

STAND. COM. REP. NO.

2406

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 3156  
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 Agriculture and Hawaiian Affairs, to which was referred S.B. No. 3156 entitled:

"A BILL FOR AN ACT RELATING TO DROUGHT MITIGATION TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to establish a drought mitigation tax credit.

The tax credit would be equal to fifty per cent of the costs for construction of a new drought mitigation water storage facility, or repair or reconstruction of an existing water storage facility. The measure also establishes an unspecified cap on the value of the tax credit per taxpayer.

Testimony in support of this measure was submitted by the Hawaii Farm Bureau Federation, Big Island Farm Bureau, Maui County Farm Bureau, and Hawaii Crop Improvement Association. Testimony in support of the intent of this measure was submitted by the Department of Agriculture and the Department of Land and Natural Resources Commission on Water Resource Management. The Department of Taxation and Tax Foundation of Hawaii both submitted comments expressing concern with this measure.

Your Committee finds that farmers and ranchers during periods of drought suffer from crop and livestock losses that often require years to recover. Crop and livestock losses affect not only the income of farmers and ranchers, but also have ancillary



economic repercussions for hired workers, agricultural suppliers, and state tax revenues. These losses can be minimized by the construction of water storage facilities to alleviate water problems during times of drought.

This measure has been amended to address the concerns expressed by the Department of Taxation as follows:

- (1) By decreasing the amount of the tax credit to ten per cent of the costs for construction of a new drought mitigation water storage facility, or repair or reconstruction of an existing water storage facility;
- (2) By establishing that no tax credit shall be allowed for that portion of the cost for the construction of a new water storage facility or repair or reconstruction of an existing water storage facility necessary for drought mitigation purposes for which a federal or state grant or subsidy was received; and
- (3) By establishing that if any credit is claimed under this section, then no taxpayer shall claim a credit under any chapter of the Hawaii Revised Statutes for the same qualified costs for which a credit is claimed under this section.

As affirmed by the record of votes of the members of your Committee on Agriculture and Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3156, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3156, 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  
Committee on Agriculture and  
Hawaiian Affairs,

  
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JILL TOKUDA, Chair



