

STAND. COM. REP. NO. 1246

Honolulu, Hawaii

MAR 22 2023

RE: H.B. No. 612
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred H.B. No. 612, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector.

Your Committee received testimony in support of this measure from the Department of Agriculture; one member of the Maui County Council; Ulupono Initiative; Hawai'i Farmers Union United; Kanalani Ohana Farm; Ponoholo Ranch Limited; Ancient Valley Growers; Tinyville Farm; Hawai'i Farm Bureau; Kuwale Ridge Farms; Hawaii Cattlemen's Council, Inc; and thirteen individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the cost of doing business is a constraining factor for agriculture in Hawaii and that costs only continue to climb. Land, labor, equipment, and utility costs are on the rise, reducing an already small profit margin for farmers and ranchers and limiting the capacity and incentives for agriculture to grow and prosper. This measure will provide much-



needed support for local food production by providing an income tax credit equal to one hundred percent of the qualified expenses of an eligible farmer and capped at an unspecified amount.

Your Committee has amended this measure by:

- (1) Removing language that would have provided a tax credit equal to one hundred percent of qualified expenses and instead setting tiered credit amounts based on net farm sales;
- (2) Removing language that would have made the tax credit refundable for eligible farmers with federal adjusted gross income under \$250,000;
- (3) Delaying the applicability date to taxable years beginning after December 31, 2023, to allow the Department of Taxation time to prepare proper forms; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 H.B. No. 612, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 612, H.D. 2, 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-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB612 HD2	AEN, WAM	3/17/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. 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
GABBARD, Mike (C)	✓			
RICHARDS, III, Herbert M. "Tim" (VC)				✓
DECOITE, Lynn				✓
RHOADS, Karl	✓			
AWA, Brenton	✓			
TOTAL	3	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Karl Rhoads</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes