

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2357
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committees on Agriculture and Hawaiian Affairs and Water and Land, to which was referred H.B. No. 2357, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose of this measure is to provide incentives and protections to establish and sustain viable agricultural operations on important agricultural lands.

Specifically, this measure:

- (1) Provides income and general excise tax benefits for rental income from certain agricultural leases on important agricultural lands;
- (2) Allows residential dwelling units for farmers and their employees and families on important agricultural lands under certain conditions;
- (3) Establishes the important agricultural land qualified agricultural cost tax credit to provide financial support for the repair, maintenance, and expansion of farming operation infrastructure;
- (4) Authorizes the Chair of the Board of Agriculture to guarantee loans for agricultural projects on important agricultural lands;



- (5) Requires the state agricultural water use and development plan to include an inventory of public and private irrigation water systems, and to identify water sources used by agricultural operations on important agricultural lands and the current and future water needs of these operations; and
- (6) Prioritizes the processing of permit applications and renewals for agricultural processing facilities that process crops and livestock from an important agricultural lands related business.

Testimony in support of this measure was submitted by the Hawaii Farm Bureau Federation; Maui County Farm Bureau; Kamehameha Schools; Maui Land and Pineapple Company, Inc.; Hawaii Cattlemen's Council, Inc.; Alexander and Baldwin, Inc.; Hawaiian Marine Enterprises; and Castle and Cooke Hawai'i. Testimony in support of the intent of this measure was submitted by the Department of Agriculture; Department of Business, Economic Development and Tourism; Hawaii Association of Realtors; The Chamber of Commerce of Hawaii; Hawaii Leeward Planning Conference; and Food Company Hawaii. The City and County of Honolulu Department of Planning and Permitting testified in support of the intent of this measure but expressed opposition to certain elements. Testimony in opposition to this measure was submitted by the Department of Budget and Finance and Hawaii's Thousand Friends. The Department of Taxation submitted testimony expressing concern and proposing an amendment to this measure.

Your Committees have amended this measure by:

- (1) In response to the concern expressed by the Department of Taxation, deleting extended term and lease assignment treatment language from the proposed exclusion of agricultural lease rental income from gross income; and
- (2) For purpose of the important agricultural land qualified agricultural cost tax credit, including in the definition of "qualified agricultural costs", expenditures for regulatory processing, studies, legal and other consultant services related to obtaining or retaining sufficient water for agricultural activities and retaining the right to farm on land identified as important agricultural lands.



In addition, your Committees are pleased at the progress that has been made so far and urge all interested groups to continue to work together to resolve their issues and concerns. Specifically, your Committees encourage the Office of State Planning to work with the Hawaii Farm Bureau Federation to address their concerns.

As affirmed by the records of votes of the members of your Committees on Agriculture and Hawaiian Affairs and Water and Land that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2357, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2357, H.D. 1, S.D. 1, and be referred to the Committees on Economic Development and Taxation and Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Hawaiian Affairs and Water and
Land, .



CLAYTON HEE, Chair




JILL TOKUDA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Agriculture and Hawaiian Affairs
AHW

Bill / Resolution No.:*	Committee Referral:	Date:		
HB2357, HD1	AHW/WTL, EDT/WAM	3-13-08		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<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	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
ENGLISH, J. Kalani (VC)				✓
GABBARD, Mike	✓			
HEE, Clayton	✓			
KOKUBUN, Russell S.	✓			
SLOM, Sam				✓
TOTAL	4	—	—	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes

