

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 902
H.D. 2
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 902, H.D. 2, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish the important agricultural land (IAL) agricultural business tax credit.

Testimony in support of this measure was received from the Department of Agriculture; Agribusiness Development Corporation; Hawaii Farm Bureau; Hawaii Agriculture Research Center; Land Use Research Foundation of Hawaii; Alexander & Baldwin, Inc.; Hawaii Crop Improvement Association; and Hawaiian Electric Company, Inc. One individual submitted testimony in opposition. The Department of Taxation (Department) and Tax Foundation of Hawaii submitted comments on this measure.

The Department submitted a fiscal impact statement that the revenue loss to the State would be approximately \$27,800,000 annually. In its methodology, the Department stated that qualifying inflation-adjusted farm expenses totals about \$70,600,000, based on 2002 Bureau of Census data, and estimated that one-half of farm land would qualify as IAL. In 2006, allocations from the Irrigation Repair and Maintenance Special Fund were approximately \$15,000,000, and an estimated fifty per cent of that would be designated as IAL. (\$35,300,000 - \$7,500,000 = \$27,800,000).



Your Committee previously heard and approved S.B. No 1221, S.D. 2, a comparable measure that established the tax credit over a five-year period.

Your Committee has amended this measure accordingly, by staggering the percentage of costs claimable under the tax credit over a five-year period as follows:

- (1) Fifty per cent of qualified agricultural costs up to an unspecified maximum dollar amount in the first year;
- (2) Twenty per cent of qualified agricultural costs up to an unspecified maximum dollar amount in the second year; and
- (3) Ten per cent of qualified agricultural costs up to an unspecified maximum dollar amount in the third, fourth, and fifth years.

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. 902, H.D. 2, 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. 902, H.D. 2, 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 902 HD2 SD1	WAH, EDT, WAM	3/22/07		
<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
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	5			
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

*Only one measure per Record of Votes