

STAND. COM. REP. NO. 1885

Honolulu, Hawaii

Aj 05, 2007

RE: S.B. No. 1221
S.D. 2
H.D. 2

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 1221, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURAL TAXATION,"

begs leave to report as follows:

The purpose of this bill is to support Hawaii's agricultural industry and provide incentives for the designation of Important Agricultural Lands (IALs) by establishing the Important Agricultural Land Agricultural Business Tax Credit amounting to 50 percent of qualified agricultural costs over a three-year schedule as follows:

- (1) 25 percent of the qualified agricultural costs, up to an unspecified maximum, in the year the qualified agricultural costs are incurred;
- (2) 15 percent of the qualified agricultural costs, up to an unspecified maximum, in the year following the year in which the qualified agricultural costs are incurred; and
- (3) 10 percent of the qualified agricultural costs, up to an unspecified maximum, in the second year following the year in which the qualified agricultural costs are incurred.

SB1221 HD2 HSCR FIN HMS 2007-3627



The Department of Agriculture, Land Use Research Foundation of Hawaii, and the Hawaii Crop Improvement Association supported this bill. Alexander & Baldwin, Inc., Hawaiian Commercial & Sugar Company, Kauai Coffee Company, Inc., and Hawaii Farm Bureau Federation supported this bill with amendments. The Hawaii Agriculture Research Center supported the intent of this measure. The Department of Taxation and the Tax Foundation of Hawaii submitted comments.

Your Committee has amended this measure by deleting its contents and inserting the substance of House Bill No. 902, H.D. 2, with additional amendments. As amended, this bill:

- (1) Establishes the Important Agricultural Land Agricultural Business Tax Credit amounting to 100 percent of qualified agricultural costs incurred by an agricultural business during the taxable year; and
- (2) Contains an effective date of July 1, 2020, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1221, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1221, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



