

STAND. COM. REP. NO. 559

Honolulu, Hawaii
Feb 16, 2007

RE: H.B. No. 902
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 Economic Development & Business Concerns, to which was referred H.B. No. 902 entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURAL TAX CREDITS,"

beg leave to report as follows:

The purpose of this bill is to provide financial incentives for agricultural development by establishing an important agricultural land (IAL) agricultural business tax credit (Tax Credit) amounting to 100 percent of the qualified agricultural costs incurred in Hawaii and paid for by an agricultural business.

The Hawaii Farm Bureau Federation, Maui County Farm Bureau, Land Use Research Foundation of Hawaii, Alexander & Baldwin, Inc., Hawaiian Commercial & Sugar Company, and Kauai Coffee Company, Inc., supported this bill with amendments. The Hawaii Agriculture Research Center supported the intent of this bill. The Department of Taxation (DOTAX) and Agribusiness Development Corporation (ADC) submitted comments.

Your Committees have amended this measure by:

- (1) Deleting the provision in the purpose section declaring that the substance of this Act establishes incentives and protections for IALs;



- (2) Broadening the scope of the Tax Credit by deleting the condition that qualified agricultural costs be incurred in Hawaii and paid for by an agricultural business;
- (3) Deleting the provision that requires the taxpayer, as an alternative to reducing the basis of eligible property for depreciation or accelerated cost recovery purposes by the amount of the Tax Credit claimed, to treat the amount of the Tax Credit claimed as a taxable income item under the method of accounting used to compute taxable income;
- (4) Clarifying that no deduction shall be allowed for those costs for which a credit is claimed under the Tax Credit;
- (5) Deleting the existing provisions requiring the ADC, in consultation with DOTAX, to pre-qualify, pre-approve, monitor, and evaluate any taxpayer applying for or using the Tax Credit and to evaluate the effectiveness of the Tax Credit;
- (6) Requiring ADC, in consultation with DOTAX, to determine the information necessary on an annual basis to enable a quantitative and qualitative assessment of the outcome of the Tax Credit and:
 - (A) Requiring every qualified taxpayer to submit a certified statement providing this information to ADC;
 - (B) Establishing 100 percent recapture provisions if the taxpayer fails to provide this information in a timely manner; and
 - (C) Declaring that the certified statement shall be a public document;
- (7) Clarifying that the ADC consult with DOTAX in submitting the annual report evaluating the effectiveness of the Tax Credit;
- (8) Clarifying, under the definition of "agricultural business", that more than 50 percent of the land the taxpayer owns, leases, or uses, excluding conservation lands, is IAL;




- (9) Amending the definition of "qualified agricultural costs" by:
 - (A) Deleting the condition that expenditures occur in Hawaii;
 - (B) Specifying that agricultural processing facilities be located in Hawaii and process crops or livestock from an agricultural business; and
 - (C) Deleting research and development expenditures from the definition;
- (10) Inserting appropriations for DOTAX and ADC to administer the Tax Credit;
- (11) Changing its effective date to an unspecified date; and
- (12) Making technical, nonsubstantive amendments for style, clarity, and consistency.

Your Committees recognize the concerns that were raised during the public hearing regarding the amount of the Tax Credit, as well as other issues relating to the broad scope of the Tax Credit. Your Committees support future legislative efforts to address these issues.


As affirmed by the records of votes of the members of your Committees on Agriculture and Economic Development & Business Concerns that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 902, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 902, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Economic Development & Business
Concerns,



KYLE T. YAMASHITA, Chair




CLIFT TSUJI, Chair



HSR 559

State of Hawaii
House of Representatives
The Twenty-fourth Legislature

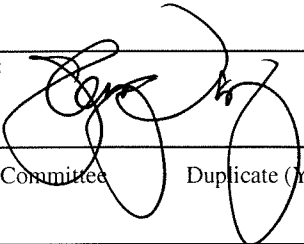
Record of Votes of the Committee on Agriculture

Bill/Resolution No.: HB 902		Date: February 13, 2007		
Committee Referral: AGR/EDB, FIN		<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 recommittal 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	8	4	0	0
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				

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State of Hawaii
House of Representatives
The Twenty-fourth Legislature

Record of Votes of the Committee on Economic Development & Business Concerns

Bill/Resolution No.: HB 902		Date: 2-13-07			
Committee Referral: AGR/EDB, FIN		<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					
EDB Members		Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)		✓			
2. WAKAI, Glenn (VC)			✓		
3. BERG, Lyla B., Ph.D.			✓		
4. BROWER, Tom		✓			
5. CHANG, Jerry L.		✓			
6. HANOHANO, Faye P.		✓			
7. HERKES, Robert N.		✓			
8. MANAHAN, Joey			✓		
9. TSUJI, Clift		✓			
10. YAMANE, Ryan I.		✓			
11. CHING, Corinne W.L.		✓			
12. MARUMOTO, Barbara C.			✓		
TOTAL		8	4	0	0
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					