income derived from taro cultivation or production of taro products, provided the total amount of land used to cultivate locally grown taro does not exceed thirty thousand acres.

The Department supports the intent of this measure to reduce the tax burden and create stronger economic incentives for new taro farmers, improve the livelihoods of existing taro farmers, and reduce the cost of poi for local residents.

We believe the high costs of farming is a significant barrier to an expansion in taro production. Nevertheless, local taro farmers have shown their resiliency by expanding taro cultivation statewide to 805 acres in 2020, up 32 per cent from the 612 acres in 2015.

The Department of Agriculture appreciates the intent of this bill to reduce the tax liability for qualified taxpayers engaged in taro cultivation and value-added production



but defers to the Department of Taxation with respect to the proposed amendments to Chapter 235.

Thank you for the opportunity to testify on this measure.

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 HOUSE COMMITTEE ON AGRICULTURE
ON
SENATE BILL NO. 341, S.D. 2

March 18, 2022
9:00 a.m.
Room 325 and Videoconference

RELATING TO TARO

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

Senate Bill No. 341, S.D. 2, adds a new section to Chapter 235, HRS, to establish an income tax exemption equal to an unspecified amount of gross income derived from taro cultivation and production of value-added taro products, provided that the total amount of land used to cultivate taro does not exceed 30,000 acres at any point in the year.

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.

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 Mark J. Hashem, Chair;
The Honorable Amy A. Perruso, Vice Chair;
and Members of the House Committee on Agriculture

From: Isaac W. Choy, Director
Department of Taxation

Date: Friday, March 18, 2022
Time: 9:00 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 341, S.D. 2, Relating to Taro

The Department of Taxation (Department) has concerns regarding S.B. 341, S.D. 2, and offers the following comments for your consideration.

S.B. 341, S.D. 2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to establish a new income tax exclusion for “persons engaged in the business of taro cultivation and production of value-added taro products,” and exempt the following categories from taxation:

- Taro plants; taro corm; leaf; and huli for taro farms or portions of farms dedicated to taro plants, taro corm, leaf, and huli;
- Taro lands planted with taro, including fallow rotation lands specifically for taro production of less than or equal acreage to lands in active taro production by each individual grower; and
- Preparations of taro, poi, and value-added products produced with taro.

The proposed exclusion would make nontaxable the first unspecified amount of gross income per qualified taxpayer, but the exclusion shall not apply if and when the Department of Agriculture determines that “at any time during the year the total amount of land for locally grown taro in the State surpasses thirty thousand acres[.]” To qualify for the exclusion, a taxpayer must be an individual engaged in the production of taro or taro products for sale, or the use of land for taro farming; they must also be engaged in the manufacturing, compounding, canning, preserving, milling, processing, refining, or preparing of taro for sale. The measure has a defective effective date of July 1, 2050, and otherwise applies to taxable years beginning after December 31, 2020.

First, it is extremely important to note that this proposal is an exclusion from net income tax. For net income tax, taxpayers are allowed to deduct their business expenses from their income to arrive at what is generally referred to as taxable income. The net income tax rates are progressive in that the greater a taxpayer's taxable income is, the higher the rate is. As such, it is unclear why this exclusion is necessary. If a taxpayer owes a significant amount of income tax it generally means that the business is profitable. Conversely, if a taxpayer breaks even or has no taxable income, they will owe no income tax at all.

Second, the Department has concerns about the availability of the exclusion being based on the DOA 30,000-acre determination. Taxpayers and the Department require consistency in order to administer taxes properly. Forms, instructions, and computer systems need to be in place well before the close of the taxable year. It is conceivable that a DOA determination could occur after these changes are made in preparation for tax filing season. As such, the Department strongly suggests the deletion of the DOA determination provision. In the alternative, the provision could be amended so that the exclusion is not available for the year following the DOA determination.

Third, the Department also notes that this measure as currently written does not disallow the deduction for ordinary and necessary business expenses associated with the production of income from the excluded business activities. As a result, qualifying taxpayers will be able to use these deductions to offset other income that is not excluded by this measure. For example, a qualifying taxpayer could also have a part-time job and earn wages. The business deductions could then be used to offset their wage income. The Department suggests amending this measure to disallow the deduction for any ordinary and necessary business expenses incurred in producing the income excluded by this measure.

Finally, if this measure is advanced, the Department respectfully requests that it be made applicable to taxable years beginning after December 31, 2021. This will provide the Department sufficient time to make the necessary administrative changes. Additionally, as this exclusion is intended to incentivize a taxpayer's behavior, providing this exclusion for tax year 2021 would provide a windfall for activity that occurred prior to the exclusion's enactment.

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


OFFICE OF HAWAIIAN AFFAIRS
‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai
Legislative Testimony

SB341 SD2
RELATING TO TARO
Ke Kōmike Hale o ka ‘Oihana Mahi‘ai
House Committee on Agriculture

Malaki 18, 2022

9:00 a.m.

Lumi 325

The Office of Hawaiian Affairs (OHA) **SUPPORTS** SB341 SD2, which would create economic incentives for kalo (taro) farmers and reduce the cost of poi for local families, by exempting kalo production from state income taxes. In addition to promoting one of our islands' most culturally significant food crops, this measure will help to facilitate greater local food production and promote our islands' food security in the post-COVID, climate change era.

In 2008, the Hawai‘i State Legislature passed Act 211 which established the Taro Security and Purity Task Force (Task Force). Act 211 directed kalo farmers, state agencies, and the University of Hawai‘i to collaborate to seek solutions to the many challenges facing kalo, kalo farmers, and kalo markets. Funding and administrative support from OHA enabled the Task Force to meet consistently and gather input from kalo growing communities on all islands over a 12-month period. The ensuing 2010 Legislative Report entitled, “E Ola Hou Ke Kalo; Ho‘i Hou Ka ‘Āina Lē‘ia – The Taro Lives; Abundance Returns to the Land,” issued eighty-seven recommendations and grouped them according to the following categories: Land; Water; Economic Viability; Biosecurity; Research; Communication, Education, and Public Awareness; and Hawaiian Taro Varieties. **Among these were recommendations to implement tax relief measures to ease the cost burden on existing and future kalo farmers. This bill will accordingly effectuate one of the Task Force’s recommendations, by providing needed tax relief for kalo farmers.**

The implementation of this measure would execute a long-awaited kalo tax relief proposal that would improve the economic landscape for kalo farmers’ as well their ability to overcome financial barriers and setbacks. By exempting kalo famers’, kalo farms’, and poi mills’ income up from state income taxes this bill would enable farms to build assets, reinvest in their farms and businesses, and offer more attractive opportunities for the next generation to engage in kalo farming. **This in turn will promote the greater cultivation of a culturally significant, staple crop that has fed our islands’ residents since time immemorial, and make this highly nutritious plant more widely and consistently available to island families, even in the face of disruptions to our food supply chain.**

Accordingly, OHA urges the Committee to **PASS** SB341 SD2. Thank you for the opportunity to testify on this measure.

SB-341-SD-2

Submitted on: 3/16/2022 8:29:46 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Harriet Witt	Hawaii Farmers Union United	Support	Written Testimony Only

Comments:

Because taro has grown here for so many centuries, it knows how to thrive without the application of toxic pesticides. No other crop is so safe and productive. Therefore we need this bill. Please support it. Mahalo



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

March 18, 2022

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 341, SD2
RELATING TO TARO

Room 325 & Videoconference
9:00 AM

Aloha Chair Hashem, Vice-Chair Perruso, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 341, SD2, which establishes an exemption from state income tax for an unspecified portion of a person's income derived from the business of taro cultivation or production of taro products provided that the exclusion shall not apply if the department of agriculture determines that more than 30,000 acres of land are used for locally grown taro.

The Hawai'i Farm Bureau recognizes taro's importance in Hawai'i's cultural identity and role in local food security. This measure is aimed to assist taro farmers in their efforts to increase their production and viability. We support this effort to improve the taro farmer's ability to not only sustain themselves but also to expand their long-term success.

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

Hawai'i 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 Hawai'i, 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."

