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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1149, H.D. 1, Relating to General Excise Tax Exemptions.

BEFORE THE:

Senate Committee on Agriculture and Environment

DATE: Monday, March 10, 2025

TIME: 1:01 p.m.

LOCATION: State Capitol, Room 224

Chair Gabbard, Vice-Chair Richards, III, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following testimony in support of H.B. 1149, H.D. 1, an Administration measure, for your consideration.

H.B. 1149, H.D. 1, repeals two general excise tax (GET) exemptions that are rarely claimed by taxpayers. Good tax policy dictates that taxes should be simple, equitable, and transparent. Unused or under-utilized exemptions complicate the tax system, benefit relatively few taxpayers, and may not be publicly scrutinized because even the release of aggregated claims data risks compromising taxpayers' confidentiality. Therefore, tax exemptions that are not used should be repealed.

H.B. 1149, H.D. 1, first repeals the exemption for amounts received by independent sugar cane farmers under section 237-24(14), Hawaii Revised Statutes (HRS). No taxpayers claimed this exemption in 2020 and 2021, and so few taxpayers claimed this exemption in 2022 and 2023 that DOTAX cannot release data on its usage without risk of identifying the claimants.

H.B. 1149, H.D. 1, also repeals the GET exemption under section 237-24(17), HRS, for amounts received by a contractor of the Patient-Centered Community Care

program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153. No taxpayers claimed this exemption in 2019, 2020, 2021, 2022, and 2023 (2023 data is the most recent available), indicating little benefit for the public.

This measure has a defective effective date of January 1, 3000. DOTAX requests that this measure be passed with an effective date of January 1, 2026, which will provide sufficient time to make the necessary form, instruction, and system changes.

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

TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE; Repeal Exemptions for Sugar Cane Growers and Patient-Centered Community Care Programs

BILL NUMBER: HB 1149 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Repeals the general excise tax exemption for amounts received by independent sugar cane farmers. Repeals the general excise tax exemption for amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153.

SYNOPSIS: Repeals section 237-24(14), HRS, general excise tax exemption for amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane.

Repeals section 237-24(17), HRS, general excise tax exemption for amounts received by a contractor of the Patient Centered Community Care program that is established by the U.S. department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States.

Makes a conforming change to section 421H-4(c) to reflect the numbering change.

EFFECTIVE DATE: January 1, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and designated TAX-05 (25).

The Department states that the purpose of this bill is to get rid of exemptions that are rarely claimed.

We do not doubt that the exemptions mentioned in this bill are rarely used.

Digested: 3/7/2025

HB-1149-HD-1

Submitted on: 3/7/2025 2:57:35 PM

Testimony for AEN on 3/10/2025 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert Dawson	Testifying for Ko Hana Farms	Oppose	Written Testimony Only

Comments:

Testimony Opposing H.B. 1149 – Repeal of the General Excise Tax Exemption for Independent Sugar Cane Farmers

Submitted by: Robert Dawson, Co-Founder, Kō Hana Farms

Date: March 7, 2025

Chair Yamachika, Vice Chair Takenouchi, and Members of the Committee,

My name is Robert Dawson, and I am the co-founder of Kō Hana Farms. We have been farming sugar cane on O‘ahu for over ten years and currently cultivate several hundred acres in Waialua, Hale‘iwa, and Kunia. Our operations continue to expand, with plans to grow to as many as 1,000 acres over the next five years. Today, I am submitting testimony in strong opposition to H.B. 1149, which seeks to repeal the General Excise Tax (GET) exemption for independent sugar cane farmers.

While it has been suggested that this exemption is “rarely claimed,” I want to clarify that the lack of claims does not mean the exemption is unnecessary or unused—it simply means that awareness of it has been limited. In our case, we were unaware of the exemption and therefore never filed for it, despite our decade of farming operations. This exemption directly supports the growth and sustainability of local, independent sugar cane farms, and removing it would have an adverse effect on businesses like ours.

Our company currently employs 13 full-time farmers, and we are actively expanding our workforce as we scale operations. Retaining this tax exemption will allow us to hire more farmers, reinvest in our agricultural expansion, and further strengthen Hawaii’s farming industry. Repealing the exemption, on the other hand, would create an unnecessary financial burden that slows our ability to grow and contribute to the local economy.

Hawaii has a long and rich history of sugar cane cultivation, and while the large-scale plantations of the past are gone, independent farming efforts like ours are revitalizing the industry in new and sustainable ways. This exemption serves as an important tool in helping small and mid-sized farmers compete and thrive. If repealed, it would hinder the very agricultural resurgence that the state should be supporting.

For these reasons, I urge you to oppose H.B. 1149 and preserve the GET exemption for independent sugar cane farmers. Instead of eliminating this exemption, I encourage the state to increase awareness of it so that more qualifying farmers can benefit.

Mahalo for your time and consideration.

Robert Dawson

Co-Founder, Kō Hana Farms