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February 4, 2014

LATE

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE

TESTIMONY ON **SB 3059**
RELATING TO TAX CREDITS
Room 229
2:55 PM

Aloha Chair Nishihara and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,832 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.

Hawaii Farm Bureau STRONGLY SUPPORTS SB3059, clarifying incentives associated with Important Agricultural Lands (IAL).

As people bemoan the loss of agricultural lands, the most cost effective means to support farmers and ranchers while preserving agricultural lands is the IAL process. While nearly 100,000 acres have already been designated, further designation is needed for Hawaii. This measure will further incentivize landowners to designate their lands as provided by law, leading to sustainability, food self sufficiency, local jobs and wide-open vistas for which Hawaii is world-famous.

We respectfully request your support of SB 3059.

Thank you!

**Testimony to the Senate Committee on Agriculture
Tuesday, February 4, 2014 at 2:55 P.M.
Conference Room 229, State Capitol**

RE: SENATE BILL RELATING TO TAX CREDITS

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Chair Nishihara, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 3059 Relating to Tax Credits.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill is critical in supporting agriculture in Hawaii. The Important Agricultural Lands are a key component in helping keep high grade lands in agriculture. The Chamber supports changes effecting laws to the original intent.

Thank you for the opportunity to testify.

**SB 3059
RELATING TO TAX CREDITS**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

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FEBRUARY 4, 2014

Chair Nishihara and Members of the Senate Committee on Agriculture:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on SB 3059, "A BILL FOR AN ACT RELATING TO TAX CREDITS." We support this bill with the inclusion of the proposed amendments.

After over twenty five years of debate, negotiation, and compromise, the IAL Law and process was finally enacted in July 2008. After years of pursuing a land-use approach to this constitutional mandate, the IAL Law that was successfully passed (Act 183 (2005) and Act 233 (2008)) was premised on the principle that the best way to preserve agricultural lands is to preserve agricultural businesses and agricultural viability. As such, the IAL Law not only provides the standards, criteria, and processes to identify and designate important agricultural lands to fulfill the intent and purpose of Article XI, Section 3 of the Hawaii State Constitution, it also provides for a package of incentives designated to support and encourage sustained, viable agricultural activity on IAL. With the enactment of this comprehensive package of IAL incentives, the long awaited IAL identification and designation process was finally started in July 2008.

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The IAL Law authorizes the identification and designation of IAL in one of two ways --- by voluntary petition to the State Land Use Commission by the landowner or farmer; or subsequently by the Counties filing a petition to designate lands as IAL pursuant to a County identification and mapping process. The IAL Law further provides incentives to the landowner and/or farmer to conduct agricultural activities on IAL lands. In either case, the LUC determines whether the petitioned lands qualify for IAL designation pursuant to the standards, criteria, objectives, and policies set forth in the IAL Law. To date, the IAL Law has resulted in the designation by the LUC of over 100,000 acres of agricultural lands as IAL from voluntary petitions by Alexander & Baldwin, Parker Ranch, Castle & Cooke, and Grove Farm. We believe that additional acres will be designated through the voluntary landowner and County petition process in the years to come helping to ensure Hawaii's agricultural future.

This bill clarifies provisions in the present IAL Qualified Agricultural Cost Tax Credit Law for IAL agricultural businesses. Major infrastructure requirements such as irrigation systems, roads and utilities, and agricultural processing facilities play a critical role in the survival of many agricultural businesses, and this tax credit is intended to provide important financial support for IAL related farming operations and will help Hawaii's agricultural businesses compete on a national and international level. This tax credit serves as a stimulus to encourage IAL based entities to expand their operations or to enhance their operating efficiencies through the installation of new agricultural infrastructure, equipment, and other related improvements to service their farming operations. We believe that this bill will greatly enhance the viability and sustainability of present and future IAL based agricultural operations.

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There are some IAL related farming operations that may file to claim IAL tax credits as authorized under the provisions of the present IAL Law prior to the enactment of this bill. To ensure that all qualified IAL related farming operations are able to claim IAL tax credits at the increased amounts as authorized by this bill, we respectfully request your consideration to incorporate amendments into this bill to allow IAL related farming operations that have already filed IAL tax credit claims to be able to claim the additional tax credits as authorized in this bill. We have attached the following amendments for your consideration:

Section 2. Taxpayers who have filed important agricultural land qualified agricultural cost tax credit claims for taxable years ending prior to January 1, 2014 shall be entitled to claim the additional tax credits as authorized by this Act; provided that the cumulative amount of important agricultural land qualified agricultural cost tax credits claimed by each taxpayer shall not exceed the maximum amount of tax credits allowed to each taxpayer in Section 1 of this Act.

Based on the aforementioned, we respectfully request your favorable consideration of this bill with the inclusion of the proposed amendments.

Thank you for the opportunity to testify.