

Honolulu, Hawaii

A-204 , 2008

RE: S.B. No. 2198
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2198, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LAND CONSERVATION,"

begs leave to report as follows:

The purpose of this bill is to encourage the protection and preservation of land in the state by establishing a Land Conservation Incentives Tax Credit (Tax Credit). Specifically, this bill allows taxpayers to deduct:

- (1) 50 percent of the value of the interest in lands donated in perpetuity or sold in a bargain sale for conservation purposes to the State or a conservation agency; or
- (2) 50 percent of the amount invested in the management of lands for conservation purposes under an agreement with a conservation purpose,

up to \$2,500,000, from their net income tax liability.

The Department of Land and Natural Resources, Department of Agriculture, The Nature Conservancy of Hawaii, The Trust for Public Land, Hawaii Audubon Society, Hawaii Agriculture Research Center, and several concerned individuals supported this bill. The Department of Taxation, Office of Planning, Office of Hawaiian Affairs, and the Tax Foundation of Hawaii provided comments.



Your Committee has amended this bill by, among other things:

- (1) Reinstating language requiring a qualified appraisal prepared by a qualified appraiser to substantiate the fair market value of donations;
- (2) Subjecting all appraisals submitted to substantiate fair market value of donations to the requirements of applicable federal law and regulations governing charitable contributions, including penalties for valuation misstatements;
- (3) Conferring the Chairperson of the Board of Agriculture with rule-making authority to effectuate this Act;
- (4) Conferring the Chairpersons of the Board of Agriculture and the Board of Land and Natural Resources with rule-making authority to certify that donations or investments claimed for a tax credit fulfill a conservation or preservation purpose;
- (5) Reinstating language providing that the state agency that certifies that a protected resource is significant or important to work with the taxpayer to identify opportunities for public access, if appropriate and reasonable;
- (6) Providing that this tax credit shall not prevent the exercise of any rights of native Hawaiians from practicing traditional and customary practices as provided by law;
- (7) Making the tax credit applicable to taxable years after December 31, 2007;
- (8) Repealing the tax credit on December 31, 2010;
- (9) Limiting the total amount of the tax credit to \$3,000,000 for all taxpayers for all years;
- (10) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (11) Making technical, nonsubstantive amendments for style, clarity, and consistency.



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. 2198, 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. 2198, S.D. 2, H.D. 2.

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



MARCUS R. OSHIRO, Chair



