

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2198
S.D. 1

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 S.B. No. 2198 entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish a land conservation incentives tax credit.

Your Committee received testimony in support of this measure from the Department of Agriculture; Department of Land and Natural Resources; Office of Hawaiian Affairs; The Trust for Public Land; and The Nature Conservancy. Testimony in opposition was received from the Hawaii Building and Construction Trades Council, AFL-CIO. Comments were received from the Department of Taxation and the Tax Foundation of Hawaii.

The intent of this measure is to encourage the preservation and protection of conservation land in the State by creating a land conservation incentives tax credit, the value of which would be fifty per cent of the fair market value or the amount voluntarily invested in the management of the land donated.

The Department of Taxation stated that this measure will result in a revenue loss of approximately \$3,200,000 for fiscal year 2009. The Legacy Land Conservation Program provides matching funds for non-profits to engage in land purchases for conservation. In many 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 Land Conservation Program for 2008 are projected to be \$3,238,500. It is assumed that this covers half of all eligible transactions under the credit. The value of the eligible transactions is projected to be \$6,500,000, of which a fifty per cent tax credit would result in a revenue loss of \$3,200,000. The impact for future years is indeterminate, due to the large volatility in gift amounts from year to year.

Your Committee has amended this measure by:

- (1) Allowing the holder of interest in agricultural lands qualifying for a land conservation incentive tax credit to petition the State Land Use Commission for designation of the lands as important agricultural lands;
- (2) Requiring the taxpayer to provide reasonable public access to the lands qualifying for the tax credit;
- (3) Repealing the land conservation incentive tax credit on December 31, 2012; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and style.

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 S.B. No. 2198, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 2198, S.D. 1.

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



CAROL FUKUNAGA, Chair



