

STAND. COM. REP. NO.

2455

Honolulu, Hawaii

FEB 17

, 2006

RE: S.B. No. 2098
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Water, Land, and Agriculture, to which was referred S.B. No. 2098 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to provide a general excise tax exemption for rental income collected from a lessee that is actively engaged in farming.

Testimony in support of this measure was submitted by the Land Use Research Foundation of Hawaii, the Hawaii Farm Bureau Federation, the Kauai County Farm Bureau, the Hawaii Cattlemen's Council, Kamehameha Schools, and the Kauai Cattlemen's Association. Testimony in opposition to this measure was submitted by the Department of Agriculture. The Department of Taxation also submitted comments on the measure.

Your Committee finds that agriculture plays a significant role in Hawaii's history and continues to be an important industry, generating \$2,900,000,000 to the State's annual economy and directly and indirectly providing 42,000 jobs. Your Committee further finds that with the decline of the sugar industry, we must strive to create a more diverse agricultural industry to keep agriculture in Hawaii viable. The future of local agriculture is full of economic potential, although the potential will be only realized if efforts are made to encourage its expansion. This measure will provide landowners that lease their lands to lessees engaged in farming activities an exemption from the general excise

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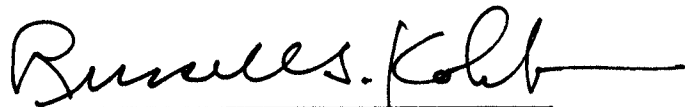


tax on the rental income. Your Committee believes that this exemption will provide an attractive incentive to landowners while helping to expand the commercial agricultural industry within the State.

Your Committee has amended this measure by changing the effective date of the Act to July 1, 2050 to allow further discussion on the matter.

As affirmed by the record of votes of the members of your Committee on Water, Land, and Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2098, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2098, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Water, Land, and
Agriculture,

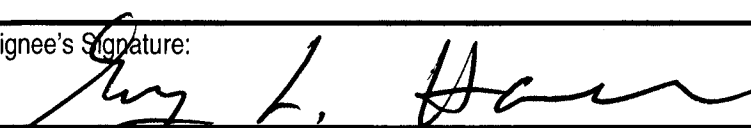


RUSSELL S. KOKUBUN, Chair



The Senate
 Twenty-Third Legislature
 State of Hawaii

Record of Votes of the
 Committee on Water, Land and Agriculture
 (Bills and Resolutions)

Measure:* <i>SB2098</i>	Committee Referral: <i>WLA, WAM</i>	Date: <i>2/15/06</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <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	Ayes	Ayes(WR)	Nays	Excused
KOKUBUN, Russell S. (C)	✓			
HOOSER, Gary L. (VC)	✓			
ENGLISH, J. Kalani	✓			
FUKUNAGA, Carol				✓
HEMMINGS, Fred	✓			
TOTAL	<i>4</i>			<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.