

DAVID Y. IGE  
Governor

SHAN S. TSUTSUI  
Lt. Governor



State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
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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**

**MARCH 22, 2017  
8:30 A.M.  
CONFERENCE ROOM 312**

**SENATE BILL NO. 783 SD2  
RELATING TO AGRICULTURE**

Chairperson Creagan and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 783 SD2 which amends the Important Agricultural Lands (IAL) qualified agricultural cost tax credit (Section 235-110.94) by repealing the linkage to what is commonly known as the Ko Olina Resort tax credit (Section 235-110.46), adding a new qualified agricultural cost item, and repealing the provision that the Department of Agriculture must cease certifying IAL qualified agricultural cost tax credits after 2017. The Department of Agriculture supports the bill and offers comments.

The continuation of the IAL tax credit beyond the 2017 tax year is important as the counties have yet to complete the mapping of their potential IAL pursuant to Section 205-47. We strongly believe that all the IAL incentives enacted in 2008, of which the tax credit is one component, should be available to all qualified landowners/farmers affected by the county identification process.

The proposed additional qualified agricultural cost item is for the grubbing and soil restoration of former sugarcane and pineapple plantation land that has been out of agricultural use for more than five years, and to be used primarily for agricultural



Page 2

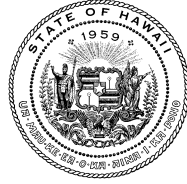
purposes. This condition may exclude this cost to many county-identified IAL properties unless the landowners can prove their lands were former plantation fields.

Additionally, the Department asks for general fund resources to help administer this program.

Thank you for the opportunity to comment on this important measure.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Richard P. Creagan, Chair  
and Members of the House Committee on Agriculture

Date: Wednesday, March 22, 2017

Time: 8:30 A.M.

Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 783, S.D. 2, Relating to Agriculture

The Department of Taxation (Department) appreciates the intent of S.B. 783, S.D. 2, and provides the following comments for your consideration.

S.B. 783, S.D. 2, amends the important agricultural lands qualified agricultural cost tax credit by deleting the language limiting the credit to years after the tax credit provided by section 235-110.46 was repealed, exhausted, or expired. The measure additionally adds a new item to the list of activities that are “qualified agricultural costs” under the credit, and deletes the subsection which required the Department of Agriculture to cease certifying credits after the fourth taxable year following the taxable year in which the credit was first claimed. S.B. 783, S.D. 2 applies to taxable years beginning after December 31, 2017.”

The Department defers to the Department of Agriculture regarding its ability to administer the proposed changes to “qualified agricultural costs”, as well as its ability to continue certification of the tax credit indefinitely.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Qualified Agricultural Cost Credit

BILL NUMBER: SB 783, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Slightly expands the qualified agricultural cost credit by allowing some debris removal and soil restoration costs to be creditable, and removes the sunset on the credit. The continued need for this credit is questionable.

BRIEF SUMMARY: Amends HRS section 235-110.93(a) by deleting the proviso that the Ko Olina credit under section 235-110.46 be repealed, exhausted, or expired.

Adds a new paragraph (5) to the definition of “qualified agricultural costs” in HRS section 235-110.93(k) by adding, as creditable, costs for the clearing of, removal of trees and debris from, and soil restoration to correct any nutrient deficiency that is present on, former sugar and pineapple plantation lands that have been out of agricultural use for more than five years and are to be used primarily for agricultural purposes.

Deletes HRS section 235-110.93(l) which now provides that the department of agriculture shall cease certifying credits after 2017.

EFFECTIVE DATE: Upon approval, applies to taxable years beginning after December 31, 2017.

STAFF COMMENTS: The legislature by Act 233, 2008, enacted the important agricultural land qualified agricultural cost tax credit.

In the department of agriculture’s most recent report on the credit, representing activity for the 2015 tax year, the department reported that it certified \$375,000 in credits for two applicants. It reported that none of the counties have submitted their approved plans and maps identifying potential important agricultural lands (IAL) to the Land Use Commission for IAL designation as required under Section 205-47, HRS. As of December 2016, seven private land owners have applied for and received designation of their lands as IAL from the Land Use Commission. The total area designated as IAL as of December 2016 was 131,555 acres. The department in its report recommended an extension of the sunset date of the credit, which otherwise would expire at the end of 2017.

