

STAND. COM. REP. NO. 428

Honolulu, Hawaii
Feb 15, 2007

RE: H.B. No. 1639
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committees on Agriculture and Water, Land, Ocean Resources & Hawaiian Affairs, to which was referred H.B. No. 1639 entitled:

"A BILL FOR AN ACT RELATING TO IMPORTANT AGRICULTURAL LANDS,"

beg leave to report as follows:

The purpose of this bill is to encourage owners of qualifying agricultural lands to have their lands designated as important agricultural lands (IALs) by providing tax benefits for owners who lease their IALs. Specifically this bill:

- (1) Excludes rental income derived from qualifying agricultural leases on lands identified and designated as IALs from gross income, adjusted gross income, and taxable income, under the income tax law;
- (2) Exempts rental income derived from qualifying agricultural leases on lands identified and designated as IALs from the general excise tax; and
- (3) Appropriates funds for the Department of Agriculture (DOA) to assess the impact of the income tax exclusion of rental income derived from IALS provided for in this bill and requires DOA to submit an annual report regarding the assessment.



The Land Use Research Foundation of Hawaii supported this bill. DOA supported this bill and suggested amendments. The Hawaii Farm Bureau Federation supported the intent of this bill. The Department of Taxation offered comments.

Your Committees find that certain amendments were recommended regarding the details of the administration of the general excise tax exemption and income tax exclusion contained in this measure.

Accordingly, your Committees have amended this bill by:

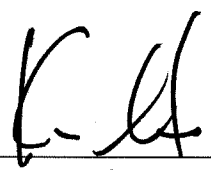
- (1) Requiring the agricultural leases to be in effect and the lessees to continuously and substantially undertake agricultural activity on the leased land, as determined by DOA;
- (2) Specifying that the income tax exclusion and general excise tax exemption shall not apply if the conditions in (1) are not complied with;
- (3) Specifying that assignments of the original lease to other lessees shall be for the time period remaining on the original lease, unless the terms of the lease are renegotiated; and
- (4) Making technical, nonsubstantive amendments for style, clarity, and consistency.

Your Committees note that concerns were raised regarding the appraisal methodologies specified in this bill for setting the lease rent in cases where the lease term length is mutually agreed to by the lessor and lessee. Concerns focused on the appropriateness of using the specified appraisal methodologies and whether state agencies such as the Department of Land and Natural Resources and DOA have the capability to perform such appraisals. Your Committees support future legislative efforts to address this issue.

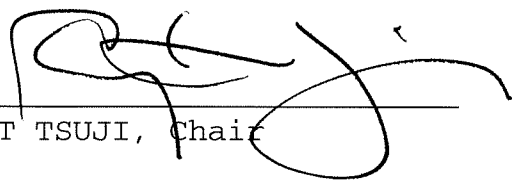
As affirmed by the records of votes of the members of your Committees on Agriculture and Water, Land, Ocean Resources & Hawaiian Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1639, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1639, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Water, Land, Ocean Resources &
Hawaiian Affairs,



KEN ITO, Chair




CLIFT TSUJI, Chair

HSCR 428

State of Hawaii
House of Representatives
The Twenty-fourth Legislature

Record of Votes of the Committee on Agriculture

Bill/Resolution No.: HB 1639		Date: 2/09/07		
Committee Referral: WLH/AGR AGR/WLH, FIM		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommitment for further consideration				
AGR Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. BROWER, Tom (VC)	/	/		
3. BERG, Lyla B., Ph.D.		/		
4. CHANG, Jerry L.	/			/
5. HANOHANO, Faye P.	/		/	
6. HERKES, Robert N.	/			/
7. MANAHAN, Joey	/			/
8. WAKAI, Glenn	/			/
9. YAMANE, Ryan I.	/			
10. YAMASHITA, Kyle T.	/			/
11. CHING, Corinne W.L.				/
12. MEYER, Colleen Rose				/
TOTAL	6	1	0	5
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
 Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office				

