

LATE

SB 976

Testimony

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
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To: The Honorable Clarence K. Nishihara, Chair,
and Members of the Senate Committee on Agriculture

The Honorable Malama Solomon, Chair,
and Members of the Senate Committee on Water and Land

Date: Thursday, January 31, 2013
Time: 2:45 P.M.
Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 976 Relating to Agriculture

The Department of Taxation (Department) appreciates the intent of S.B. 976 and provides the following information and comments for your consideration. The Department defers to the Department of Agriculture regarding the merits of the bill.

S.B. 976 amends the existing Important Agricultural Lands tax credit by providing an additional tax credit equal to 15% of expenditures for drought mitigation projects.

The Department supports the goal of mitigating the effects of drought in the State, the Department has some concerns regarding implementation of the tax credits allowed under Hawaii Revised Statutes section 235-110.93 due to the fixed aggregate credit cap amount.

On a technical note, suggests that a correction should be made to page 12, line 5 which references the year "2010".

Thank you for the opportunity to provide comments.



Hawaii Farm Bureau
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LATE

January 31, 2013

HEARING BEFORE THE
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:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community

HFBF respectfully requests your strong support of SB 976 expanding the scope of incentives associated with the designation of Important Agricultural Lands.

Since the enactment of the Constitutional Mandate in 1978 to preserve and protect Important Agricultural Lands (IAL), HFBF came before the Legislature every year with proposals of how this measure could be implemented. It was only in 2005 when the standards and criteria to designate IAL was finally passed and in 2008 when the incentives were passed. It was a long road.

We celebrated when the first lands were designated by Alexander and Baldwin in 2009 and today, we have over 90,000 acres that were VOLUNTARILY designated by landowners across the State. Unlike purchase of easements or development rights that are often associated with preservation of agricultural lands, these designations did not involve payments to landowners. Rather, Hawaii's IAL process, provides incentives to landowners for investments into agricultural operations – not just to keep the agricultural

land designations. They actually are rewarded for contributing towards a farm or ranch operation ..for without that operation all you have is open space ..not ag land, even if it is zoned as agriculture.

Designation of 90,000 acres in 4 years is no small feat. New Jersey, that was one of the first states to begin farmland preservation has 200,850 acres preserved at a cost of \$1,545,523,768 or \$7,705/acre. Given Hawaii's high land prices, the equivalent value of the 90,000 acres would be significantly more. The New Jersey program started in 1981 – this averages 6,470 acres per year compared to Hawaii's IAL program, designating an average of 22,500 acres per year. These statistics reflect the success of the Hawaii program.

Three years have passed since 2008 and we are now in the phase in which Counties will submit maps to the LUC identifying lands to be designated as IAL. The IAL process enacted in Act 183 (SLH 2005) carefully identified a process involving incentives so the State would not be accused of a "taking". Ultimately, landowners can still voluntarily designate their lands. This makes it even more imperative that the incentive package be attractive to encourage such action.

The measure before this body today addresses some of the needs on IAL lands such as expansion of basic irrigation infrastructure for drought mitigation or development of processing capacity for products grown or raised on the land. These operations are expensive and these incentives will encourage entrepreneurial private investments.

The financial total of the credits proposed does not exceed the amount authorized by the Legislature in 2008. There are no new credits. Rather it is a redistribution of credits to further the viability of operations on IAL.

We humbly request your support in passing this measure. Thank you for this opportunity to provide our opinion on this important matter.

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TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON AGRICULTURE/WATER AND LAND
January, 31, 2013
Room 229
2:45 P.M.

SENATE BILL NO. 976
RELATING TO AGRICULTURE

Chairpersons Nishihara and Solomon and Members of the Committees:

Thank you for this opportunity to provide testimony on SB 976. The Department of Agriculture supports this measure with amendments. This measure amends Section 235-110.93, Hawaii Revised Statutes to allow an additional fifteen percent credit for drought mitigation projects providing water for lands the majority of which are designated important agricultural lands. There are two appropriations from the general fund for staffing and other expenses necessary to implement the tax credits established by this measure.

Our proposed amendments are as follows:

Page 2, line 19 to Page 3, line 3 (amendment is bold and double underscored)

“(b) Each taxpayer claiming a credit under subsection (a) may receive an additional tax credit for expenditures for drought mitigation projects providing water for lands, ~~the majority of which,~~ excluding lands classified as conservation lands, **that** are **designated** important agricultural lands.”

Page 3, lines 1 to 18 (amendments are bold, struck through, and double underscored)

“Expenditures for drought mitigation projects shall include but are not limited to:



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- ~~(1) Expansion or improvements of capacity to capture storm water for use on designated important agricultural lands during droughts, including engineering plans and permit costs; and~~
- ~~(2) Expansion or improvement of capacity to increase infiltration of storm water to encourage groundwater recharge of aquifers, including engineering plans and permit costs;~~
- ~~(3) **(2)** Design and implementation of practices such as terracing and other water retention measures on designated important agricultural lands that will sustain the growth of crops including pasture grasses during droughts, including engineering plans and permit costs; and~~
- ~~(4) Expansion or improvement of water delivery systems to drought prone areas, including engineering plans and permit costs."~~

The Department of Agriculture believes expenditures for drought mitigation projects that may receive an additional 15 percent credit should be limited to those in direct support of providing irrigation water only to designated important agricultural lands. The other drought mitigation projects we propose to be deleted may be covered under other existing "Qualified agricultural costs" listed on page 9, line 15 to page 11, line 16 of this measure.

The Department appreciates the two appropriations from the general fund, we defer to the Department of Budget and Finance regarding any fiscal impacts and to the Department of Taxation on taxation matters contained in this bill that are under their jurisdiction.

Thank you for this opportunity to testify.

From: mailinglist@capitol.hawaii.gov
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Cc: pennysfh@hawaii.rr.com
Subject: Submitted testimony for SB976 on Jan 31, 2013 14:45PM
Date: Thursday, January 31, 2013 1:04:40 PM

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SB976

Submitted on: 1/31/2013

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

Submitted By	Organization	Testifier Position	Present at Hearing
Penny Levin	Individual	Oppose	Yes

Comments: Aloha; I oppose this bill. While the intent of this bill and it's counterpart SB1305 seems good, there is clearly missing information and elements in the legislation. I have several concerns. The bill does not sufficiently address the larger ecological repercussions and needs of drought strategies and conditions that will heal our drought stricken islands. 1. Removal of water out of healthy watersheds and aquifers to other areas short changes groundwater recharge in both places and pushes formerly wet areas into drought conditions. The cumulative effect of broadening drought conditions by encouraging water removal from one place to another will result in even deeper drought conditions across the islands. 2. A lack of enforcement and fines for bad actors. For example, agricultural practices continue to result in wind and rain driven soil runoff onto our reefs reduces the capacity of soils to retain water due to a lack of organic matter and healthy micorrhizae. 3. The heavy use of chemical fertilizers, herbicides and pesticides by some landowners and lessees means that water directed to those lands in an attempt to increase deep soil moisture levels will result in further contamination of groundwater stores. 4. Should landowners that continue bad agricultural practices or encourage and allow feral ungulate herds to expand on their own or adjacent lands for financial gain be able to claim a tax credit for drought mitigation activities when counter-productive activities undermine good practices on those same lands? Deer and goat populations are a major contributor to vegetation, soil and water loss. We already have examples on Molokai, Kahoolawe, Lanai and Maui. 5. Continuing to water heavily drought stricken lands with out of watershed sources continues to short change recovery capacity. Rewards should focus on demonstrated water conservation, placing large acreage of drought lands in long term fallow, removal of feral ungulates, changing crops from annuals to perennials, tree crops and intercropped mixed systems that increase the percentage of organic matter in soils (and therefore retain moisture longer) and direct more water to deeper soil levels through tap root intrusion. Fiscally, I question the need for this bill as it is written. 1. The majority of these practices are already cost-shared and supported by NRCS and FSA programs which are our tax dollars spent at the federal level through the Farm Bill. NRCS provides engineering and other services described in this bill for free as part of Cooperator services. This bill allows landowners to double dip or charge the State for the landowner responsibility portion

of the cost of soil management practices under federal programs. 2. It is fiscally irresponsible for the State of Hawaii to support double dipping by landowners for existing and ongoing ag practices already covered under NRCS, FSA and other agriculture programs and ag disaster assistance programs. Landowners already paid for ag practices or already Cooperators under USDA NRCS or FSA programs should be required to show evidence that they are not already receiving benefit or engineering services for such practices. We should not be rewarding ongoing bad practices under the guise of drought mitigation that continue to undermine our overall ecological resilience and capacity for recovery. Please set this bill and SB1305 aside until there is a more wholistic discussion about drought mitigation with a broader group of knowledgeable partners and practitioners. mahalo for this opportunity to testify. Penny Levin Wailuku, Maui

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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Email: communications@uluponoinitiative.com

SENATE COMMITTEES ON AGRICULTURE /WATER & LAND
Thursday, January 31, 2013 — 2:45 p.m. — Room 229

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Ulupono Initiative Supports SB 976, Relating to Agriculture

Dear Chairs Solomon & Nishihara, Vice Chairs and Members of the Committees:

My name is Kyle Datta, General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

SB 976 amends the Important Agricultural Lands (IAL) qualified agricultural cost tax credit to allow an additional 15 percent credit for drought mitigation from 1/1/2013 to 12/31/2020. It also changes the tax credit cap to \$5 million per year for the 2013 tax year and \$7 million per year for the 2014, 2015, and 2016 tax years and \$7.5 million per year thereafter.

In 2008, the state Legislature enacted incentives associated with Important Agricultural Lands. Unfortunately, other than the income tax credit, other credits have not been implemented. As investors in agriculture, Ulupono believes that enacting these incentives will encourage more landowners to designate more land as IAL, which will keep more land in agriculture in perpetuity and help our community and state ensure a long-term commitment to safeguarding the best agricultural lands for agriculture use.

Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

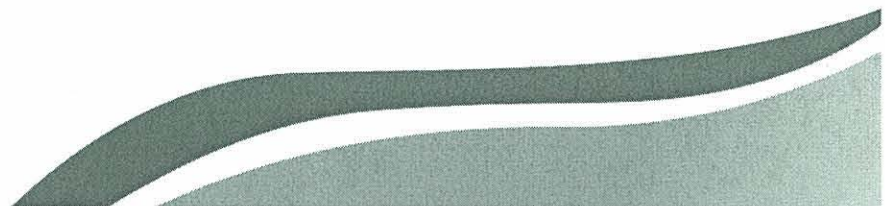
We believe that by working together, we can help produce more local food, and support an economically strong homegrown agriculture industry that strengthens our community with fresh, healthy food. Thank you for the opportunity to testify.

Respectfully,

Kyle Datta
General Partner

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Subject: *Submitted testimony for SB976 on Jan 31, 2013 14:45PM*
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SB976

Submitted on: 1/31/2013

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

Submitted By	Organization	Testifier Position	Present at Hearing
David Arakawa	Land Use Research Foundation of Hawaii	Support	Yes

Comments:

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