

SB 976

Testimony

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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LAND
STATE PARKS

**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the Senate Committees on
AGRICULTURE
and
WATER AND LAND**

**Thursday, January 31, 2013
2:45 PM
State Capitol, Conference Room 229**

**SENATE BILL 976
RELATING TO AGRICULTURE**

Senate Bill 976 proposes to provide an additional 15% tax credit to landowners for drought mitigation project expenditures on designated "Important Agricultural Lands" ("IAL"). The Department of Land and Natural Resources (Department) strongly opposes this bill (as it did a similar bill in 2012), not because the goal is unworthy, but because the means are structured to provide direct cash payment support to the 6-10 largest landowners in the State and to no one else.

The proposal was not part of the Governor's supplemental budget request. It will adversely impact existing programs. It will deprive Counties of scarce drought mitigation funds for their priority needs.

Senate Bill 976 provides an additional 15% tax credit for drought mitigation projects the IAL landowner (and the landowner alone) selects. There is no question about the need to mitigate the effects of drought and the associated financial costs to agricultural operators to implement water supply projects for drought mitigation. Droughts have severely affected Hawai'i in the past, and as part of a natural climate cycle, droughts will impact the State in the future.

The Department notes that a more equitable form of drought mitigation can be found in House Bill 281, Relating To Agriculture. House Bill 281 appropriates drought mitigation funding to the counties for drought mitigation projects identified by the respective local county drought committees.

Tax credits are a very poor tool to accomplish targeted projects. They do nothing for small farmers who do not have large tax payments to shelter. More importantly, if tax dollars are paid

to IAL landowners for whatever projects they select, the limited public drought money is not directed towards the County's plans or priorities. Furthermore, there is no oversight or reporting on the use of tax credits. Tax returns remain confidential. The Department of Taxation is in no position to judge the benefits of any particular project's overall drought mitigation value versus some other project in the county.

Senate Bill 976 should be rejected. There are no amendments that will save it.

Thank you for the opportunity to comment.



Protecting nature. Preserving life.

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nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 976 Relating to Agriculture
Senate Committee on Agriculture
Senate Committee on Water and Land
Thursday, January 31, 2013, 2:45PM, Room 229

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 32,000 acres in 10 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy of Hawai'i supports S.B. 976 to allow an additional tax credits for drought mitigation projects on important agricultural lands.

Fresh water in Hawai'i is not a limitless resource that can forever be tapped to support all of our municipal, agricultural, cultural, and natural resource needs. We must invest in the natural systems that are the source of our water and in systems that ensure that we capture, use and re-use water most efficiently.

Furthermore, climate change is an imminent and unprecedented threat to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and agricultural systems. Protecting and enhancing the health of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, supporting drought mitigation on important agricultural lands—including enhanced water recharge, as well as water capture, retention, storage and delivery systems—is another essential component of preparing ourselves for the very likely effects of climate change here in the middle of the Pacific.

This bill is a wise investment in our future. We urge your support.

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From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for SB976 on Jan 31, 2013 14:45PM*
Date: Wednesday, January 30, 2013 10:34:52 AM

SB976

Submitted on: 1/30/2013

Testimony for AGL/WTL on Jan 31, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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January 31, 2013

TESTIMONY
SENATE COMMITTEE ON AGRICULTURE
SENATE COMMITTEE ON WATER AND LAND

TESTIMONY ON SB 976
RELATING TO AGRICULTURE

Room 229
2:45

Chair Nishihara, Chair Soloman, Vice Chair Kouchi, Vice Chair Shimabukuro, and Members of the Committees:

Maui County Farm Bureau on behalf of our commercial farm and ranch families and organizations working to increase Hawaii's level of self sufficiency, **STRONGLY SUPPORTS** SB976 expanding the scope of incentives associated with Important Agricultural Lands.

A robust incentive package is important to encourage landowners to willingly designate their lands as IAL and to continue investments into farm and ranch operations. This measure provides such an incentive.

MCFB respectfully requests your support of this measure. Thank you for this opportunity to provide our opinion on this matter. If there are questions, please contact Warren Watanabe at 2819718. Thank you.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax credit for drought mitigation projects

BILL NUMBER: SB 976; HB 1261 (Identical)

INTRODUCED BY: SB by Nishihara, Chun Oakland and 3 Democrats; HB by Wooley

BRIEF SUMMARY: Amends HRS section 235-110.93 to allow a taxpayer claiming the important agricultural land qualified agricultural cost tax credit to claim an additional refundable tax credit of 15% of the qualified credit amount received for expenditure for drought mitigation projects on important agricultural lands, excluding land classified as conservation lands.

Deletes the stipulation that the amount of the qualified agricultural costs eligible to be claimed under this section shall be reduced by the amount of funds received by the taxpayer during the taxable year from the irrigation repair and maintenance special fund under HRS section 167-24.

Appropriates \$_____ in general funds for fiscal year 2014 to be expended by the department of agriculture for staffing or other expenses necessary to implement the tax credits established by this act effective on July 1, 2013.

Appropriates \$_____ in general funds for fiscal year 2014 to be expended by the department of taxation for staffing or other expenses necessary to implement the tax credits established by this act effective on July 1, 2013.

EFFECTIVE DATE: January 1, 2013; applicable to tax years beginning after December 31, 2012

STAFF COMMENTS: This measure would allow taxpayers that qualify for the important agricultural land qualified agricultural cost tax credit under HRS section 235-110.93 to be eligible to claim an additional tax credit of 15% of such amount if they have expenditures for drought mitigation projects which provide water for important agricultural lands. While Act 233, SLH 2008, adopted various incentives to encourage the agricultural use of lands which qualify as important agricultural lands, it should be remembered that the tax system is not an efficient method to accomplish such social goals. Since the proposed measure would grant preferential treatment to an even more select group of taxpayers at the expense of other taxpayers who are ineligible for the exemption, its enactment cannot be justified.

Unfortunately like many of the other targeted business tax credits, this proposal extends the credits without any maximum amount that can be given out for this purpose. As a result, lawmakers can only guess how much this program will cost the state treasury. To give certainty to the cost, a maximum dollar amount should be set as a ceiling as to the aggregate amount of the credits that can be claimed in any one year.

Digested 1/30/13

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: margaretwille@mac.com
Subject: Submitted testimony for SB976 on Jan 31, 2013 14:45PM
Date: Tuesday, January 29, 2013 11:27:36 PM

SB976

Submitted on: 1/29/2013

Testimony for AGL/WTL on Jan 31, 2013 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Margaret Wille	Individual	Support	No

Comments: I support SB976. This measure will help farmers and ranchers deal with the drought crisis. Thank you. Margaret Wille Councilmember Hawaii County Council District 9

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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