

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 SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

**FEBRUARY 2, 2018
1:15 P.M.
CONFERENCE ROOM 224**

**SENATE BILL NO. 3078
RELATING TO NEW FARMERS**

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 3078, that creates a “new farmer” tax credit for the purchase or rent of an “agricultural asset.” The Department of Agriculture supports the concept of incentivizing farmers in a fair and responsible manner for all commercial agricultural production practices. The Department supports the intent of this measure, but otherwise defers to the Agribusiness Development Corporation.

The Department is concerned with potential conflicts this tax credit may have with the existing organic foods production tax credit under Section 235-110.94, Hawaii Revised Statutes (HRS), and the Important Agricultural Lands (IAL) tax credit under Section 235-110.93, HRS. It is not clear whether an applicant can obtain credits under the proposed “new farmer” tax credit and other existing agricultural tax credits for the same expense. For example, “agricultural assets” under the proposed “new farmer” tax credit means “agricultural land, livestock, facilities, buildings, and machinery used for farming in the State.” The Department recognized that expenses that could be considered an “agricultural asset” would also qualify as a “qualified agricultural cost” or “qualified expense” under the IAL and organic foods production tax credits.



While the Department defers to the Agribusiness Development Corporation and the Department of Taxation on comments related to the administration of this proposed credit, the Department recommends an appropriation from the general fund to help administer this program and existing agricultural tax credit programs. This “new farmer” tax credit would be the third tax credit the Department is tasked with administering. No funds were appropriated to administer either the organic tax credit nor the IAL tax credit.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Friday, February 2, 2018
1:15 p.m.

SENATE BILL NO. 3078
RELATING TO NEW FARMERS

Chairperson Gabbard and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC supports the intent of Senate Bill No. 3078, which allows new farmers to receive income tax credit for purchasing or renting agricultural assets and sets out eligibility requirements to qualify as a new farmer and offers the following comments.

While the ADC supports providing incentives to new farmers, it has concerns that the eligibility requirements may exclude new farmers who have larger incomes and operations from qualifying for this tax credit. Rather than basing the eligibility primarily on net worth, which could limit this credit to small farms and “gardeners”, the ADC suggest expanding the eligibility requirements to include a minimum amount generated from the farming operation seeking the tax

credit. The ADC believes inserting a threshold to qualify will ensure all new farmers are eligible to receive this tax credit.

The ADC could administer this tax credit program with the necessary personnel. Should the responsibility be levied on ADC to qualify “new farmers” under this bill, the ADC would need at least one additional position to administer the program.

Thank you for the opportunity to testify.



**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

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

Date: February 2, 2018
Time: 1:15 P.M.
Place: Conference Room 224, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 3078, Relating to New Farmers.

The Department of Taxation (Department) appreciates the intent of S.B. 3078 and offers the following comments for your consideration.

S.B. 3078 amends Hawaii Revised Statutes (HRS) chapter 235, by creating a new nonrefundable income tax credit for new farmers who purchase or rent an “agricultural asset,” meaning agricultural land, livestock, facilities, buildings, and machinery used for farming in the State. A summary of the measure’s key provisions are as follows:

- Sets forth three different amounts of the credit, depending on whether the agricultural asset was purchased, rented, or part of a share rent agreement. The measure does not specify the maximum cap amounts for each credit.
 - For purchase: “Five per cent of the lesser of the purchase price or the fair market value of the agricultural asset,” up to an undetermined maximum cap;
 - For rent: “Ten per cent of the gross rent paid by the new farmer to the owner of the agricultural asset in each of the first, second, and third years of a rental agreement,” up to an undetermined maximum cap per year; and
 - For share rent: “Fifteen per cent of the cash equivalent of the gross rent paid by the new farmer to the owner of the agricultural asset in each of the first, second, and third years of a share rent agreement,” up to an undetermined maximum cap per year.
- Defines “new farmer” as an individual who:
 - Is a resident of Hawaii;
 - Is seeking entry, or has entered within the last ten years, into farming;
 - Intends to farm land located in the State;
 - Is not and whose spouse is not a family member of the owner of agricultural assets or a partner, member, shareholder, or trustee of the owner of agricultural

- assets from whom the new farmer is seeking to purchase or rent agricultural assets; and
- Meets additional requirements to prove eligibility to the Agribusiness Development Corporation (ADC).
- Authorizes the Director to require taxpayers to furnish reasonable information to determine the validity of their claim and to adopt rules pursuant to Chapter 91, HRS necessary to effectuate the measure;
- Directs the ADC to:
 - Assist and support new farmers for qualification and refer them to relevant information sources;
 - Approve and certify or recertify new farmers as eligible for the tax credit program; and
 - Certify the amount of credit each taxpayer may claim.
- Tax credit is available for taxable years beginning after December 31, 2017, but not for taxable years beginning after December 31, 2023.

The Department defers to the ADC and the Department of Agriculture on the substance of measure and its ability to certify this credit, but requests that the certification requirement for this credit be maintained. The Department does not have the knowledge and expertise necessary to certify this credit.

Additionally, the Department respectfully requests that the effective date be changed to taxable years beginning after December 31, 2018 to allow sufficient time to make the necessary form and computer system changes.

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

February 2, 2018

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 3078
RELATING TO NEW FARMERS

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 interests of our diverse agricultural community.

The Hawaii Farm Bureau supports SB 3078, which allows new farmers to receive income tax credits for purchasing or renting agricultural assets through December 31, 2023.

The cost of establishing and maintaining a new agricultural operation in Hawaii is very difficult if not impossible. Operating capital is not easy to obtain with the traditional methods of financing. As our farmers and ranchers are aging, we need to assist those that are able to successfully operate an agricultural operation such as college graduates or trainees that have graduated from a certified program. This tax credit will help these new farmers and ranchers by reducing the cost of production so that their locally produced goods can compete with imported products, giving them a greater opportunity for success.

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

SB-3078

Submitted on: 2/1/2018 10:21:59 AM

Testimony for AEN on 2/2/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dale Sandlin	Hawaii Cattlemens Council	Support	No

Comments: