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# A BILL FOR AN ACT

RELATING TO IMPORTANT AGRICULTURAL LAND.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235-       Important agricultural land tax credit.   (a)

5 There shall be allowed to each eligible taxpayer subject to the  
6 taxes imposed by this chapter an important agricultural land tax  
7 credit that shall be deductible from the eligible taxpayer's net  
8 income tax liability, if any, imposed by this chapter for the  
9 taxable year in which the credit is properly claimed.

10           (b) The amount of the tax credit shall be equal to the  
11 amount of county property taxes paid by the eligible taxpayer  
12 for the taxable year in which the tax credit is claimed.

13           (c) In the case of an eligible taxpayer that is a  
14 partnership, limited liability company, S corporation, estate,  
15 or trust, the tax credit allowable shall be for the amount of  
16 county property tax paid by the entity. The costs upon which  
17 the tax credit is computed shall be determined at the entity



1 level. Distribution and share of credit shall be determined by  
2 rule.

3 (d) If the tax credit under this section exceeds the  
4 eligible taxpayer's net income tax liability for any year, the  
5 excess of the tax credit may be used as a credit against the  
6 eligible taxpayer's net income tax liability in subsequent years  
7 until exhausted.

8 (e) Every claim, including amended claims, for a tax  
9 credit under this section shall be filed on or before the end of  
10 the twelfth month following the close of the taxable year for  
11 which the credit may be claimed. Failure to comply with the  
12 foregoing provision shall constitute a waiver of the right to  
13 claim the credit.

14 (f) The director of taxation shall prepare any forms that  
15 may be necessary to claim a credit under this section. The  
16 director may also require the eligible taxpayer to furnish  
17 information to determine the validity of the claims for credits  
18 made under this section and may adopt rules pursuant to chapter  
19 91 necessary to implement the purposes of this section.

20 (g) As used in this section:

21 "Eligible taxpayer" means a taxpayer who uses the  
22 taxpayer's important agricultural land for commercial



1 agricultural purposes and incurs county property tax liability  
2 on that property.

3 "Important agricultural land" means those lands that are  
4 identified and designated pursuant to chapter 205, part III."

5 SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is  
6 amended by amending subsections (b) and (c) to read as follows:

7 "(b) Revenues collected under this chapter shall be  
8 distributed as follows:

9 (1) 17.3 per cent of the revenues collected under this  
10 chapter shall be deposited into the convention center  
11 enterprise special fund established under section  
12 201B-8; provided that beginning January 1, 2002, if  
13 the amount of the revenue collected under this  
14 paragraph exceeds \$31,000,000 in any calendar year,  
15 revenues collected in excess of \$31,000,000 shall be  
16 deposited into the general fund;

17 (2) 32.6 per cent of the revenues collected under this  
18 chapter shall be deposited into the tourism special  
19 fund established under section 201B-11 for tourism  
20 promotion and visitor industry research; provided that  
21 beginning on July 1, 2002:



1 (A) If the amount of revenues deposited into the  
2 tourism special fund exceeds \$62,292,000 in any  
3 fiscal year, of the first \$1,000,000 in revenues  
4 deposited in excess of \$62,292,000:  
5 (i) Ninety per cent shall be deposited into the  
6 state parks special fund established in  
7 section 184-3.4; and  
8 (ii) Ten per cent shall be deposited into the  
9 special land and development fund  
10 established in section 171-19 for the Hawaii  
11 statewide trail and access program;  
12 provided that the total amount deposited into the  
13 state parks special fund and to the special land  
14 and development fund for the Hawaii statewide  
15 trail and access program shall not exceed  
16 \$1,000,000 in any fiscal year;  
17 (3) 44.8 per cent of the revenues collected under this  
18 chapter shall be transferred as follows: Kauai county  
19 shall receive 14.5 per cent, Hawaii county shall  
20 receive 18.6 per cent, city and county of Honolulu  
21 shall receive 44.1 per cent, and Maui county shall

1 receive 22.8 per cent; provided that this amount shall  
2 be reduced as provided in subsection (c); and  
3 (4) 5.3 per cent of the revenues collected under this  
4 chapter shall be deposited into the transient  
5 accommodations tax trust fund established under  
6 section 237D-5.5.

7 All transient accommodations taxes shall be paid into the  
8 state treasury each month within ten days after collection, and  
9 shall be kept by the state director of finance in special  
10 accounts for distribution as provided in this subsection.

11 (c) On or before January or July 1 of each year or after  
12 the disposition of any tax appeal with respect to an assessment  
13 for periods after June 30, 1990, the state director of finance  
14 shall compute and pay the amount due as provided in subsection  
15 (b) to the director of finance of each county to become a  
16 general realization of the county expendable as such, except as  
17 otherwise provided by law[~~-~~]; provided that the amount paid to  
18 each county shall be reduced by the aggregate amount of tax  
19 credits claimed, pursuant to chapter 235- , against each  
20 county's property tax assessments and the sums reduced shall  
21 revert to the general fund."



1 SECTION 3. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act, upon its approval, shall apply to  
4 taxable years beginning after December 31, 2006.

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INTRODUCED BY: Russell Kohl

J. Lee Gish  
Shanne Chun Oakland

Greg L. Hansen  
David Furumasa  
Aken



**Report Title:**

Tax Credit; Property Tax; Important Agricultural Lands

**Description:**

Establishes an important agricultural land (IAL) tax credit equal to the amount of county property tax paid by taxpayers who use their IAL for commercial agricultural purposes. Reduces each county's portion of the transient accommodations tax revenue by the amount of credits claimed against each county's property tax assessments.

