

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

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

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

BEFORE THE SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

**JANUARY 29, 2018
1:15 P.M.
CONFERENCE ROOM 224**

**SENATE BILL NO. 2074
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT**

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2074 that authorizes the Department of Agriculture to certify Important Agricultural Land qualified agricultural costs through the 2028 tax year. The Department strongly supports this bill.

It is very important for the Department to resume certifying IAL qualified costs for the tax credits for two reasons. First, the landowners and farmers that have voluntarily identified their agricultural land continue to fund improvements to their farmlands. Second, three of the four counties have yet to complete the mapping of their potential IAL and have these lands designated as IAL by the Land Use Commission, 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.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1577 / Fax: (808) 587-1584

To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Agriculture & Environment

Date: January 29, 2018

Time: 1:15 P.M.

Place: Conference Room 224, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2074, Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit.

The Department of Taxation (Department) appreciates the intent of S.B. 2074 and offers the following comments for your consideration.

S.B. 2074 amends Hawaii Revised Statutes section 235-110.93, by extending through tax year 2028, the period of time during which the Department of Agriculture may certify the important agricultural lands qualified agricultural cost tax credit. The measure deletes previous language directing the Department of Agriculture to cease certifying such credits “after the fourth taxable year following the taxable year during which the credits are first claimed[,]” and replaces it with language directing the Department of Agriculture to cease certifying these credits “for taxable years beginning after December 31, 2028.” The measure also states that “[t]his Act shall take effect upon its approval.”

The Department is able to administer the bill as written and defers to the Department of Agriculture regarding its ability to continue certification of the tax credit through 2028.

Thank you for the opportunity to provide comments.



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

January 29, 2018

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 2074
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT

Room 224
1:15 pm

Aloha Chair Gabbard, Vice Chair Riviere, 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 is in strong support of SB 2074, which extends the period during which the HDOA may certify important agricultural lands qualified agricultural cost tax credits to 2028.

Hawaii is the first state in the country to have an Agricultural Land Preservation measure focused on agricultural viability. During the weeks of deliberation that created Hawaii's Important Agricultural Lands initiative, a review was conducted of ag land preservation measures across the nation. Initiatives that were passed many years ago were especially taken under close scrutiny to determine whether their intents were realized. What became obvious was payments for development rights, preserved land from agriculture but did not necessarily keep the land in agriculture -- it succeeded in keeping them in open space. Too often, the recipient of the benefit used it to pay off debt, passed the land to a successor who now had no benefits and reduced collateral to go to the bank for loans as the land was devalued.

Taking these lessons to heart, the move was made to create incentives to reward investments in infrastructure – improvements to irrigation system and other basic infrastructure, construction of value added facilities, or construction of irrigation water storage facilities were among the qualified agriculture expenditures that were deemed needed for viable operations. The structure of the incentive as a tax credit for only a percentage of costs forces serious investments vs. those that do it just to get a tax credit.

Also, being that it is a tax credit requires that the applicant is paying taxes so most likely a viable business endeavor.

Reports have been submitted by the Department of Agriculture reporting the amount of tax credits awarded by year. The highest-level activity was in 2015, reported to the Legislature in 2016.

The breakdown of costs applicants applied for in 2014 are listed as follows:

A \$98,915.58
B \$605,814.04
C \$2,452,699.27
D \$51,486.60
E \$742,979.67
F \$2,500,223.39
G 0

A. Roads or utilities, primarily for agricultural purposes, where most of the lands serviced by the roads or utilities, excluding lands classified as conservation lands, are important agricultural lands;

B. Agricultural processing facilities in the State, primarily for agricultural purposes, where the majority of the crops or livestock processed, harvested, treated, washed, handled, or packaged are from agricultural businesses;

C. Water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems in the State, primarily for agricultural purposes, providing water for lands, the majority of which, excluding lands classified as conservation lands, are important agricultural lands; and

D. Agricultural housing in the State, exclusively for agricultural purposes; provided that: housing units are occupied solely by farmers or employees for agricultural businesses and their immediate family members; the housing units are owned by the agricultural business; the housing units are in the general vicinity, as determined by the department of agriculture, of agricultural lands owned or leased by the agricultural business; and the housing units conform to any other conditions that may be required by the department of agriculture;

E. Feasibility studies, regulatory processing, and legal and accounting services related to the items under paragraph (1);

F. Equipment, primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business; and

G. Regulatory processing, studies, and legal and other consultant services related to obtaining or retaining sufficient water for agricultural activities and retaining the right to farm on lands identified as important agricultural lands.

As you can see by the breakdown of use, majority of funds were associated with improvements/modification of irrigation systems or equipment associated with agricultural production. Both of these investments are critical for agricultural viability.

There appears to be a priority to keep lands in agriculture as seen by numerous measures to purchase lands by the State. The IAL program encourages VOLUNTARY designation of the lands in exchange for the incentives a cost-effective way to preserve ag operations – not just lands, for future generations.

We therefore respectfully request your strong support of this measure as an investment to agriculture's future in the State of Hawaii.

Thank you for this opportunity to provide our opinion on this important matter.



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Executive Director

Bennette Misalucha

TESTIMONY FROM BENNETTE MISALUCHA, EXECUTIVE DIRECTOR

In Strong Support of SB2074

Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit

SENATE COMMITTEE ON WAYS AND MEANS

January 29, 2018, 1:15 p.m.

Conference Room 224

Chair Gabbard and members of the committee:

The Hawaii Crop Improvement Association (HCIA) is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed. Through education, collaboration, and advocacy, we work to ensure a safe and sustainable food supply, support responsible farming practices, and build a healthy economy.

