

STAND. COM. REP. NO.

1162

Honolulu, Hawaii

MAR 24 2017

RE: H.B. No. 1584
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committees on Water and Land and Agriculture and Environment, to which was referred H.B. No. 1584, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO IMPORTANT AGRICULTURAL LANDS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the counties to submit recommendations and maps for designation of important agricultural lands by June 30, 2019, or forfeit that right to the Land Use Commission;
- (2) Require the Land Use Commission to identify and designate important agricultural lands in any county that fails to meet the June 30, 2019, deadline;
- (3) Amend the Important Agricultural Land Qualified Agricultural Cost Tax Credit to:
 - (A) Include under the definition of "qualified agricultural costs" the costs associated with the clearing, removal of trees and debris, and soil restoration of former sugar and pineapple



plantation lands that have been out of use for more than three years;

- (B) Extend the period to claim the tax credit by ten years; and
 - (C) Clarify the tax credit amount for each year in which the tax credit is claimed; and
- (4) Appropriate an unspecified amount for grants-in-aid to the counties for identification and mapping of important agricultural lands by June 30, 2019, or, for any county that misses the deadline, to the Land Use Commission to identify and map important agricultural lands in that county by June 30, 2020.

Your Committees received testimony in support of this measure from the Department of Agriculture; Office of Planning; Land Use Commission; Chamber of Commerce Hawaii; Land Use Research Foundation of Hawaii; Ulupono Initiative; Alexander & Baldwin, Inc.; We Are One, Inc.; Hawai'i Farm Bureau; Sierra Club of Hawai'i; and seven individuals. Your Committees received testimony in opposition to this measure from the County of Hawai'i Planning Department and Planning Department of the County of Kaua'i. Your Committees received comments on this measure from the Department of Taxation.

Your Committees find that the proposed measure offers appropriate incentives for counties to complete their important agricultural lands identification and mapping process. Your Committees recognize the significant public involvement and coordination with various stakeholders and groups necessary to complete the process, and support providing adequate funding for a quality end product. Your Committees further find that requiring the Land Use Commission to proceed to identify and designate important agricultural lands if a county fails to meet its deadline fulfills the State's duty to conserve and protect agricultural lands.

Your Committees also find that amending the Important Agricultural Land Qualified Agricultural Cost Tax Credit by extending the time period in which the credit may be claimed facilitates the long-term viability of farming and the agriculture



industry in the State. However, your Committees note that expanding the definition of "qualified agricultural costs" for purposes of the tax credit may unintentionally reward past behavior rather than incentivize the conservation and protection of important agricultural lands.

Accordingly, your Committees have amended this measure by:

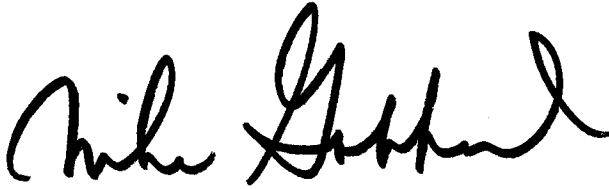
- (1) Removing the proposed changes to the definition of "qualified agricultural costs";
- (2) Providing that the cumulative amount of the tax credit for all years claimed shall be \$1,000,000 per taxpayer;
- (3) Reinstating the existing statutory limits for each of the three years for which the tax credit is claimed, and establishing the limit for each year after the third year that the tax credit is claimed, while keeping the cumulative cap of the tax credit at \$1,000,000;
- (4) Providing that for taxable years beginning after December 31, 2017, the taxpayer may only claim the tax credit in the taxable year in which the taxpayer incurred the qualified agricultural costs;
- (5) Clarifying that counties are eligible for grants-in-aid for expenses incurred in identifying and mapping important agricultural lands prior to the effective date of this measure that have not been previously reimbursed by the State;
- (6) Extending the deadline for the Land Use Commission to identify and map important agricultural lands using the appropriated funds by one year to June 30, 2021; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Water and Land and Agriculture and Environment that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1584, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form

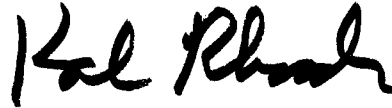


attached hereto as H.B. No. 1584, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Water and Land and Agriculture and Environment,



MIKE GABBARD, Chair



KARL RHOADS, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Water and Land
WTL

Bill / Resolution No.:*	Committee Referral:	Date:
H.B. 1584 HD2	WTL/AEN, WAM	03-23-2017


The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)	/			
GABBARD, Mike (VC)	/			
INOUE, Lorraine R.	/			
KIM, Donna Mercado				/
THIELEN, Laura H.	/			
TOTAL	4	0	0	1


Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB1584, HD2	WTZ/AEN, WAM	3/23/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RIVIERE, Gil (VC)	X			
NISHIHARA, Clarence K.				X
RHOADS, Karl	X			
RUDERMAN, Russell E.				X
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
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*Only one measure per Record of Votes