

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 610, H.D. 2, Relating to Taxation

BEFORE THE:

Senate Committee on Ways and Means

DATE: Tuesday, April 4, 2023
TIME: 10:30 a.m.
LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 610, H.D. 2, for your consideration.

H.B. 610, H.D. 2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a refundable income tax credit for a qualified taxpayer who employs "eligible farm employees." A "qualified taxpayer" is defined as including a "farm employer" or "owner of farm employer." The credit is: (1) an unspecified amount per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2023; (2) an unspecified amount per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2024; (3) an unspecified amount per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2025; (4) an unspecified amount per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2026; and (5) an unspecified amount per eligible farm employee employed by the taxpayer for the taxable year beginning after December 31, 2027.

This bill has a defective effective of June 30, 3000 and applies to taxable years beginning after December 31, 2023.

First, the Department recommends making the credit nonrefundable, as refundable credits are more prone to fraudulent claims.

Second, the Department suggests inserting the following language as a new subsection to facilitate filing deadlines:

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

Third, the Department notes that it is able to administer this bill for taxable years beginning after December 31, 2023.

Finally, because the credit amount and aggregate cap are unspecified, the revenue impact is indeterminate.

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

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
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TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

TUESDAY, APRIL 4, 2023
10:30 AM
ROOM 211

HOUSE BILL NO. 610, HOUSE DRAFT 2
RELATING TO TAXATION

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on House Bill 610, HD2 that seeks to establish the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees. The refundable tax credit increases from \$250 to \$1,250 per eligible farm employee over the duration of the tax credit from the 2024 to 2028 tax years. There is a provision that allows the tax credit for farm employers or owners of farm employers to qualify for the tax credit in the event that a farm employee becomes ill or disabled. The Department of Agriculture generally supports measures that provide relief to farmers and other food producers, including ranchers and, otherwise, defers to the Department of Taxation.

Thank you for the opportunity to testify on this measure.



TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Farm Workforce Retention Tax Credit

BILL NUMBER: HB 610 HD 2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

SYNOPSIS: Adds a new section to chapter 235 to establish the farm workforce retention tax credit. The tax credit amount shall be:

Calendar Year (or fiscal year beginning in)	Amount per eligible farm employee of the qualified taxpayer
2024	\$
2025	\$
2026	\$
2027	\$
2028	\$

If a farm employee employed by the qualified taxpayer becomes unable to work due to a documented illness or disability, the qualified taxpayer may combine the hours the farm employee was employed during the taxable year with the hours of another farm employee hired to replace the ill or disabled farm employee in the same taxable year when determining whether the farm employee meets the minimum requirement for number of hours worked per taxable year to meet the definition of "eligible farm employee." Specifies requirements for documenting the illness or disability.

In the case of a partnership, S corporation, estate, trust, the tax credit allowable shall be for each eligible farm employee employed by the qualified taxpayer. The cost upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined pursuant to section 704(b) of the Internal Revenue Code.

The credit is refundable.

Defines the following terms:

"Eligible farm employee" means an individual who is employed for five hundred hours or more per taxable year by a farm employer in the State. "Eligible farm employee" does not include general executive officers of the farm employer.

"Excess federal gross income" means the amount of federal gross income from all sources for the taxable year in excess of \$30,000.

"Farm employer" means a person: (1) Who is a corporation, including an S corporation, sole proprietorship, limited liability company, or a partnership; and (2) Whose federal gross income from farming for the taxable year is at least two-thirds of excess federal gross income.

"Farming" means the operation or management of livestock, dairy, poultry, fish, fruit, fur-bearing animals, vegetable farms, plantations, ranches, ranges, or orchards.

"Net income tax liability" means income tax liability reduced by all other credits allowed under the income tax law.

"Owner of a farm employer" includes shareholders of a Hawaii S corporation, partners in a partnership, members of a limited liability company, or beneficiaries of an estate or trust.

"Qualified taxpayer" means a farm employer or an owner of a farm employer.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: As with any other targeted tax credit, this measure picks winners and losers in the marketplace. The winners are the qualified taxpayers, and the losers are the rest of us who need to pay for the cost of government and make up for the winners.

These, along with numerous other proposals targeted at specific types of business activity, are truly an indictment of what everyone has known and acknowledged since before Hawaii became a state, that is, the climate imposed by government regulations and taxation makes it difficult to survive without some kind of subsidy such as tax credits from government. Once those subsidies disappear, so will the businesses. Instead of throwing out such breaks for special interests, lawmakers must endeavor to make Hawaii's business climate more welcoming and conducive to nurturing entrepreneurs.

Digested: 3/10/2023



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Tuesday, April 4, 2023 — 10:30 a.m.

Ulupono Initiative supports HB 610 HD2, Relating to Taxation.

Dear Chair Dela Cruz 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 choices, and better management of freshwater resources.

