

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



WENDY GADY  
EXECUTIVE DIRECTOR

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
HUI HO'OULU AINA MAHIAI

TESTIMONY OF WENDY L. GADY  
EXECUTIVE DIRECTOR  
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON  
AGRICULTURE AND ENVIRONMENT  
Friday, January 24, 2025  
1:00 p.m.  
Conference Room 224 & Videoconference

SENATE BILL NO. 13  
RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT

Chair Gabbard, Vice Chair Richards & Members:

Thank you for the opportunity to testify in **support** of House Bill No. 13, which provides an aquaculture investment tax credit for investments into a qualified aquaculture business for taxable years beginning after December 31, 2025.

The proposed aquaculture investment tax credit would send a strong signal to local entrepreneurs, businesses, and investors that Hawai'i is committed to advancing its aquaculture industry. It would also complement ongoing efforts to align with state sustainability goals, such as the Aloha+ Challenge and Hawai'i's commitment to achieving food self-sufficiency.

As a state surrounded by vast marine resources, Hawai'i is uniquely positioned to become a global leader in sustainable aquaculture. However, achieving this potential requires significant investment in infrastructure,

technology, and workforce development. By providing a targeted tax incentive for investors, the proposed aquaculture investment tax credit will:

1. **Encourage Private Investment:** Tax credits serve as a proven mechanism to attract private capital into industries that require substantial upfront investments. Aquaculture businesses often face high costs related to research, permitting, and operational infrastructure. A tax credit would mitigate these financial barriers and incentivize investment into this critical sector.
2. **Promote Economic Diversification:** Hawai'i's economy remains heavily reliant on tourism, which is vulnerable to global disruptions. Supporting aquaculture as a growth industry diversifies the state's economic base, creating a more resilient and sustainable economy.
3. **Boost Local Food Security:** Investment in aquaculture contributes to local food production, reducing the state's reliance on imported seafood and ensuring access to fresh, locally grown products. This is especially important as global supply chains face increasing challenges.
4. **Create Jobs and Workforce Opportunities:** The aquaculture sector has the potential to generate high-quality jobs in fields such as marine biology, engineering, technology, and business management. These opportunities will not only retain local talent but also attract expertise from around the world to Hawai'i.

5. **Support Sustainable Practices:** With proper oversight and innovation, aquaculture businesses can operate in an environmentally responsible manner, reducing pressure on wild fish stocks and supporting marine conservation efforts.

I respectfully urge this committee to support the establishment of an aquaculture investment tax credit. This forward-thinking policy is a critical investment in Hawai'i's future, ensuring that the state remains a leader in sustainable food production, economic resilience, and environmental stewardship.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget. Thank you for your consideration of our testimony.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

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

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 13, Relating to the Aquaculture Investment Tax Credit.

**BEFORE THE:**

Senate Committee on Agriculture and Environment

**DATE:** Friday, January 24, 2025  
**TIME:** 1:00 p.m.  
**LOCATION:** State Capitol, Room 224

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

The Department of Taxation ("Department") offers the following comments regarding S.B. 13 for your consideration.

S.B. 13 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a nonrefundable income tax credit for investments into a "qualified aquaculture business."

The measure outlines the following key provisions:

- The credit is based on an unspecified percentage of the investment amount, allocated over five years starting with the taxable year in which the investment is made.
- The bill includes an unspecified annual cap on the credit and contains a recapture provision for taxpayers who divest or otherwise fail to qualify during the five-year allocation period.
- The credit may be carried forward until exhausted.
- The credit would apply to taxable years beginning after December 31, 2025.

- The Department would be responsible for certifying eligibility for the credit and administering its caps.

The Department does not have the resources to certify eligibility for this credit.

The bill allows the credit to be carried forward indefinitely until it is exhausted. However, because the credit is already allocated over a five-year period, there is no need for a carryforward provision and recommend omitting it. But if the carryforward provision is retained, the Department recommends including a time limit for the carryforward period for effective tracking and to mitigate potential abuse.

