

STAND. COM. REP. NO. 2207

Honolulu, Hawaii

FEB 12 2014

RE: S.B. No. 3059

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Agriculture, to which was referred S.B. No. 3059 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to increase the important agricultural land qualified agricultural cost tax credit in certain situations.

Your Committee received testimony in support of this measure from the Land Use Research Foundation of Hawaii. Your Committee received comments on this measure from the Department of Agriculture, Department of Taxation, and Tax Foundation of Hawaii.

The important agricultural land qualified agricultural cost tax credit was enacted to incentivize landowners to designate agricultural lands as important agricultural lands. Since the credit's enactment, 101,000 acres have been designated as important agricultural lands in Hawaii. Your Committee concludes that increasing the tax credit will incentivize more landowners to designate their lands as important agricultural lands.

Some members of your Committee are concerned, however, that the increase in tax credits will be a windfall to those landowners who have already designated their lands as important agricultural lands because they will be able to receive the greater tax credit retroactively. This concerns some members of your Committee because the purpose of the tax credit is to incentivize landowners to designate their lands as important agricultural lands, rather



than to reward landowners who already designated their lands as important agricultural lands. In contrast, other members of your Committee believe that not allowing the increased tax credit to be applied retroactively will punish those landowners who already designated their lands as important agricultural lands. Moreover, landowners who are thinking about designating their lands as important agricultural lands may wait to make the designation if they anticipate the Legislature will increase the tax credit even more in the future. Your Committee concluded that this issue would be better addressed by your Committee on Ways and Means.

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 S.B. No. 3059 and recommends that it pass Second Reading 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