HCIA **supports SB2074**, which seeks to extend through the 2028 tax year the time that the department of agriculture may certify important agricultural lands qualified agricultural cost tax credits.

Many of Hawaii's farmers operate their businesses within very small fiscal margins. Extending IAL qualified tax credits increases the likelihood that farmers on designated lands will operate in a financial surplus. It also allows for much needed infrastructure improvements that in turn support the State's goal of increasing local food production.

Thank you for the opportunity to testify in support of this bill.

Respectfully submitted,

Bennette Misalucha

Executive Director

SB-2074

Submitted on: 1/25/2018 5:51:47 PM

Testimony for AEN on 1/29/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mae Nakahata	HFBF	Support	No

Comments:



Hawaii Cattlemen's Council, Inc.

COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Senator Mike Gabbard, Chair
Senator Gil Riviere, Vice Chair

DATE: Monday, January 29, 2018
TIME: 1:15 p.m.
PLACE: Conference Room 224

**SB 2074 – RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT.**

Extends through 2028 tax year the time that the department of agriculture may certify important agricultural lands qualified agricultural cost tax credits.

Chair Gabbard, Vice Chair Riviere, and Members of the Committee:

My name is Dale Sandlin, and I am Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the four county level Cattlemen's Associations. Our 150+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council **strongly supports** SB 2074 as this measure will provide a needed extension to the Important Agricultural Lands (IAL) for an additional 10 years.

With the constant pressure of development, keeping lands that have been in agricultural production becomes more difficult every year. The designation of IAL lands has proven successful as many producers have designated these lands to remain in agricultural production. The ranching industry has designated thousands of acres to agricultural production on nearly every island.

IAL was passed as an incentive driven program which provided a tax incentive to landowners who chose to designate. If these incentives were to go away, this has defeated the original purpose and misled the people who put their lands into IAL voluntarily.

We respectfully ask this committee to pass SB 2074 and we appreciate the opportunity to testify on this important matter.



SB-2074

Submitted on: 1/26/2018 7:07:01 PM

Testimony for AEN on 1/29/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Watanabe	Maui County Farm Bureau	Support	No

Comments:

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Important Agricultural Land Credit

BILL NUMBER: SB 2074

INTRODUCED BY: GABBARD, KEITH-AGARAN, KIM, S. Chang, English, Green, Nishihara, Ruderman, Taniguchi

EXECUTIVE SUMMARY: Section 4 of the bill extends the important agricultural land tax credit by ten years. The bill adds contradictory provisions to the credit, and the conflict should be resolved. Also, given the sparse utilization of the credit to date, the need for the extension is questionable.

SYNOPSIS: Amends HRS section 235-110.93 to provide that the department of agriculture shall cease certifying credits for taxable years beginning after December 31, 2028. It previously required cessation of certification after the fourth taxable year following the taxable year during which the credits are first claimed, which we understand to be December 31, 2017.

EFFECTIVE DATE: Upon approval.

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

In the department of agriculture's 2017 report on the credit, representing activity for the 2016 tax year, the department reported that it certified \$1,375,000 in credits for three applicants. As of December 2016, eight 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 2017 was 133,105 acres. The department in its report recommended an extension of the sunset date of the credit, which otherwise expired at the end of 2017.

In its 2016 report, the department stated 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.

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.

In any event, the credit language now contains contradictory provisions. At the end of HRS section 235-110.93(a), existing language provides that the taxpayer may claim the credit in consecutive or inconsecutive taxable years until exhausted, in other words, that carryover of the credit is allowed. This conflicts with new language providing that the taxpayer may only claim the credit in the taxable year in which the taxpayer incurred the qualified agricultural costs.

Digested 1/25/2018

SB-2074

Submitted on: 1/26/2018 2:09:22 PM

Testimony for AEN on 1/29/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES
DEMOCRATIC PARTY OF HAWAII
TO THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
THE HAWAII STATE SENATE
TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018
Monday, January 29, 2018
1:15 p.m.
Hawaii State Capitol, Conference Room 224**

RE: Testimony in Support of SB2074, RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED AGRICULTURAL TAX CREDIT

To the Honorable Mike Gabbard, Chair; the Honorable Gil Riviere, Vice-Chair and Members of the Committee on Agriculture and Environment:

Good afternoon, my name is Melodie Aduja. I serve as Chair of the Oahu County Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on Senate Bill No. 2074, relating to the important agricultural land qualified agricultural tax credit. The OCC Legislative Priorities Committee is in favor of Senate Bill No. 2074 and support its passage.

Senate Bill No. 2074, is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it aims to extend the Important Agricultural Land Qualified Agricultural Cost Tax Credit. Specifically, the DPH Platform states, "Agriculture in our state must be preserved and its future strengthened. Sufficient prime agricultural lands must be maintained for the health, economic well-being and sustenance of the people. We believe in an integrated approach to agricultural innovation and sustainability. . . . We support the designation of Important Agricultural Lands as a step towards preserving high-grade productive lands for current and future needs." (Platform of the DPH, P. 2, Lines 76-78, 109-110 (2016)).

Given that Senate Bill No. 2074 extends the Important Agricultural Land Qualified Agricultural Cost Tax Credit, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ **Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889

PRESENTATION OF THE

OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES

DEMOCRATIC PARTY OF HAWAII

TO THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

THE HAWAII STATE SENATE

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Monday, January 29, 2018

1:15 p.m.

Hawaii State Capitol, Conference Room 224

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Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889