

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2518  
H.D. 1  
S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 2518, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to provide a land conservation incentives tax credit to encourage the preservation and protection of land in the State.

Specifically, the measure establishes a Land Conservation Incentives Tax Credit to allow taxpayers to deduct:

- (1) Fifty per cent of the value of the interest on lands donated to the state or a county in perpetuity for conservation purposes; or
- (2) Fifty per cent of the amount invested in the management of lands for conservation purposes under a land protection agreement.

Testimony in support of this measure was submitted by the Department of Agriculture, Department of Land and Natural Resources, Hawaii Agriculture Research Center, The Nature Conservancy, Office of Hawaiian Affairs, The Trust for Public Land, and one individual. Testimony in opposition of this measure was submitted by the Department of Taxation. Comments on this



measure were submitted by the Tax Foundation of Hawaii and the University of Hawaii Environmental Center.

Your Committee finds that undeveloped private lands can provide significant benefits to the general public as watersheds, erosion control, carbon sequestration, green space, recreational space, and cultural preservation. However, there is often no incentive or remuneration to the landowner for the benefit that the undeveloped private lands provide to the public. Your Committee finds that this measure will encourage private landowners to preserve and protect conservation lands.

Your Committee previously heard and approved a similar measure, S.B. No. 2198, S.D. 2. Your Committee has amended this measure by deleting the content of H.B. 2518 H.D. 1, S.D. 1 and replacing it with the contents of S.B. No. 2198, S.D. 2, with a clarifying amendment. As amended, this measure includes a requirement that the designation of land as significant or important, be made by a relevant state agency and that the taxpayer work with the state agency to identify opportunities for public access if appropriate and reasonable. Your Committee further amended this measure by adding that only upon the designation of important agricultural lands shall the holder of the interest in the agricultural lands be entitled to the tax incentives under section 205-46, Hawaii Revised Statutes.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in an annual revenue loss to the State of approximately \$3,200,000 in fiscal year 2009. Their methodology is as follows:

The Legacy Land Conservation program under the Department of Land and Natural Resources provides matching funds for non-profits to engage in land purchases for conservation. In many of these cases, a part of the land interest is gifted to the non-profit. It is assumed that most conservation land donation transactions go through this mechanism.

Gifts through the Legacy Lands project for 2008 are projected to be \$3,238,500. The Department of Taxation assumed that this covers half of all eligible transactions under the credit (including investments in the management of land to protect or enhance a conservation or preservation purpose under an agreement). Thus, the Department of Taxation projects the value of eligible transactions to be \$6,500,000, of which a fifty per



cent tax credit would cause a revenue loss of \$3,200,000. The revenue impact on future years is indeterminate, due to the large volatility in gift amounts from year-to-year.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2518, H.D. 1, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 2518, H.D. 1, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

  
CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:*	Committee Referral:	Date:
HB 2518 HD1 SD1	WTL, EDT, WAM	3/18/08

The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
<b>TOTAL</b>	<b>4</b>			<b>2</b>

Recommendation:  Adopted      Not Adopted

Chair's or Designee's Signature: 

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