To prevent taxpayers from claiming multiple credits for the same costs, the Department recommends adding a new subsection that reads as follows:

No other tax credit or deduction shall be claimed under this chapter for qualifying investments for the taxable year.

The Department also recommends adding a definition for the term “qualified investments,” and amending subsection (b), on page 2, lines 15 and 17, by replacing “expenses” with “investments.”

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

**DEAN M. MATSUKAWA**  
Deputy to the Chairperson

State of Hawai'i  
**DEPARTMENT OF AGRICULTURE**  
KA 'OIHANA MAHI'AI  
1428 South King Street  
Honolulu, Hawai'i 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF SHARON HURD**  
**CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

**JANUARY 24, 2025**  
**1:00 PM**  
**CONFERENCE ROOM 224**

**SENATE BILL NO. 13**  
**RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT**

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

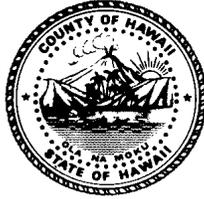
Thank you for the opportunity to testify on Senate Bill 13. The bill provides an aquaculture investment tax credit for investments into a qualified aquaculture business for taxable years beginning after 12/31/2025. The Department supports this bill.

By providing financial incentives for investment in qualified aquaculture businesses, SB 13 could help address the industry's need for greater support and resources, potentially unlocking significant economic and food security benefits for Hawai'i. Impact areas could include economic growth, job creation, food security, innovation support, global competitiveness, and sector diversification. However, the department defers to the Department of Taxation on legal and administrative impacts of any changes to the State Hawai'i Revised Statutes.

As such, the Department supports this measure. Thank you for the opportunity to testify on this measure.



C. Kimo Alameda, Ph.D.  
Mayor



Benson Medina  
Director

Dennis Lin  
Deputy Director

## County of Hawai'i

### DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 1301 • Hilo, Hawai'i 96720-4252  
(808) 961-8366 • Fax (808) 935-1205  
E-mail: chresdev@co.hawaii.hi.us

To: Senate Committee on Agriculture and Environment

Date: January 24, 2025

Re: Testimony in Support of SB13: Relating to the Aquaculture Investment Tax Credit

Aloha Chair Gabbard, Vice Chair Richards and Members of the Committee,

My name is Anna Ezzy and I am an Agriculture Research and Policy Specialist with the County of Hawai'i Department of Research and Development. The County of Hawai'i Department of Research and Development provides written testimony in **SUPPORT of SB13**, to provide an aquaculture investment tax credit for investments into a qualified aquaculture business.

The aquaculture industry on Hawai'i Island and across the State is a leader in the U.S and this bill is an opportunity to incentivize private support for the industry to support continued growth. Hawai'i County is ranked #1 in the State and #2 in the U.S in terms of aquaculture sales, with aquaculturists generating \$69,393,000 in sales in 2022 ([USDA Census of Agriculture, 2022](#)). The 870-acre Hawaii Ocean Science and Technology Park on Hawai'i Island has created more than 600 jobs and has a \$150 million annual economic impact, even withstanding economic shocks from the COVID pandemic ([Civil Beat, 2023](#)). Yet, the investments required to scale Hawai'i's aquaculture infrastructure are hindered by high initial costs, an inhibitive regulatory environment, risk and uncertainty, and the timeframe to return on investment (HDOA, 2024).

The 2024 HDOA report on Improving the Aquaculture Development Program Strategic Plan identified the extensive need for private capital to support the growth of the industry and recommends that the government reintroduce tax credits for investment into aquaculture (HDOA, 2024, p. 77). The investment encouraged by SB13 will enable improved access to capital for small, medium and large producers as well as support the expansion of pilot projects and research with native species for aquaculture (HDOA, 2024).

Thank you for championing agriculture in Hawai'i and for the opportunity to provide testimony in **SUPPORT** of SB13.

Sincerely,  
Anna N. Ezzy  
Agriculture Research and Policy Specialist  
County of Hawai'i Department of Research and Development



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#### **Executive Officers**

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**Kit Okimoto**, Okimoto Corp., *Vice Chair*  
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**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Immediate Past Chair*

TO: Committee on Agriculture and Environment

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: January 24, 2025  
TIME: 1pm

RE: SB13 RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT.

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure. This tax credit will help grow our aquaculture industry in Hawaii. A credit can help incentivize the creation of new aquaculture enterprises to serve our islands. It can also allow for existing aquaculture businesses to direct tax savings towards growth and development.

Local food producers in our state face many challenges. In order to overcome those challenges and feed our state our local food producers need support and investment from our government. We believe this tax credit is a step in the right direction to help increase local food production and we encourage the committee to pass this measure.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Aquaculture Investment Tax Credit

BILL NUMBER: SB 13

INTRODUCED BY: INOUYE

EXECUTIVE SUMMARY: For taxable years beginning after 12/31/2025, provides an aquaculture investment tax credit for investments into a qualified aquaculture business.

SYNOPSIS: Adds an investment tax credit of an unspecified percent of the investment in each qualified aquaculture business in the year the investment is made and the following four years. The tax credit is further limited to an unspecified maximum dollar amount each year. The tax credit shall be as follows:

- (1) In the year the investment was made, \_\_\_%;
- (2) In the first year following the investment, \_\_\_%. up to \$\_\_\_\_\_;
- (3) In the second year following the investment, \_\_\_%. up to \$\_\_\_\_\_;
- (4) In the third year following the investment, \_\_\_%. up to \$\_\_\_\_\_; and
- (5) In the fourth year following the investment, \_\_\_%. up to \$\_\_\_\_\_.

In the case of partnerships, S corporations, estates or trusts, the tax credit is allowable for “qualified expenses” incurred by the entity. Qualified expenses upon which the tax credit is computed is determined at the entity level.

The credit is a nonrefundable tax credit against net income tax liability. Credits in excess of tax liability may be carried forward to subsequent years until exhausted.

\_\_\_\_\_% of the credit claimed in the preceding two years is subject to recapture if at the close of any taxable year in the five-year period, 1) the business no longer qualifies as a “qualified aquaculture business”; 2) the business or an interest in the business has been sold, or 3) the taxpayer has wholly or partially withdrawn its’ investment in the qualified aquaculture business.

HRS Chapter 235-\_\_\_\_ (f) requires the taxpayer, before March 31 of each year in which an investment was made in the previous taxable year, to submit a written, certified statement to the director of taxation identifying the qualified investment expended in the previous taxable year, and the amount of tax credits claimed in the previous taxable year.

HRS Chapter 235-\_\_\_\_ (g) tasks the department of taxation with maintaining records for credits claimed, the total amount of qualified investment costs upon which the tax credit is based; verifying the nature and amount of the qualifying investments and certifying the tax credits claimed. The department of taxation shall issue certificates verifying submitted information

which must be filed with the taxpayer's tax return. The director of taxation may assess a fee to offset the costs of certifying tax credit claims.

“Qualified aquaculture business” means a business engaged in the propagation, cultivation, or farming of aquatic plants and animals in controlled or selected environments for research, commercial, or stocking purposes, including aquaponics or any growing of plants or animals with aquaculture effluent, in the State.

EFFECTIVE DATE: Taxable years beginning after December 31, 2025

STAFF COMMENTS: This bill, firstly, contains too many blanks and is impossible to vet in its current form.

The next, and considerable, hurdle is to define what investments are going to be eligible for this credit. The definition of “qualified aquaculture business” includes “farming ... in controlled or selected environments.” Who selects the environments? Does all commercial fishing qualify? Having a loose definition or two tends to attract lots of attention, not necessarily from the businesses intended to be benefited, especially when the credit amount is substantial.

Next, the Legislature should be thinking long and hard about its experience with the QHTB investment credit in section 235-110.9, HRS, the structure of which resembles that in this bill. For those who think that the QHTB businesses took the people of Hawaii for a ride with this credit, are we to expect that the same experiences will not befall us this time as well?

Utilizing tax credits to drive economic policy in this manner is of a questionable benefit relative to the cost for all taxpayers. A direct appropriation of grant funding to builders or putative investors would be more accountable and transparent. At least we would know the amount of the appropriation, while the fiscal impact of this credit would be a great big question mark.

If the credit is intended to equal or exceed the amount of investment, as the QHTB investment credit did, the investor can be thought of as paying nothing where the Hawaii taxpayers pay more than everything. There is currently nothing to indicate that the investor seeking the credits would have “skin in the game,” and thus does not create any incentive for the investor to do due diligence and make sure the investment monies are deployed efficiently.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount compared to the benefit expected to accrue because of the creditable activity.

As a technical matter, the bill should be revised for consistency. Subsection (a) provides a tax credit of an unspecified percent *of the investment made* by the taxpayer in each qualified aquaculture business. Whereas, in subsection (b), partnerships, S corporations, estates or trusts are eligible for a tax credit for *qualified expenses incurred by the entity*.

Digested: 1-21-25



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January 24, 2025

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**TESTIMONY ON SB 13**  
RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT

Conference Room 224 & Videoconference  
1:00 PM

Aloha Chair Gabbard, Vice-Chair Richards, and Members of the Committees:

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 13**, which provides an aquaculture investment tax credit for investments into a qualified aquaculture business.

Hawai'i's aquaculture industry farm gate value is \$89.6M, the second-highest contribution to the economy in diversified agriculture. Hawai'i's favorable climate and geography allow for inherent advantages benefitting aquaculture production.

The Legislature acknowledged the importance of Hawai'i's aquaculture industry by revitalizing the Aquaculture Development Program through Act 63, SLH 2019. However, more investment and research are needed in the aquaculture industry, including research into different types of aquaculture, aquaculture system optimization, and the economic implications of various methods of aquaculture production.

An aquaculture tax incentive can help strengthen and grow Hawai'i's aquaculture industry, attracting investment, producing high-quality seafood, and increasing the State's economic resilience and food sustainability. It could also be financially beneficial to new farms and help expand existing farms.

Thank you for the opportunity to testify on this important matter.

**SB-13**

Submitted on: 1/23/2025 11:49:05 AM

Testimony for AEN on 1/24/2025 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ronald Weidenbach	Testifying for Hawaii Aquaculture and Aquaponics Association	Support	Written Testimony Only

Comments: The Hawaii Aquaculture and Aquaponics Association (HAAA) with statewide membership supports SB13 which would establish tax credit opportunities for investments in aquaculture operations. Aquaculture is a capital intensive industry, typically with high upfront and expansion costs for aquafarming infrastructure, equipment, and operations. The provisions of this bill would support increased aquaculture production in Hawaii. The HAAA supports this bill.



# MAUI

CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224  
FRIDAY, JANUARY 24, 2025, 1:00 P.M.**

Senator Mike Gabbard, Chair  
Senator Herbert M. "Tim" Richards, III, Vice Chair  
Members of the committee on Agriculture and Environment

## **SUPPORT SB13 RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT**

The Maui Chamber of Commerce strongly **SUPPORTS SB13**, which provides an aquaculture investment tax credit for investments in qualified aquaculture businesses.

The Chamber notes that UHERO recently published a report identifying viable industries for economic diversification, with aquaculture being highlighted as one of the key sectors. While aquaculture has been attempted on a smaller scale in various projects on Maui over the years, this investment could provide the resources needed to expand and grow these businesses.

We wholeheartedly support this initiative, as it also contributes to our broader goals of sustainability and local food production.

For these reasons, we strongly **SUPPORT SB13** and respectfully request its passage.

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.



January 23, 2025

**TESTIMONY ON THE FOLLOWING MEASURE:**

SB177, Relating to Aquaculture

**BEFORE THE:**

Senate Committee on Agriculture and Environment

**BY:**

Shrimp Improvement Systems Hawaii, LLC

**DATE:** January 24, 2025 at 1:00pm

**LOCATION:** State Capitol, Room 224

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

I am writing to **SUPPORT SB177**, relating to aquaculture.