HFB supports SB 341, SD2 which is an investment in Hawai'i's taro farmers.

Thank you for this opportunity to testify in support of this measure.



House Committee on Agriculture

Hawai'i Alliance for Progressive Action (HAPA) Supports: SB341 SD2

Friday, March 18th, 2022, 9:00a.m. Conference Room 325

Aloha Chair Hashem, Vice Chair Perruso and Members of the Committee,

HAPA is in strong support of SB341 SD2 which establishes an exclusion from the state income tax for an unspecified portion of a person's income derived from the business of taro cultivation or production of taro products. Provides that the exclusion shall not apply if the department of agriculture determines that more than 30,000 acres of land is used for locally grown taro.

SB341 SD2 will provide relief to taro growers from the heavy burden of increasing land tax rates. Tax relief of this nature helps create resources that enable farms to reinvest in their farm and offer more opportunities for the next generation of taro farmers.

This is an important step towards supporting native traditional food ways, farming and food security for Hawai'i. We need to do everything we can to support expansion of farming and particularly the cultivation of taro which is so culturally significant and such an important part of our landscape, history, food security and community.

SB341 SD2 is a great way to support a native cultural practice and Hawai'i's staple food. Supporting taro farming and assisting farmers will also help to keep native Hawaiian traditional and customary cultural practices alive.

Taro is a valued landscape and is recognized as the State Plant. Taro farmers need and deserve support to ensure taro farming continues to grow and expand into the future. This measure helps to incentivize farmers to grow taro, one of the healthiest staple starch foods available.

Taro lands provide ecological and environmental buffers against flooding. Taro lands are intricately connected to the protection of our riparian areas, coastal wetlands, and fishponds. Taro lands are celebrated as important and sacred places in Hawaiian traditions and stories and often farmed by families for generations.

SB341 SD2 will create economic incentives for taro farmers' and could reduce the cost of poi for local families. In doing so, this measure could help make taro more widely accessible and enable Hawaiian families to reconnect with this culturally important food source.

Unfortunately, taro farms are typically rural and located on some of the most beautiful lands in our state. As such they have become desirable to the real estate market. Every year, more and more we see more multi million-dollar homes encroaching on taro growing communities.

The result has been significant increases in tax assessments for taro lands from the counties, as well as excessive lease rates from DLNR. If a taro farmer can't afford to pay the taxes for their property and live on their own lands there are few places left for them to continue to farm.

This is a very concerning and important issue for us to address this legislative session, not just for the above reasons, but also because taro lands are some of our most productive agricultural lands and they have never been needed so much. This past year the COVID-19 crisis has reminded us all how important it is to urgently grow our food security. By encouraging more people to grow and produce taro we can help increase local food self-sufficiency and help Hawai'i reach its food security goals.

By exempting taro production from state income taxes SB341 SD2 will improve the economic landscape for taro farmers' as well as their ability to overcome financial barriers and setbacks.

We strongly support SB341 SD2 and believe it will reduce the cost of production and help locally produced goods compete with imported products, which in turn helps to strengthen our local economy.

Thank you for your consideration.

Respectfully,



Anne Frederick
Executive Director

[1] Sustainable America: Rogers, Nicole (2013) *What is a Food Hub*
<https://sustainableamerica.org/blog/what-is-a-food-hub/>

[2] SDSU Extension Community Vitality Field Specialist: Blachford, Sierra under direction of O'Neill, Kari & Zdorovtsov, Chris; *The Benefits of Food Hubs* <https://extension.sdstate.edu/benefits-food-hubs>

[3] MSU Center for Regional Food Systems: Weiss, Andrea (2020) *Equity and collaboration for resilient local food systems across the U.S.*
<https://www.canr.msu.edu/news/equity-and-collaboration-for-resilient-local-food-systems-across-the-us>



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
Rep. Mark J. Hashem, Chair
Rep. Amy A. Perruso, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 18, 2022
TIME: 9am
PLACE: Via Videoconference

RE: SB341 SD2 Relating to Taro

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.

