

STAND. COM. REP. NO.

2981

Honolulu, Hawaii

MAR 23 2012

RE: H.B. No. 2668
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Agriculture, to which was referred H.B. No. 2668, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Create a livestock feed tax credit for the taxable year beginning after December 31, 2011, and ending before January 1, 2013;
- (2) Create a livestock feed development tax credit for the taxable years beginning after December 31, 2012, and ending before January 1, 2015;
- (3) Create a tax credit for drought mitigation projects on certain lands of up to fifteen percent of the important agricultural land qualified agricultural cost tax credit, for taxable years beginning December 31, 2011, and ending before January 1, 2021;
- (4) Repeal the requirement that the amount of qualified agricultural costs eligible to be claimed under the important agricultural land qualified agricultural tax credit be reduced by the amount of funds the taxpayer received during the taxable year from the irrigation repair and maintenance special fund; and



- (5) Lower the aggregate important agricultural land qualified agricultural cost tax credit cap from \$7,500,000 per year to \$5,000,000 per year for the taxable year ending before January 1, 2013, and \$7,000,000 per year for the taxable years beginning after December 31, 2012, and ending before January 1, 2016.

Your Committee received testimony in support of this measure from the Mikilua Farm Bureau Center; Hawaii Cattlemen's Council, Inc.; Land Use Research Foundation of Hawaii; Hawaii Farm Bureau Federation; Alexander and Baldwin, Inc.; Kahua Ranch, Ltd.; Parker Ranch, Inc.; McCandless Ranch; and two individuals. Your Committee received comments on this measure from the Department of Agriculture, Department of Land and Natural Resources, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that supporting Hawaii's agriculture is imperative to increasing the State's economic base and food self-sufficiency. Your Committee further finds that this measure is a means of investing in Hawaii's agriculture in these fiscally challenging times.

Your Committee has amended this measure by:

- (1) Clarifying that for purposes of the livestock feed tax credit and the livestock feed development tax credit, the terms "livestock feed costs" and "livestock feed development costs", respectively, relate to costs of edible materials consumed by a qualified producer's cows, goats, poultry, sows, and beef cattle;
- (2) Adding a definition of "poultry products" for purposes of the livestock feed tax credit and the livestock feed development tax credit;
- (3) Amending the definition of "qualified producer" for the livestock feed tax credit by:
 - (A) Reducing three hundred to fifty the number of birds from which poultry products must be produced by a person in order for that person to be considered a qualified producer; and



- (B) Clarifying that a qualified producer includes any person that is in the business of producing beef that is raised in the State, rather than requiring the beef to be grown, slaughtered, processed, and marketed in the State;
- (4) Adding a definition of the term "qualified producer" for purposes of the livestock feed development tax credit; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee respectfully requests that, if your Committee on Ways and Means chooses to hear this measure, your Committee on Ways and Means examine the application of the beginning and ending taxable year dates for the reduced aggregate cap for the important agricultural land qualified agricultural cost tax credit in section 235-110.93, Hawaii Revised Statutes, to ensure that no eligible taxpayers who have a fiscal tax year starting before January 1, 2013, and ending after January 1, 2013, are excluded from the reduced tax credit cap.

As affirmed by the record of votes of the members of your Committee on Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2668, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2668, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture,

Clarence K. Nishihara

CLARENCE K. NISHIHARA, Chair



