

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways & Means

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 10, 2021

Time: 10:10 A.M.

Place: Via Videoconference, Hawaii State Capitol

**Re: S.B. 339, S.D. 1, Relating to Relating to the Important Agricultural Land Qualified  
Agricultural Cost Tax Credit**

The Department of Taxation (Department) offers the following comments regarding S.B. 339, S.D. 1, for your consideration.

S.B. 339, S.D. 1, amends the important agricultural land qualified agricultural cost tax credit (IAL credit) under section 235-110.93, Hawaii Revised Statutes, by requiring the taxpayer to claim the credit in the *third* taxable year after the taxable year in which the taxpayer applies to the Department of Agriculture (DOA) for first-year certification of their credit. The measure also postpones the date the DOA shall cease certifying the IAL credit from December 31, 2021 until December 31, 2030. The measure applies to taxable years beginning after December 31, 2021.

The Department notes that the bill's language as currently drafted requires clarification as it does not provide sufficient guidance as to when the credit may be claimed. The Department recommends amending the last sentence of subsection (a) to read as follows:

The taxpayer [~~also~~] may subsequently claim the credit in consecutive or inconsecutive taxable years until exhausted.

The Department defers to the DOA on its ability to continue certifying the credit, but takes no position on the extension of the IAL credit proposed in this measure as it does not create a substantial administrative burden on the Department.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER  
Chairperson, Board of Agriculture

MORRIS M. ATTA  
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 PHYLLIS SHIMABUKURO-GEISER  
CHAIRPERSON, BOARD OF AGRICULTURE  
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

FEBRUARY 10, 2021  
10:00 A.M.  
CONFERENCE ROOM 211

SENATE BILL NO. 339 SD1  
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 339 SD1. This measure amends the Important Agricultural Lands (IAL) Qualified Agricultural Cost Tax Credit by delaying for three years when a taxpayer may claim the tax credit after applying to the Department of Agriculture for the first-year certification of the credit. This bill also extends the time that the Department may certify qualified agricultural costs from December 31, 2021 to December 31, 2030.

The Department strongly supports the continuation of the IAL Qualified Agricultural Cost Tax Credit which supports moving Hawaii toward food self-sufficiency by helping to offset costs related to establishing and sustaining viable agricultural operations. The Department acknowledges the State's precarious financial situation that necessitated the three-year delay for a landowner/farmer of designated IAL to claim the tax credit. The Department hopes that the State's economy recovers sufficiently and rapidly thereby allowing the three-year delay to be lessened or eliminated to the benefit of the hundreds of landowners/farmers on Oahu who lands may soon be designated as IAL and any other private landowner wishing to voluntarily request IAL designation. The Department additionally suggests the following clarifying **amendment** at Page 4 Line 8-9 (new language bolded and underlined):

"The taxpayer [~~also~~] may **subsequently** claim the credit in consecutive or inconsecutive taxable years until exhausted.""



Thank you for the opportunity to testify on this measure.

**DAVID Y. IGE**  
Governor

**JOSH GREEN**  
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 WAYS AND MEANS  
Wednesday, February 10, 2021  
10:10 a.m.  
VIA VIDEO CONFERENCING

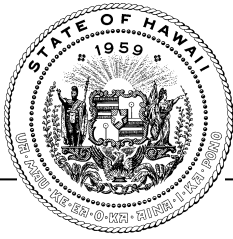
SENATE BILL NO. 339  
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 339. The Agribusiness Development Corporation (ADC) strongly supports Senate Bill No. 339, which extends the time the Department of Agriculture may certify qualified agricultural costs from December 31, 2021 to December 31, 2030.

The Important Agricultural Land Qualified Agriculture Cost Tax Credit is an important tool to incentivize agriculture production on agriculture lands to ensure these lands are kept in agriculture for future generations. The ADC acknowledges and appreciates the Legislature's effort to support agriculture during these tough economic times.

Thank you for your consideration of this bill.



**OFFICE OF PLANNING  
STATE OF HAWAII**

**LATE**

**DAVID Y. IGE**  
GOVERNOR

**MARY ALICE EVANS**  
DIRECTOR  
OFFICE OF PLANNING

235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-2846  
Fax: (808) 587-2824  
Web: <http://planning.hawaii.gov/>

Statement of  
**MARY ALICE EVANS**  
Director, Office of Planning  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Wednesday, February 10, 2021  
10:10 AM  
Via Videoconference

in consideration of  
**SB 339, SD1**  
**RELATING TO IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means.

The Office of Planning (OP) **strongly supports** SB 339, SD1, which would extend the Department of Agriculture's (DOA) certification of credits for important agricultural land (IAL) qualified agricultural costs from December 31, 2021 to December 31, 2030, and clarifies that claims are to be made the third taxable year following an application for DOA certification of the tax credit.

OP supports the renewal and extension of the qualified agricultural cost tax credit to ensure continued availability of the tax credit to help farmers manage the cost of investments in their farming operations. Successful commercial farming is the most cost-effective way to protect farmland. The IAL incentives package passed in 2008, including this tax credit, was always intended to be a long-term commitment to providing permanent tools and services—like agricultural real property tax dedication provisions—that would promote and grow Hawaii's agricultural industry and promote agricultural viability for current and future farmers on Hawaii's best lands, particularly those designated as IAL.

OP suggests consideration be given to making this a permanent tax credit since farming requires ongoing investment in agricultural infrastructure, equipment, and farm improvements. OP defers to other departments on the fiscal impact of this measure.

Thank you for the opportunity to testify on this measure.

**SB-339-SD-1**

Submitted on: 2/6/2021 1:07:28 PM

Testimony for WAM on 2/10/2021 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dante Carpenter	Testifying for Carpenter & Carpenter, Inc.	Support	No

Comments:

Chair Sen. Donovan Dela Cruz & Committee Members:

My name is Dante Carpenter, former Legislator & Officeholder, now as a business consultant - testifying in support of this measure which will establish an Agricultural Cost Tax Credit on Important Agricultural Land. This is a fine bill which will assist all agriculture producers by recognizing the cost of equipment and operations of Agriculture Producers as well as the cost of construction and methods of supplying food products in the State of Hawai'i. Further, by extending the time the Dept. of Agriculture may certify the qualified agricultural costs tax credit from 12/31/21 to 12/31/2030 is acceptable.

Dante Carpenter

President

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extension of Important Agricultural Land Credit

BILL NUMBER: SB 339, SD-1

INTRODUCED BY: Senate Committee on Agriculture and Environment

EXECUTIVE SUMMARY: Clarifies that a taxpayer can claim the credit in the third taxable year after they apply for the credit, rather than in any taxable year. Extends the time that the department of agriculture may certify the important agricultural land qualified agricultural costs tax credit from 12/31/2021 to 12/31/2030.

SYNOPSIS: Amends section 235-110.93, HRS, to provide that the taxpayer may claim the credit in the third taxable year after application to the department of agriculture for first-year certification of the credit, and to extend the deadline for the credit to December 31, 2030.

EFFECTIVE DATE: Taxable years beginning after December 31, 2021.

STAFF COMMENTS: The legislature by Act 233, SLH 2008, enacted the important agricultural land qualified agricultural cost tax credit. The law was amended by Act 101, SLH 2014, and by Act 87, SLH 2018.

In the department of agriculture's 2021 report on the credit ([https://hdoa.hawaii.gov/wp-content/uploads/2020/12/DOA-IAL-Tax-Credit-Report-2019\\_final.pdf](https://hdoa.hawaii.gov/wp-content/uploads/2020/12/DOA-IAL-Tax-Credit-Report-2019_final.pdf)), representing activity for the 2019 tax year, the department reported that it certified \$125,000 in credits for one applicant. There were only two applicants in the 2018 tax year.

The department in its report recommended an extension of the sunset date of the credit, which expired at the end of 2021. The department recommended the extension as necessary to provide the counties of Kauai, Maui, and Hawaii more time to complete their identification of candidate lands as described in Section 205-47, HRS, and allow landowners/farmers to claim IAL tax credits for their agricultural lands that are designated by the Land Use Commission as IAL pursuant to Section 205-49

The department also stated that only the City & County of Honolulu has submitted 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, and that the LUC has not yet acted upon it.

In testimony on a similar bill in 2017, some of the counties complained that the process of drawing up such maps was unduly expensive.

Given that the amount of credits certified was negligible, the applicant base was extremely small, and the counties have not cooperated in the past decade, one must ask whether the objectives of

Re: SB 339, SD-1  
Page 2

the original legislation are being met, and whether there is any prospect of return on our investment of public dollars.

Digested 2/6/2021





Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEE ON WAYS & MEANS  
Wednesday, February 10, 2021 — 10:10 a.m.

**Ulupono Initiative supports SB 339 SD 1, Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit.**

Dear Chair Dela Cruz and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

**Ulupono supports SB 339 SD 1**, which clarifies that a taxpayer can claim the Important Agricultural Land Qualified Agricultural Cost Tax Credit in the third taxable year after application for first-year certification of the credit, rather than in any taxable year following the taxable year in which qualified agricultural costs were incurred. This bill also extends the time that the Department of Agriculture may certify this tax credit from 12/31/2021 to 12/31/2030.

The Important Agricultural Lands designation is an important tool that exists to keep agricultural land in active production. As development encroaches on rural districts, it is important to maintain the State's most productive lands in agriculture and encourage those producers to continue operations to support the State's food security and sustainability goals. This tax credit ensures an incentive to landowners to keep agricultural lands in productivity for perpetuity. We recognize that you face many difficult decisions this year to balance the budget in the midst of this economic crisis, but we hope that this support for local agriculture can be considered.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata  
Director of Government Affairs

*Investing in a Sustainable Hawai'i*



# HAWAII CROP IMPROVEMENT ASSOCIATION

In Support of SB339 SD1  
Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit

Senate Committee on Ways and Means

Date: Wednesday, February 10, 2021

Time: 10:10 a.m.

Place: Via Video Conference

Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the committee:

Thank you for allowing the Hawaii Crop Improvement Association the opportunity to provide testimony in support of SB339 SD1 which clarifies that a taxpayer can claim the important agricultural land qualified agricultural cost tax credit in the third taxable year after application for first-year certification of the credit, rather than in any taxable year following the taxable year in which qualified agricultural costs were incurred and extends the time that the department of agriculture may certify the important agricultural land qualified agricultural costs tax credit from 12/31/2021 to 12/31/2030.

The Hawaii Crop Improvement Association applauds the Hawaii State Legislature for taking up this important measure to support agriculture across the State. The Important Agricultural Lands (IAL) Qualified Agricultural Cost Tax Credit is and has been a vital mechanism to incentivize and increase longevity in Hawaii's agricultural sector. It has proven itself an effective tool by providing local farmers with fiscal assistance while ensuring opportunities for future generations through land designation.

Mahalo for this opportunity to testify in support of the intent of SB339 SD1. If you have any questions, please contact me at your convenience.

Sincerely,

*Emmanuel Zibakalam*

Executive Director, Hawaii Crop Improvement Association

*The Hawaii Crop Improvement Association 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.*



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

February 10, 2021

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON SB 339, SD1**  
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT

Room 211  
10:10 AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 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 339, SD1**, which extends through the 2030 tax year, the time that the Department of Agriculture may certify important agricultural lands qualified agricultural costs. It also clarifies that a taxpayer can claim the credit in the third taxable year after they apply for the credit, rather than in any taxable year.

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 on agricultural land preservation measures across the nation. Initiatives that were passed many years ago were especially taken under scrutiny to determine whether their intents were realized. What became obvious was payments for development rights, preserved land for 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 systems 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, since the tax credit requires that the applicant is paying taxes it is most likely a viable business endeavor.

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 the 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 a continued investment to agriculture's future in the State of Hawaii.

Thank you for the opportunity to testify on this measure of great importance.



**LATE**

February 5, 2021

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

**Comments in Support of SB 339, S.D.1, Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit (Clarifies that a taxpayer can claim the credit in the third taxable year after application for first-year certification of the credit, rather than in any taxable year following the taxable year in which qualified agricultural costs were incurred. Extends the time that the Department of Agriculture may certify the important agricultural lands qualified agricultural costs tax credits from 12/31/2021 to 12/31/2030.)**

**Wednesday, February 10, 2021, at 10:10 a.m., Conference Room 211**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. LURF's mission is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of SB 339, S.D.1** and of the various agricultural stakeholder groups who defend the goals of viable agricultural operations and the conservation and protection of agriculture, including important agricultural lands (IAL) in Hawaii.

**SB 339, S.D.1.** The purpose of this bill is to clarify that a taxpayer can claim the credit in the third taxable year after application for first-year certification of the credit, rather than in any taxable year following the taxable year in which qualified agricultural costs were incurred; and to extend the time that the Department of Agriculture (DOA) may certify the important agricultural land qualified agricultural cost tax credits from December 21, 2021 to December 31, 2021, in order to provide additional time to allow landowners and farmers to claim the tax credit in the event that their agricultural lands are identified as potential important agricultural lands and designated as such by the

Land Use Commission (LUC). LURF understands that the three-year delay for a landowner or farmer of designated IAL to claim the tax credit is necessary due to the State's current precarious financial situation as a result of the coronavirus 2019 disease pandemic.

**LURF's Position.** LURF members include farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider incentives such as the subject tax credits very helpful, if not critical to the agriculture industry and conduct of their operations. The tax credits assist qualified landowners and farmers by offsetting costs related to establishing and sustaining viable agricultural operations and help to sustain agricultural businesses, promote local food production, and increase the State's ability to achieve its food self-sufficiency goals.