Taro is a nutritious and versatile staple crop that can be sustainably cultivated here in Hawaii. It also has important cultural and historic significance in our state. This tax credit is an investment in the future of Hawaii's taro farmers and a way to make taro more accessible for Hawaii consumers. Taro has long been recognized as a "superfood" because of its high content of beneficial vitamins, minerals, and fiber. In recent years taro is regaining popularity and several Hawaii food companies make a range of taro products. Increasing taro production is a way to support taro farmers and taro product manufacturers. Promoting local food production also means better food self-sufficiency and greater resiliency for our state. We encourage you to pass this measure and we thank you for the opportunity to testify.

SB-341-SD-2

Submitted on: 3/16/2022 3:57:32 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Sherry Pollack	Individual	Support	Written Testimony Only

Comments:

I fully support this measure. This is an important step towards supporting traditional and customary Native Hawaiian foodways, as well as farming and food security for Hawaii. Please pass this bill. Mahalo.

SB-341-SD-2

Submitted on: 3/16/2022 4:11:32 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
De Austin	Individual	Support	Written Testimony Only

Comments:

Honorable chair and vice-chair, Senators Hashem and Perusso, as well as distinguished members of the Committee on Agriculture,

I support the bill SB341.

This bill offers relief to a marginalized community of farms: taro. Taro is a traditional food source for Hawaiians and other local island communities. Supporting these farms is a positive step toward food security for Hawaii, as well as honoring the cultural food traditions of Hawaii and her people.

Please support the bill SB341.

Thank you for the opportunity to testify.

Respectfully,

D Austin

Kihei, Maui

SB-341-SD-2

Submitted on: 3/16/2022 4:21:26 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Sunny Savage	Individual	Support	Written Testimony Only

Comments:

in support

SB-341-SD-2

Submitted on: 3/16/2022 5:30:07 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Hello,

My name is Nanea Lo. I'm born and raised and from this land. I'm currently a Mō'ili'ili resident. I'm writing in support SB341 SD2.

Will provide much-needed tax relief to taro growers. This is an important step towards supporting traditional and customary Native Hawaiian foodways, as well as farming and food security for Hawai'i.

Support SB341 SD2 too!

me ke aloha 'āina,

Nanea Lo

SB-341-SD-2

Submitted on: 3/16/2022 5:43:15 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
luann casey	Individual	Support	Written Testimony Only

Comments:

I am in strong support of excluding state income tax on a person's income derived from the business of taro cultivation.

Thank you, Luann Casey

SB-341-SD-2

Submitted on: 3/17/2022 7:52:08 AM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ruth Lewis	Individual	Support	Written Testimony Only

Comments:

I support a program to exempt a portion of Taro farmers profits from State Income tax. Taro farmers help to preserve Hawaii's heritage and culture.

Ruth Lewis

4585 Kikala Rd, Kalaheo, HI 96741

808-332-5032

SB-341-SD-2

Submitted on: 3/17/2022 8:15:17 AM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan Stayton	Individual	Support	Written Testimony Only

Comments:

Dear Legislators,

I am writing as a Kauai small farmer in SUPPORT of SB341 SD2.

This bill will provide much-needed tax relief to taro growers. This is an important step towards supporting traditional and customary Native Hawaiian foodways, as well as farming and food security for Hawai'i.

Thanks for your consideration,

Susan

SB-341-SD-2

Submitted on: 3/16/2022 11:51:22 AM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dana Keawe	Individual	Support	Written Testimony Only

Comments:

Support SB341 SD2

SB-341-SD-2

Submitted on: 3/17/2022 8:55:25 AM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
P Noel Bobilin	Individual	Support	Written Testimony Only

Comments:

Aloha, I strongly support this bill to help Kalo farmers as many of them are native Hawaiian and had been negatively affected by the illgal occupation of thier sovriengn state.

Mahalo

Noel Bobilin 96771

SB-341-SD-2

Submitted on: 3/16/2022 12:05:37 PM

Testimony for AGR on 3/18/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Samuel M Mitchell	Individual	Support	Written Testimony Only

Comments:

I support SB341 SD2 Because we need to better support local farmers.

Samuel Mitchell Member Makiki NB-10