Shrimp Improvement Systems (SIS) is the world's leading provider of shrimp broodstock and has been at the forefront of genetic improvement and Specific Pathogen Free (SPF) *Penaeus vannamei*. During and post pandemic years, Shrimp Improvement Systems Hawaii (SISH) have faced logistic and inflation issues, and countless other roadblocks that have created challenging times for our business.

We hereby earnestly request that our Post Larvae (PL) shrimp that we import from our SIS Florida facility be inspected on Hawaii Island instead of needing to be inspected on Oahu prior to making its way to Hawaii Island.

Below are some of the key reasons for this request:

1. To reduce overall transit time and reduce shipping mortality loss.

Currently, total transit from Miami Florida airport to our SISH facility is 54 hours, where the mortality rate is around 35%. Below is one shipment sample:

001-90243263 MIA-HNL cargo accepted at 12:16pm on 10/28/2024;



173-34940216 HNL-KOA cargo delivered at 12:36 pm on 10/30/2024.

Accepted

14 Pieces



American Airlines

Dropped off in MIA on 10/28/2024 at 12:16 PM

2852»

Station	Milestone	Pcs	Weight	Flight#	Flight Date	Org	Dest
HNL	Departed	14	880.00 Lbs	HA248	10/30/2024 11:13	HNL	KOA
KOA	Arrived	14	880.00 Lbs	HA248	10/30/2024 11:49	HNL	KOA
KOA	Delivered	14	880.00 Lbs	HA248	10/30/2024 12:36	HNL	KOA

If shipment inspections can be done on Hawaii Island, the overall transit time would reduce by 20 hours from 54 hours to 34 hours. The shorter overall transit mortality rate would be anticipated to be reduced by 25% from 35% to less than 10%.

- To reduce our PL shipping cost.

If the shipments could be cleared on Hawaii Island, we estimate to reduce our PL shipping cost by a minimum of 40%, going from \$190/box down to \$131/box.

- Kona Airport runway rehabilitation project makes logistics even worse and this will last until 2026.

Aloha Air Cargo tender time has moved earlier in Oahu due to the Kona airport runway closure, resulting in our shipment missing the tender time and leaving our shipment stranded in Oahu until the next day.

- Biosecurity at both SIS Florida and SIS Hawaii Facilities.

SIS Florida is registered and operating under Florida’s comprehensive Aquaculture Best Management Practices (BMPs).

SIS Hawaii is certified with Hawaii’s stringent aquaculture regulations under the Shrimp Health Certification Program (SHCP).

SIS Florida and SIS Hawaii are both certified as a Registered Aquaculture Export Facility (RAEF) by the United States Department of Agriculture (USDA) and the Animal and Plant Health Inspection Service (APHIS).



SIS Florida and SIS Hawaii are both Specific Pathogen Free (SPF) *Penaeus vannamei* facilities.

5. SIS Hawaii facility is certified with the US Fish & Wildlife Service Permit for import/export wildlife and/or wildlife products.

We genuinely thank you for the opportunity to provide testimony for your consideration in this crucial matter that would support Shrimp Improvement Systems in our continued aquaculture business in the State of Hawaii.

Mahalo,

A handwritten signature in black ink, appearing to read 'Jaime Masukawa'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jaime Masukawa

General Manager

Shrimp Improvement Systems Hawaii LLC

**SB-13**

Submitted on: 1/23/2025 10:02:14 PM

Testimony for AEN on 1/24/2025 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Cecilia Viljoen	Testifying for KPFHC	Support	Written Testimony Only

Comments:

The Aquaculture industry is tough with lots of external factors affecting it as well as high Capital Investments due to expensive water and land in Hawaii. Aquaculture can assist the island in local food availability (protein) instead of importing food, so a tax break will be very helpful in assisting Aquaculture businesses to survive in a tough environment. It is an intense and labor intensive farming method, and employs lots of local workers, beneficial to the state.

**SB-13**

Submitted on: 1/23/2025 11:26:32 AM

Testimony for AEN on 1/24/2025 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Liz Akina	Individual	Support	Written Testimony Only

Comments:

If this bill gets signed into law, it will greatly encourage investors to invest money in the rapidly growing aquaculture industry. It will be very good for the state's economy and job creation and food security.