Given that the amount of credits certified was negligible and the applicant base was extremely small, one must ask whether the objectives of the original legislation are being met, and whether there is any prospect of return on our investment of public dollars. The legislature may find that it is pointless to keep watering the basalt in the hopes that something will sprout from it.

Digested 3/20/2017

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 20, 2017 5:50 PM  
**To:** AGRtestimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for SB783 on Mar 22, 2017 08:30AM\*

**SB783**

Submitted on: 3/20/2017

Testimony for AGR on Mar 22, 2017 08:30AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	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.

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Testimony of  
**Jon Okudara**  
on  
**S.B. No. 783, S.D.1**  
**Relating to Agriculture**  
Committee on Agriculture  
Wednesday, March 22, 2017, 8:30 a.m.  
Room 312

I would like to testify in support of SB. No. 783, S.D.1, which:

1. Repeals the portion of section 235-110.93 that provides that the tax credit for qualified agricultural costs may not be claimed until the tax credit for the aquarium and marine science research facility at Ko Olina Resort and the training and educational facilities at Makaha Resort is repealed, exhausted or expired. That tax credit was for qualified costs incurred for the six-year period from June 1, 2003, through May 31, 2009.
2. Includes in the definition of “qualified agricultural costs,” the costs associated with the preparation of land for the growing of crops, including clearing, removal of trees and debris, and soil restoration. This is particularly true for abandoned sugar and pineapple plantation lands, which have become overgrown and often now contain large groves of albizia trees. The costs associated with clearing these lands will often amount to several thousands of dollars per acre.
3. Repeals the provision that the Department of Agriculture cease certifying credits after the fourth taxable year following the taxable year the credits were first claimed. That year was 2013. The certifying of credits is to cease at the end of 2017.

In 2008, Act 233, SLH 2008, established a variety of incentives and protections to establish and sustain viable agricultural operations on important agricultural lands. Included in the “qualified agricultural costs” are expenditures for:

- Plans, design, engineering, construction, renovation, repair, maintenance, and equipment for roads and utilities, processing facilities, irrigation systems, and agricultural housing;
- Studies;
- Equipment for agricultural purposes; and
- Regulatory processing, studies, and consultant services.

Another expenditure should be added to “qualified agricultural costs,” the clearing, and removal of trees and debris, and soil restoration of former plantation lands that have been out of use for more than five years and are to be used for agricultural purposes.” Many of the former plantation lands are now over-grown with brush, albizia

and Christmas berry trees, which may cost over \$6,000/acre to clear. In addition, after plantation crops have been harvested, many of the mineral nutrients required by crops are deficient and have to be restored. This is a cost that is equal to or more important than the “qualified agricultural costs” listed.

Thank you for the opportunity to testify in support of S.B. 783, S.D.2.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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Digested 3/20/2017





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March 22, 2017

HEARING BEFORE THE  
HOUSE COMMITTEE ON AGRICULTURE

**TESTIMONY ON SB 783, SD2**  
RELATING TO AGRICULTURE

Room 312  
8:30 AM

Aloha Chair Creagan, Vice Chair DeCoite, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 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.

**HFB supports SB 783, SD2**, which repeals the provision that the Department of Agriculture must cease certifying credits after 2017 and clarifies the definition of "qualified agricultural costs."

The Hawaii Farm Bureau was part of a multiyear process that, after nearly 30 years, developed the standards and criteria associated with IAL. It was an extensive process including a broad range of stakeholders. The IAL law was carefully crafted to be an incentive driven process; encouraging farmers to farm, keeping lands viable and incentivizing landowners to dedicate their lands to agricultural use. The IAL incentive process is important to the people of the state of Hawaii in terms of food security, environmental, social and economic sustainability and preservation of open vistas that help support tourism-a staple of the economy.

SB 783, SD2 represents an important extension of important agricultural land qualified agricultural cost tax credits that will further incentivize landowners to dedicate their lands as IAL. With more than 100,000 acres already designated as IAL, this is a solid investment for the future.

Thank you for this opportunity to testify on this measure.