

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 9:20 PM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB2185 on Feb 10, 2016 10:20AM*

HB2185

Submitted on: 2/8/2016

Testimony for AGR on Feb 10, 2016 10:20AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Ponoholo Ranch Limited	Support	No

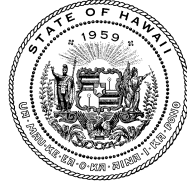
Comments:

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Clift Tsuji, Chair
and Members of the House Committee on Agriculture

Date: February 10, 2016
Time: 10:20 A.M.
Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2185, Relating to Carbon Farming.

The Department of Taxation (Department) appreciates the intent of H.B. 2185, and offers the following comments for your consideration.

H.B. 2185 creates a tax credit of an unspecified amount per property on which carbon farming is practiced. The credit is certified by the Department of Agriculture, and is refundable. The credit applies to taxable years beginning after December 31, 2016.

First, the Department notes that, as written, it is unclear under what circumstances a taxpayer is able to claim the credit created by this measure. The credit is an unspecified dollar amount awarded per qualifying property, but it is unclear what relationship a taxpayer claiming this credit should have to the qualifying property. For example, it is unclear whether it is the owner of the property or the taxpayer practicing carbon farming, or some combination thereof in cases where the two taxpayers are different entities, such as when land upon which the carbon farming takes place is leased. The measure additionally lacks any provisions dealing with situations in which the taxpayer claiming the credit is any form of business entity.

Second, while there are requirements for a qualifying property, none of the requirements are based on the size of the property, degree of carbon farming taking place, or any other measure that would change the rate of this tax credit based on the amount of activity being carried out. The Department suggests that the definition of "qualifying property" be amended with more specificity to incentivize carbon farming.

Third, the Department notes that the definition of "carbon farming" as provided in subsection (b) may be too broad for the Department or the Department of Agriculture to determine whether a given property qualifies for the tax credit. The definition lists several activities that qualify as carbon farming, but states that the list is not exhaustive. The Department suggests amending this definition to clarify and limit what qualifies as "carbon farming".

Fourth, the Department defers to the Department of Agriculture regarding its ability to certify this credit, but would prefer that the certification process remain in place if this measure is amended. The Department lacks sufficient expertise to make technical determinations regarding whether “carbon farming” is being practiced.

Finally, as a general matter, the Department recommends non-refundable tax credits over refundable tax credits, because refundable credits are more prone to wrongful claims and abuse.

Thank you for the opportunity to provide comments.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 09, 2016 8:54 AM
To: AGRtestimony
Cc: lawrencejholbrook@gmail.com
Subject: Submitted testimony for HB2185 on Feb 10, 2016 10:20AM

HB2185

Submitted on: 2/9/2016

Testimony for AGR on Feb 10, 2016 10:20AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Lawrence J Holbrook	Individual	Oppose	No

Comments: Honorable Representatives: Carbon farming is another name for sustainable farming. Sustainable farming includes the use of organic fertilizer, such as manure, and crop rotations, among other things. I am not a farmer, but these are some pretty simple farming facts that grade school children learn about. By creating a tax credit based on a new word (carbon farming) for an old farming practice (sustainable farming) you are basically giving money away to people who should be doing what they were supposed to be doing all along. Did they get smarter by calling it carbon farming? Or did they just put a new label on the old Snake Oil bottle? If our caretakers of our agricultural lands are not using sustainable farming practices--including the new fangled "carbon farming"--they ought to be prosecuted. Not rewarded for selling another scam. This bill is a waste of taxpayer dollars. Every farmer, big and little, will be able to claim this credit. It's a giveaway. I oppose HB2185. Lawrence J. Holbrook Nuuanu, HI 808-735-8426

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

Wednesday, February 10, 2016
10:20 A.M.
Room 312

**HOUSE BILL NO. 2185
RELATING TO AGRICULTURAL LANDS**

Chairperson Tsuji and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2185 that creates a carbon farming tax credit in Chapter 235, Hawaii Revised Statutes. The Department of Agriculture offers comments, but ultimately defers to the Department of Taxation.

This measure would provide an income tax credit for qualified properties that practice “carbon farming.” The Department offers the following comments:

1. By definition, “carbon farming” is an agricultural practice “...free from the use of synthetic pesticides and fossil fuel dependent nitrogen fertilizer...” (page 3, lines 5-6). The Department is unclear how the use of pesticides to control insects fit into the purpose of carbon sequestration.
2. The bill defines composting and its components as carbon farming practices (page 3, lines 11-20) but does not define cover crops, residue mulching, and crop rotation.
3. The “qualifying property” must be in the Agricultural District and be “operated for agricultural purposes” pursuant to Section 205-4.5, however, there are many activities permitted on agricultural land in Section 205-4.5, including several



forms of renewable energy generation, open area recreation, historic sites, and plantation community subdivisions.

4. The Department is required to verify a taxpayer's claim for the carbon farming tax credit and certify the total amount of the tax credit for each taxable year. The Department currently does not have the resources to verify that potential applicants of the carbon farming tax credit are not using synthetic pesticides or fossil fuel dependent fertilizers on their land or practicing residue mulching, planting of cover crops, or crop rotation.
5. The Department also notes that it is unclear whether the tax credit is intended to be a fixed amount or a scaled amount in regard to the size of the property or the amount expended for carbon farming.
6. We note there are several private companies operating on Oahu, Maui, and the Big Island that do composting and sell their products as soil amendments.

Thank you for the opportunity to submit our testimony.