The purpose of this bill is consistent with the underlying intent and objectives of the IAL laws (Hawaii Revised Statutes [HRS], Sections 205-41 to 52), which were enacted to fulfill the mandate in Article XI, Section 3, of the Hawaii State Constitution, "to conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands."

As noted in HRS Section 205-41, the intent of Act 183 (2005) was to develop agricultural incentive programs to promote agricultural viability, sustained growth of the agricultural industry, and the long-term use and protection of IAL for agricultural use in Hawaii concurrently with the process of identifying IAL as required under the Act. Such incentives and programs are expressly identified in HRS 205-41, and specifically include assistance in identifying federal, state, and private grant resources for agricultural business planning and operations; as well as incentives such as tax credits that promote investment in agricultural businesses or value-added agricultural development, and other agricultural financing mechanisms.

The DOA, however, will currently cease certifying tax credits for tax years beginning after December 31, 2021. Moreover, the counties have not provided IAL incentives to date. The proposed extension will allow landowners and farmers to claim the tax credit should their lands be identified as potential important agricultural lands by the LUC. Passage of the long-awaited IAL legislation would be meaningless without incentives such as the subject measure which help sustain agricultural enterprises and encourage cooperation with, and support of the business and economic communities. By recognizing the significance of, and need to assist the local agriculture industry, and to uphold incentives which help to support the growth and maintenance of agriculture in the State, this measure significantly helps to promote economically viable agriculture and food self-sufficiency in Hawaii.

For the reasons set forth above, LURF is **in support of SB 339, S.D.1**, and respectfully urges your favorable consideration of this bill.



**LATE**

# Kamehameha Schools®

Senate Committee on Ways and Means

Date: February 10, 2021

Time: 10:10 a.m.

Where: Via Videoconference

## TESTIMONY

By Dana Sato

Integrated Asset Management, Community & 'Āina Resiliency Group

**RE: SB 339, SD1 – Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit**

E ka Luna Ho'omalulu Dela Cruz, ka Hope Luna Ho'omalulu Keith-Agaran, a me nā Lālā o kēia Kōmike, aloha!

Kamehameha Schools **supports the intent of SB 339, SD1**, which extends to the 2030 taxable year the important agricultural land qualified agricultural cost tax credit.

Kamehameha Schools believes that our educational mission is best achieved in a society that supports and enables the success of our learners. One significant component of such a society is a sustainable, local food system. For this reason, we have heavily invested in agriculture on our lands across Hawai'i to contribute to the State's Aloha+ Challenge goal of doubling local food production by 2030.

The IAL tax credit can play an important role in achieving this goal by promoting greater investment in Hawai'i's agricultural economy. Specifically, IAL Tax Credits can incentivize landowners and lessees to invest in improving and upgrading decades-old infrastructure and, maybe more importantly, to invest in new facilities essential to a modern agricultural economy, lowering (at least in part) the economic barriers that have historically dissuaded needed investments.

Extending the IAL tax credit, as one component of a more comprehensive strategy of investments and supports, can provide the time and opportunity to create thriving local food systems that enhance the lives of Hawai'i's people.

We also recognize the impact tax credits have on revenues at a time the State is facing a budget deficit and we defer to the leadership of this Committee to determine whether resources are available to continue this commitment.

Founded in 1887, Kamehameha Schools is an organization striving to advance a thriving Lāhui where all Native Hawaiians are successful, grounded in traditional values, and leading in the local and global communities. We believe that community success is individual success, Hawaiian culture-based education leads to academic success and local leadership drives global leadership. Mahalo nui!

**SB-339-SD-1**

Submitted on: 2/7/2021 9:29:30 PM

Testimony for WAM on 2/10/2021 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Robert E Wheeler	Individual	Support	No

Comments:

Chairperson Gabbard and Members of the Committee:

My name is Robert Wheeler, a consultant for Villa Rose LLC, an egg farm near Waialua. My involvement in Hawaii agriculture exceeds 25 years. During this time, I have seen many of our agriculture operations, both large and small, fail under the high cost of doing business in Hawaii. I am in favor of any legislation to reduce the cost of farming in Hawaii. Please accept my testimony supporting Senate Bill No. 339 extending the Agricultural Cost Tax Credit on Important Agricultural Land. This bill will aid agriculture producers by reducing their tax burden allowing improvements to their operation, and hopefully, increase their productivity. Moreover, it will further Hawaii's goal of food sustainability.

Thank you for the opportunity to testify.