

TESTIMONY

SB 80

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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**SENATE COMMITTEE ON WATER, LAND, AGRICULTURE &
HAWAIIAN AFFAIRS
TESTIMONY REGARDING SB 80
RELATING TO AGRIBUSINESS DEVELOPMENT CORPORATION**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 2, 2009
TIME: 3:15PM
ROOM: 229

This measure expressly exempts bonds issued for the purpose of acquiring private agricultural lands from state and local taxation.

The Department of Taxation (Department) **takes no position on the merits** of this legislation; **however must oppose any tax loss** because of its budget impact. The Department also points out **this measure may be unnecessary**.

IMPORTANCE OF SUSTAINING AGRICULTURE—The Department recognizes the importance of sustaining agriculture in Hawaii.

THIS LEGISLATION MAY NOT BE NECESSARY—The Department points out its understanding that the bonds issued under Chapter 163D must be issued pursuant to ordinary state revenue bond raising requirements set forth in Chapter 39. Chapter 39, then, specifically provides that if a bond is issued for a state undertaking, it will be exempt from all state or local taxes:

§39-65 Undertaking, loan program, and revenue bonds exempt from taxation. So long as the State owns any undertaking or administers a loan program, the property and revenue of the undertaking or loan program shall be exempt from all state, county, and municipal taxation; provided that any interest in property provided or given as security for a loan made under a loan program shall not be or be deemed to be property of a department for purposes of this section. Revenue bonds issued pursuant to this part and the income therefrom shall be exempt from all taxation by the State or any county or other political subdivision thereof,

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except inheritance, transfer, and estate taxes.

Assuming the current bond issuances are in accordance with Chapter 39, this measure may be unnecessary as such bonds are already exempt. The Department defers to the Agribusiness Development Corporation on the current bond raising practices.

THE DEPARTMENT CANNOT SUPPORT ADDITIONAL REVENUE LOSS—

Assuming this measure creates a new tax benefit for taxpayers, the Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

LINDA LINGLE
Governor



ALFREDO A. LEE
Executive Director

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TESTIMONY OF ALFREDO LEE *A. Lee*
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE
COMMITTEE ON WATER, LAND, AGRICULTURE AND HAWAIIAN AFFAIRS

MONDAY, FEBRUARY 2, 2009
3:15 P.M.
ROOM 229

SENATE BILL NO. 80
RELATING TO AGRIBUSINESS DEVELOPMENT CORPORATION

Chairperson Hee and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 80. The Agribusiness Development Corporation (ADC) supports the intent of this bill, as it is in line with our mission to support diversified agriculture in the state of Hawaii.

It should be noted however that the ADC does not currently have an asset base sufficiently large enough to enable us to issue revenue bonds. While we support the goal of this bill, which is the acquisition of private agricultural lands by the ADC, investors would not be able to acquire ADC-issued state and local tax-free revenue bonds for an indeterminate period of time.

TESTIMONY

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(END)