

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1447, Relating to Native Plant Species

BEFORE THE:

House Committee on Water and Land

DATE: Tuesday, February 7, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Ichiyama, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1447 for your consideration.

H.B. 1447 adds a new section to chapter 235, Hawaii Revised Statutes, to create a new refundable native plant preservation tax credit. The refundable tax credit is equal to \$1,000 multiplied by the percentage of the taxpayer's land that is occupied by native plants, provided that native plants occupy at least 20 percent of the taxpayer's land. The Department of Land and Natural Resources (DLNR) is responsible for administration of this credit, including certification of qualified use and amount of credit taxpayers may claim.

This measure is effective upon approval and applies to taxable years beginning after December 31, 2022.

The Department recommends making the tax credit nonrefundable, as refundable credits are more prone to fraudulent claims.

Department of Taxation Testimony
H.B. 1447
February 7, 2023
Page 2 of 2

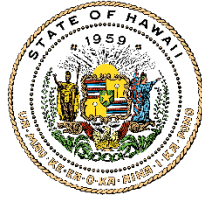
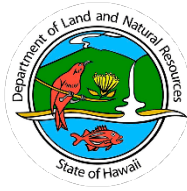
Further, the Department defers to DLNR on its ability to certify this credit, but respectfully requests that a third-party certification requirement be maintained, as the Department lacks subject-matter expertise to determine eligibility for and to administer this credit.

Finally, the Department notes that due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session for tax year 2023. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
LAURA H.E. KAAKUA
FIRST DEPUTY
M. KALEO MANUEL
DEPUTY DIRECTOR - WATER
AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N. S. CHANG
Chairperson

Before the House Committee on
WATER & LAND

Tuesday, February 7, 2023
9:30 AM
State Capitol, Conference Room 430

In consideration of
HOUSE BILL 1447
RELATING TO NATIVE PLANT SPECIES

House Bill 1447 proposes to create an income tax credit for taxpayers who engage in preservation efforts using native plants. **The Department of Land and Natural Resources (Department) acknowledges the intent of this measure, but this bill places a significant burden on the Department rather than the individual taxpayer.**

The Department recognizes that private landowners play an integral role in stewarding their lands and supports the intent of this measure because it encourages private landowners to plant native plants on their property. However, the bill, as drafted, puts a significant burden on the Department to verify and certify the percentage of native plants expressed as an amount over twenty (20) percent, to certify the taxpayer's "use" of native plants, and to maintain records of taxpayers claiming this credit. Although a fee is suggested to offset the costs of certification of claims, no concomitant increase of staffing is made or funds appropriated. Additionally, the credit calculation of \$1,000 per percent of taxpayer's land could involve those owning a very small plot of land (vs. extensive acreage), as this set fee rewards those with small acreage owned but with a high percentage in native plants, giving a disproportionately large resultant tax credit. This could likely frustrate the stated intent of the bill to increase native plant "biodiversity."

Mahalo for the opportunity to comment on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Preservation of Native Plants

BILL NUMBER: HB 1447

INTRODUCED BY: HUSSEY-BURDICK, AMATO, BELATTI, COCHRAN, GANADEN, KAHALOA, KAPELA, KILA, NISHIMOTO, PERRUSO, POEPOE, TAKENOUCI, TODD

EXECUTIVE SUMMARY: Creates an income tax credit for taxpayers who engage in preservation efforts using native plants.

SYNOPSIS: Adds a new section to chapter 235, HRS, to create a refundable income tax credit for native plant preservation. The credit amount is \$1,000 multiplied by the percentage of the taxpayer's land that is occupied by native plants. No credit is allowed if the percentage is less than 20%.

Tasks DLNR with certifying claims for the credit.

Provides that all claims for the tax credit, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure shall constitute a waiver of the right to claim the credit.

Defines "native plants" as any plants that are indigenous or endemic to Hawaii.

EFFECTIVE DATE: Taxable years beginning after December 31, 2022.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to give taxpayers money to do things that lawmakers want them to do for social policy reasons merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

The additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive compared to the amount that may be paid out in credits.

Digested: 2/3/2023



HAWAII FOREST INDUSTRY ASSOCIATION (HFIA)

P. O. Box 66 ❖ 'O'ōkala, HI
96774 Phone: 808-933-9411
Email: hfia@hawaiiiforest.org
Website: www.hawaiiiforest.org

Date: 02/01/2023

TO: House Committee on Water and Land

FROM: the Hawai'i Forest Industry Association (HFIA)

SUBJECT: In Support of HB1447 Relating to Native Plant Species

Dear Chair Ichiyama, Vice Chair Poepoe and committee members,

On behalf of the Directors and members of the Hawai'i Forest Industry Association (HFIA), please support HB1447 Relating to Native Plants Species.