Ulupono supports HB 610 HD2, which establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

Ulupono supports the State's goal to double local food production. This measure seeks to address one of the most important issues facing local agriculture—labor. According to the 2017 USDA National Agricultural Statistics Service (NASS) Census of Agriculture, 66% of Hawai'i's 7,328 farms statewide, or 4,868 farms, are between 1–9 acres. In addition, 78%, or 5,701 farms, produce less than \$25,000 in sales. Support mechanisms such as a workforce retention tax credit are a helpful start to the many labor issues facing the local agricultural industry. This measure has the potential to influence farm businesses to incentivize their own employees to maintain long-term workforce commitments.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i



P.O. Box 253, Kunia, Hawai'i 96759
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e-mail info@hfbf.org; www.hfbf.org

April 4, 2023

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 610, HD2
RELATING TO TAXATION

Conference Room 211 & Videoconference
10:30 AM

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, 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 HB 610, HD2, which establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees.

Rural areas, where many of our farms and ranches are located, face significant challenges due to their distance from population centers. Distance to markets, input transportation costs, and access to labor are the many issues facing our members. Small agriculture businesses are especially vulnerable to any increase in costs, especially those who operate on low margins. Increasing the minimum wage is forcing many small farmers to offset higher costs through fewer work hours, fewer pay raises, decreased discretionary benefits, or planting less labor-intensive crops.

Unlike other industries, farms, and ranches are price takers as opposed to price-setters, which means they are largely dependent on trade markets when it comes to the ROI on the products they produce. With the difficulty in raising prices, Hawai'i's farmers will have to look to cut costs elsewhere. This measure could stabilize prices of locally produced food and products utilizing locally grown agricultural products.

Farming is a tough business. High production costs are a major driver of narrow profit margins for Hawai'i'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.

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



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
TUESDAY, APRIL 4, 2023 AT 10:30 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the committee on Ways and Means

SUPPORT OF HB610 HD2 RELATING TO TAXATION

The Maui Chamber of Commerce would like offer **our SUPPORT of HB610 HD2** relating to taxation that establishes the farm workforce retention tax credit for farm employers or owners who employ eligible farm employees.

Agriculture is a very difficult industry in Hawaii with significant upfront and continued expenses and is important to our sustainability efforts. We are pleased to work with the Maui County Farm Bureau and local manufacturers who create value-added food products through our Made in Maui County Festival. We strongly support this bill to establish a farm workforce retention tax credit to help farmers offset their costs, while continuing to employ and develop their workforce.

Mahalo for the opportunity to offer **SUPPORT of HB610 HD2**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



LATE

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Wai'anae, O'ahu

Ted Radovich
Waimanalo, O'ahu

Vincent Kimura
Honolulu, O'ahu

Ray Maki
Kauai

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Ways and Means Committee,

The Hawaii Farmers Union United (HFUU) is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFUU supports HB610.**

This bill strives to provide financial relief for farmers and employers of farm employees, by allowing them to receive a tax credit for retaining their existing farm workers.

The Farm Workforce Retention Tax Credit encourages farm owners to invest in the growth of their businesses, in order to increase their farm's productivity. Moreover, it provides them with an economic incentive to retain the same staff on their farms, by offsetting the costs of paying the agricultural workers competitive wages. These measure can support both farms and their workers and is a valuable approach to supporting stability in the industry.

Mahalo for the opportunity to testify.

Kaipo Kekona, President HFUU/HFUF

HB-610-HD-2

Submitted on: 3/31/2023 12:18:38 PM

Testimony for WAM on 4/4/2023 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Cards Pintor	Individual	Support	Written Testimony Only

Comments:

Aloha,
I support this bill.
Mahalo nui,
Cards Pintor

HB-610-HD-2

Submitted on: 4/2/2023 1:23:26 PM

Testimony for WAM on 4/4/2023 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB610 HD2.

HB-610-HD-2

Submitted on: 4/3/2023 7:50:53 AM

Testimony for WAM on 4/4/2023 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lawrence Toutant	Individual	Support	Written Testimony Only

Comments:

To whomever it may concern,

I am writing testimony for and am in support of HB 610. As a concerned Hawaii resident, I am in favor of supporting children 0-5 in preventative mental health efforts. Children within this vulnerable age range sometimes have no healthy connections with others. A trauma-informed, comprehensive approach to building a sense of safety in the keiki would result in only positive outcomes in the short and long-term. I have worked with the homeless population on Maui as a Homeless Outreach Worker with Mental Health Kokua, and I have seen first hand the behavioral and mental health challenges affecting children. Many times due to drug/alcohol use while during the pregnancy term, children who are homeless face unique challenges. I believe that this program would affectively reach this population and others. Thank you for your consideration.

Warmly,

Lawrence Toutant (808) 286-5475