



February 28, 2013

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair
House Committee on Finance

Testimony in Strong Opposition to HB 482, HD 1, Relating to Agriculture (Tax Credit; Qualified Agricultural Costs).

Thursday, February 28, 2013, 2:00 p.m., in CR 308

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates this opportunity to express **strong opposition to HB 482, HD1** on behalf of its members and the various agricultural stakeholder groups who defend the goals of viable agricultural operations, and the conservation and protection of agriculture, including important agricultural lands (IAL) in Hawaii. The bill emphasizes the need for collaboration amongst diverse sectors of the community - business, government, and agricultural stakeholders - and the importance for them to work together cooperatively to implement IAL incentives in order to attain results which may prove beneficial and significant to all parties.

In strong support of the use of agricultural lands for purposes allowed under state and county laws and ordinances, LURF has partnered with the Hawaii Farm Bureau Federation (HFBF) and other agricultural stakeholders to pass the IAL legislation, which provides for the voluntary and government designation of IAL, loans for qualified agricultural expenses and other incentives to support productive and sustainable farming operations on agricultural lands. LURF and HFBF have also supported legislation to provide irrigation water and other incentives to agricultural lands and farmers.

HB 482, HD1. This bill proposes to repeal the ability to claim expenditures for legal services under the IAL qualified agricultural cost tax credit.

LURF's Position. This bill is clearly contrary to the underlying intent and objectives of the IAL laws (Hawaii Revised Statutes [HRS], Sections 205-41 to 52), which were enacted to fulfill the mandate in Article XI, Section 3, of the Hawaii State Constitution, "to conserve and protect

agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands.” The IAL laws established a new paradigm which avoids requirements and mandates, and instead focuses on promoting agricultural viability by providing incentives for farmers and landowners to designate lands as IAL, and to build necessary infrastructure.

This proposed measure is an attempt to repeal the ability of agricultural stakeholders to claim expenditures for legal services under the IAL qualified tax credit. Legal support, assistance, and representation are critical to the stakeholders’ efforts to obtain sufficient water for agricultural activities and to retain the right to farm on lands identified as IAL. Without any explanation or justification, the drafters of this bill disregard the very purpose and essence of the IAL laws and attempt to fatally weaken the existing IAL program by eliminating incentives which are critical in assisting stakeholders to preserve and maintain IAL.

As noted in HRS Section 205-41, the intent of Act 183 (2005) was to develop agricultural incentive programs to **promote** (not inhibit, thwart, or terminate), agricultural viability, sustained growth of the agricultural industry, and the long-term use and protection of IAL for agricultural use in Hawaii concurrently with the process of identifying IAL as required under the Act. Such incentives and programs are identified in HRS 205-41, and expressly include tax credits and/or exemptions that promote investment in agricultural businesses or value-added agricultural development, specifically escalating tax credits based on the tax revenues generated by increased investment or agricultural activities conducted on IAL.

LURF believes, however, that the apparent intent of HB 482, HD1 is to suppress agriculture and agriculture-related businesses, and that the proposed bill is contrary to the purpose and intent of the IAL laws. Passage of the long-awaited IAL legislation would be meaningless without implementation of incentives which require the cooperation and support of the business and economic community. The establishment of tax incentives for those engaged, or desirous of engaging, in agricultural activities are critically needed to support viable agricultural activity in this State. It is therefore hoped and anticipated that efforts will be made and all appropriate legislative measures be taken to fully effectuate, rather than undermine the intent and objectives of the IAL laws.

Thank you for the opportunity to present testimony regarding this matter, in strong opposition to this bill.