For 34 years HFIA has been working to actualize healthy and productive forests across the state of Hawaii. While our primary focus is on promoting forestry as an industry, we recognize the importance of preserving and improving plant biodiversity.

The Hawaii Forest Institute (HFI), incorporated by HFIA in 2003, has created a guidebook to growing native Hawaiian plants in all planting zones across the state. The book is titled Go Native; Growing a Native Hawaiian Urban Forest. Its purpose is to encourage Hawaii residents and businesses to grow Native Hawaiian and Polynesian-introduced plants, as well as to increase public awareness of the value and benefits of planting native plants and trees. Go Native is a way to rehabilitate Hawaii's native forests and biodiversity from "one backyard to the next".

HFIA has been assisting in promoting and distributing the guidebook and since its completion (summer of 2022) HFIA and HFI, as a team, have distributed over 200 copies of the book to Hawaii residents and continues to promote the book at community events and retailers across the state.

Offering a tax credit to taxpayers partaking in preservation efforts on their properties, utilizing native species, is a prime incentive to be stewards of the land. Not only will offering tax credits benefit those participating, but it will benefit all who reside in Hawaii, Hawaii's future generations, Hawaii's animal wildlife, Hawaii's plant wildlife and Hawaii's natural resources and watersheds in general. For this reason, we hope that you will support HB1447.

Mahalo for your time and consideration,

Guy Cellier, Acting President

Hawaii Forest Industry Association

Established in 1989, HFIA's is a nonprofit organization founded by people committed to sustainable forest management. HFIA's mission is to promote healthy and productive forests and a sustainable forest industry through management, education, planning, information exchange, and advocacy. HFIA has over 120 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, and others interested in HFIA's mission and goals.

HFIA Board of Directors

Officers: Acting President/Vice-President Guy Cellier, Secretary Peter D. Simmons, Treasurer Wade Lee
Directors: Thomas Calhoun, Jeremy Campbell, Aaron Hammer, Nickolas Koch, Tai Lake, Michael Sowards, Irene Sprecher, Michael Tam, Jorma Winkler, Ron Wolfe, Aileen Yeh

HB-1447

Submitted on: 2/3/2023 1:22:06 PM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Samuel Wolff	Individual	Support	Written Testimony Only

Comments:

This is critical to provide an incentive for landowners to convert spaces overtaken by invasive back to its native and natural state. Native plants are essential for the biodiversity of our islands to thrive as well as the ability to take rainwater into our acquirers. If population continues to grow or the Navy continues to poison our acquirers and we lose the ability to access that water on Oahu, we need to do everything we can to capture more water in the acquirers and native plants are the most effective way to do that.

As it relates to tourism, people do not come to hawaii to see haole koa, Kiawe, and invasive grasses. They come to see rich natural beauty found nowhere else in the world so we must restore native plants to the landscape.

HB-1447

Submitted on: 2/5/2023 1:37:39 PM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

I support HB1447.

HB-1447

Submitted on: 2/6/2023 6:22:08 AM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
David Shizuma	Individual	Support	Written Testimony Only

Comments:

I am writing in support of HB1447

I believe this a tax credit for those growing native plants will boost the amount of people who grow native plants in their yards, helping to promote the continued survival of these plants. This bill will also encourage businesses to choose native plants over imported (and potentially invasive) plants. My hope is that the director of taxation, as mentioned on page 3, line 14, prepares forms that are easily filled out by the residents of Hawaii, as well as accepts photos and/or drawings of locations of native plants throughout a person's property.

HB-1447

Submitted on: 2/6/2023 7:34:41 AM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Individual	Support	Written Testimony Only

Comments:

Strong support! We need to encourage people to use more native plants.

HB-1447

Submitted on: 2/7/2023 3:16:01 AM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Hello,

My name is Nanea Lo. I'm born and raised in the Hawaiian Kingdom a Kanaka Maoli.

I'm writing in STRONG SUPPORT of HB1447.

Hawai'i is in the middle of a biodiversity crisis. Due to rapid changes in land use over the past century, many of our native species are facing extinction in the near future.

This bill, HB1447, recognizes the role that private landowner hold as stewards of our islands and establishes an income tax credit to reward those landowners who engage in preservation efforts using plants native to Hawai'i.

Pass HB1447!

me ke aloha 'āina,

Nanea Lo, Mō'ili'ili

HB-1447

Submitted on: 2/7/2023 9:25:02 AM

Testimony for WAL on 2/7/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Samuel Peck	Individual	Support	In Person

Comments:

Aloha,

I am writing today in support of HB 1447, relating to native plant species. I believe that this bill is an important piece of the puzzle in addressing Hawaii's biodiversity crisis. While larger action is needed, incentivising small landowners to support Native plants on their property will be a tranformational boost to biodiversity in Hawaii.

Mahalo,

Sam Peck