

HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819

FEBRUARY 7, 2008

TESTIMONY

**SB 3209
RELATING TO TAX CREDITS**

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND
HAWAIIAN AFFAIRS

Chair Tokuda and Members of the Committees:

My name is Alan Takemoto, Executive Director, of the Hawaii Farm Bureau Federation, which is the largest non-profit general agriculture organization representing approximately 1,600 farm and ranch family members statewide.

The Hawaii Farm Bureau Federation **supports SB 3209, providing a tax incentive for farmers on lands zoned for agriculture.** Since enactment of the Constitutional Mandate, HFBF has consistently worked for tax incentives for farmers and ranchers. This measure provides for tax relief that is worthy of your consideration. We understand the intent behind this bill as it attempts to keep existing farms viable. We, wholeheartedly, support this effort and would like to pursue this line of incentive measures that looks at all incentives.

As cost for infrastructure improvements, mechanization, and processing facilities can escalate up to \$2 million, we hope that the percentages and maximum dollar amount can be increased significantly. We believe that a strong tax incentive needs to be in place in order to encourage agricultural expansion and development.

We continue to encourage the passage of IAL legislation incentive measures as laid out in Act 183 and presented in SB 2646. These incentives includes strengthening the State Water Code to give clear guidance and equality of agricultural use as a public trust, tax incentives for agribusiness infrastructure, agricultural worker housing, expedited permitting, regulatory relief, and transfer of development rights or purchase of development rights. We believe there needs to be an array of incentives that will not only incentivize farmers and landowners to expand and develop their farming operations, but it will also lead to the voluntary designation of important agricultural lands for the future. Working with the landowners, we can see that this vision can become a reality. But we need the support of the Legislature, the Administration and County Governments.

Thank you for allowing us to testify in support of this measure.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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SENATE COMMITTEE ON AGRICULTURE & HAWAIIAN AFFAIRS

**TESTIMONY REGARDING SB 3209
RELATING TO TAX CREDITS**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 7, 2008
TIME: 2:25PM
ROOM: 224

This bill provides an income tax credit for costs incurred to improve farm operations on land classified as agricultural.

The Department of Taxation (Department) provides comments on this legislation.

I. AGRICULTURAL LAND CREDIT FOR COSTS

CLARIFICATION OF CERTIFICATION PROCESS—The Department agrees that certain determinations should be made by an entity with more expertise in agriculture than the Department possesses. The Department also agrees that the Department of Agriculture, or a similar entity, should have primary responsibility for assessing and reporting on the effectiveness of this credit.

The current drafting of this bill suggest that a taxpayer "may" obtain a letter from the Department of Agriculture discussing the qualifying costs. This should be amended to require such a certification letter be issued.

TAXPAYER INFORMATION IS CONFIDENTIAL—It is important to keep in mind that taxpayer information is generally confidential and the Department cannot disclose that information to the Department of Agriculture (DOA); so the DOA must gather its own information. This can be accomplished by requiring that the taxpayer have its status pre-approved by the DOA, requiring that the taxpayer provide the DOA with information regarding the costs being claimed, and requiring the taxpayer to get a certificate from the DOA in order to properly claim the credit on its tax return. There is no confidentiality problem with the DOA providing information to the Department.

II. ADDITIONAL APPROPRIATIONS.

Many of the bills coming before the legislature regarding taxation incentives relating to agricultural lands require the Department to consult or provide other support to agencies primarily responsible for assessing the effectiveness of the tax incentive. The Department appreciates that an appropriation be made to the Department so that it can devote the proper resources to this support without adversely affecting its other responsibilities and obligations.

III. REVENUE ESTIMATE.

This legislation will result in the following revenue impact to the general fund:

<u>Revenue loss (millions):</u>	
FY2009	\$ 30.1
FY2010	\$ 45.1
FY2011	\$ 60.1
FY2012	\$ 75.2
Annually thereafter	\$ 75.2