

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

LATE

TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

FEBRUARY 8, 2017
8:30 A.M.
CONFERENCE ROOM 312

HOUSE BILL NO. 572
RELATING TO AGRICULTURE

Chairperson Creagan and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 572, 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 intent of the bill and offers comments and an amendment.

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 of 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 limited to the grubbing of former sugarcane and pineapple plantation land that is unused for a minimum of 5 years

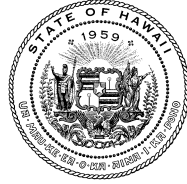


may exclude this cost to many county-identified IAL properties unless the landowners can prove their lands were former plantation fields. Further, it is unclear what would constitute reasonable soil restoration activities. Clarity in the definition as to what is allowed as a qualified agricultural cost will help to ensure we are consistent in the manner we review and assess each application and cost item for the tax credit. Additionally, the Department asks for general fund resources to help administer this program.

Thank you for the opportunity to comment on this measure.

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

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Richard P. Creagan, Chair
and Members of the House Committee on Agriculture

Date: Wednesday, February 8, 2017

Time: 8:30 A.M.

Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 572, Relating to Agriculture

The Department of Taxation (Department) appreciates the intent of H.B. 572 and provides the following comments for your consideration.

H.B. 572 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. H.B. 572 is effective January 1, 2018.

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.

The Department is able to administer this measure by the effective date because as currently drafted, the measure simply extends an existing tax credit.

Thank you for the opportunity to provide comments.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:37 PM
To: AGRtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB572 on Feb 8, 2017 08:30AM*

HB572

Submitted on: 2/6/2017

Testimony for AGR on Feb 8, 2017 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
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.

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

Testimony of
Jon Okudara
on
H.B. No. 572
Relating to Agriculture
Committee on Agriculture
Wednesday, February 8, 2017, 8:30 a.m.
Room 312

I would like to testify in support of H.B. No. 572, 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.” 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. To respond to the Department of Agriculture’s statement that it is unclear “...what would constitute reasonable soil restoration activities,” this would be the remediation of the soil to correct any deficiency in micronutrients, such as manganese, zinc, copper, boron, and others that are important to plant functions including the chlorophyll synthesis, protein synthesis, water uptake, nitrogen fixation, and other functions.

Section 235-110.93(k), HRS, should be amended by amending the definition of “qualified agricultural costs” to include a paragraph (5) to read:

“(5) The clearing, removal of trees and debris, and soil restoration to correct any nutrient deficiency that may be present on former sugar and pineapple plantation lands that have been out of use for more than five years.”

I support H.B. 572, with the amendments proposed.

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; HB 572 (Identical)

INTRODUCED BY: SB by GABBARD, RIVIERE, S. Chang, Espero; HB by NAKASHIMA, BROWER, DECOITE, KEOHOKALO, C. LEE, LUKE, NISHIMOTO, ONISHI, SAIKI, YAMASHITA, Lowen

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 HRS section 235-110.93(k) by adding, as creditable, costs for 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 five years.

Deletes HRS section 235-110.93(l) which now states that the department of agriculture shall cease certifying credits after the fourth taxable year after the taxable year the credits were first claimed.

EFFECTIVE DATE: January 1, 2018.

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.

Re: SB 765

Page 2

Digested 1/27/2017



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 8, 2017

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 572
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 HB 572, 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.

HB 572 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.