

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

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TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
WEDNESDAY, FEBRUARY 3, 2010
8:30 A.M.
ROOM 312

LATE
Testimony

HOUSE BILL NO. 2913
RELATING TO TAXATION

Chairperson Tsuji and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2913. The purpose of this bill is to collect a tax surcharge when agricultural land is leased at significantly higher rates than the assessed value. The department opposes this bill as written.

The effect of this bill might be to further reduce the availability of agricultural land for lease since landowners may conclude that it is better to leave the land fallow rather than pay the surcharge. It also appears that any surcharge collected would go to the general fund and agricultural lessees would not benefit. In addition, the exemptions are overly broad and unspecific.

The department further cautions that land values can fluctuate significantly over the years. At the same time, many of these leases could be for twenty-five years or more, which is very desirable from the lessee's perspective. If a lease is signed at fair market value and then the market drops out a few years later, a landlord who has dealt in good faith would be penalized by this bill. It is widely recognized that over the course of a long-term lease, between the reopening periods, that sometimes the landlord

TESTIMONY OF SANDRA LEE KUNIMOTO
HOUSE BILL NO. 2913
FEBRUARY 3, 2010, 8:30 A.M.
PAGE 2

LATE
Testimony

benefits, and sometimes the lessee benefits. We do not wish to penalize landlords who typically act in good faith but get caught in a devaluation cycle.

We defer to the Department of Taxation on the tax implications of this bill.

Testimony of Richard W Roth
Chief Executive Officer
Pacific Light and Power, Anahola, Hawaii

To the Committee on Agriculture, and the Committee on Finance
Wednesday, February 3, 2010

10:00 a.m.

In the matter of HB 2913 - Relating to Taxation

LATE
Testimony

Members of the Committees:

Thank you for this opportunity to offer my testimony.

House Bill 2913 is important not only to agriculture. It is important to renewable energy as well.

The State has an opportunity to protect its agricultural interest by encouraging reasonable lease prices on its land through taxing windfall gains realized through charging out-of-state entities prices that tend to drive in-state entities away.

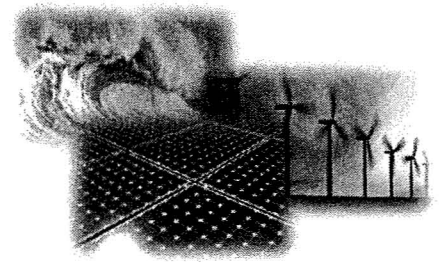
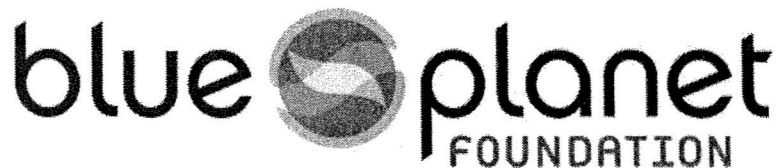
As a businessman, I have nothing against landowners maximizing the short-term potential of their lands - unless it is done in a way that is harmful to the long-term best interests of the State. If out-of-state interests can indeed afford these rents, then let the State and its citizens enjoy the benefits as well.

The ag rents being charged by some private landowners do indeed fall into a category best described as a "windfall." I do not begrudge them their good fortune. But I would endeavor to see us all benefit to some degree together. This bill is a step in the right direction.

An unintended consequence of the high rents charged and paid by some is that these rents are being expected of renewable energy developers. In some cases these rents would be passed along to the long-suffering ratepayers, but in perhaps most cases, these rents would render renewable energy projects infeasible.

We have attempted to make a financial model of a solar project on former cane lands at the prices being asked in just such a case. In this instance the rents would preclude any possibility of a project being accepted by the utility.

Charging a windfall profit tax would either encourage the landowner to lower rents, or if in fact they can get those prices, it would increase the coffers of the State.



**LATE
Testimony**

HOUSE COMMITTEE ON AGRICULTURE
February 3, 2010, 8:30 A.M.
Room 312

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2913

Chair Tsuji and members of the Committee:

The Blue Planet Foundation supports the intent of House Bill 2913, a measure applying a "windfall" income tax surcharge on lessors who charge excessive rent for agricultural land.

This measure seeks to make farming more affordable for local food and biofuel crops by correcting what appears to be a market distortion created by international seed testing crops. Agricultural lands are being priced out of reach of local farmers seeking to grow food and those wishing to do larger scale biofuel and biomass crops. Blue Planet's interest in this issue is the accessibility of affordable agricultural land for biofuel and biomass crops.

Biofuels will likely play a major role in Hawaii's clean energy future—particularly as a substitute for petroleum-based transportation fuels. Transportation fuels in Hawai'i can be made from renewable resources, such as sugarcane, algae, and waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here—if land is available at a reasonable price to enable their production.

Blue Planet offers no comment on the amount of the surcharge or exactly how it is applied. We simply support the approach make farmlands more affordable and accessible for local farmers and biofuel producers.

Thank you for the opportunity to testify.