

**JOSH GREEN, M.D.**  
Governor

**SYLVIA LUKE**  
Lt. Governor



**SHARON HURD**  
Chairperson, Board of Agriculture

**DEAN M. MATSUKAWA**  
Deputy to the Chairperson

State of Hawai'i  
**DEPARTMENT OF AGRICULTURE**  
KA 'OIHANA MAHI'AI  
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**TESTIMONY OF SHARON HURD**  
**CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

**FEBRUARY 10, 2025**  
**1:01 P.M.**  
**CONFERENCE ROOM 224**

**SENATE BILL NO. 1260**  
**RELATING TO AGRICULTURE**

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

Thank you for the opportunity to testify on Senate Bill No. 1260 that establishes an “agroecological and climate-smart farming practices” tax credit, applying to taxable years after December 31, 2025. The Department of Agriculture (Department) offers comments and otherwise defers to the Department of Taxation.

The Department does support all agricultural practices employed by farmers and ranchers to sustain and increase their production of food and non-food products. SB1260 offers a tax credit intended to promote certain broadly defined practices described collectively as “agroecological and climate-smart farming practices” that result in an unspecified outcome.

The Department is responsible for verifying the nature and amount of the qualified expenses claimed by a qualified taxpayer as “agroecological and climate-smart farming practices” that the bill enumerates on page 5, lines 4-10. None of the activities and practices listed provide sufficient detail to determine what qualified expenses are.

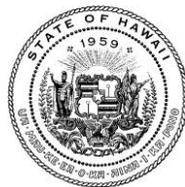


The Department anticipates that SB1260 may cause possibly thousands of taxpayers to submit claims for the tax credit. Qualified taxpayers can be anyone who self-declares as a “farmer that adopts agroecological and climate-smart farming practices”. Although this measure grants the Department the authority to “assess and collect a fee to offset the costs of certifying tax credit claims” (page 4, lines 4-5), the Department does not have the personnel to carry out its responsibilities enumerated in this measure. Finally, we do not know if the cumulative effect of this tax credit in support of undertaking the undefined “agroecological and climate-smart farming practices” can be determined.

Thank you for the opportunity to provide our testimony on this measure.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1260, Relating to Agriculture.

**BEFORE THE:**

Senate Committee on Agriculture and Environment

**DATE:** Monday, February 10, 2025

**TIME:** 1:01 p.m.

**LOCATION:** State Capitol, Room 224

Chair Gabbard, Vice-Chair Richards, III, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1260 for your consideration.

S.B. 1260 adds a new section to chapter 235, Hawaii Revised Statutes (HRS) establishing an Agroecological and climate-smart farming practices tax credit. The nonrefundable credit is equal to the "qualified expenses" of a "qualified taxpayer" with an unspecified maximum cap per taxpayer.

"Agroecological and climate-smart farming practices" are defined as sustainable farming practices that promote soil quality and health; fertility management for organic and conventional farming systems; preventative and biological pest management; crop rotation, cover cropping, and polycultures; and the conservation or restoration of native and Polynesian-introduced plants to agricultural landscapes

The measure sets an unspecified aggregate cap for all tax credits claimed in a year though taxpayers impacted by the cap may claim the credit in the subsequent taxable year. The proposed credit would be certified by the Board of Agriculture, which would also oversee the aggregate cap.

The measure is effective upon approval and applies to taxable years beginning after December 31, 2025.

DOTAX notes that while “qualified taxpayers” are defined, the measure does not define “qualified expenses.” Accordingly, DOTAX recommends that “qualified expenses” be defined as “expenses incurred in the practice or adoption of agroecological and climate-smart farming practices.”

DOTAX notes that tax credits offered at 100 percent of expenditures create incentives for abuse and waste. Thus, DOTAX recommends amending proposed subsection (b) as follows:

(b) The amount of the tax credit shall be equal to        per cent of the qualified expenses of the qualified taxpayer, up to a maximum of \$                     .

Additionally, DOTAX recommends adding a time limit that taxpayers may carry forward the credit, which will enable effective tracking of credits carried forward and mitigate erroneous claims. Credit claims made farther away from the year in which costs are incurred are inherently more difficult to verify.

If the amendments above are adopted, DOTAX can administer the measure for taxable years beginning after December 31, 2025.

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

**SB-1260**

Submitted on: 2/7/2025 7:30:01 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Colehour Bondera	Testifying for Kanalani Ohana Farm	Support	Written Testimony Only

Comments:

Aloha Chair and Committee Members:

My family has long operated a small-scale farm in Honaunau.

Please support this legislation.

Frankly, tax exemptions are appropriate for those who are helping Hawaii achieve required actions, including behaviours which result in lower cause of climat change.

We all share the climate and we all must work together to protect.

An exemption for taxes to those who are protecting the earths' climate is an important step forward.

Thank you for your support.

Colehour Bondera

KANALANI OHANA FARM

colemel2@gmail.com

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME; Agroecological and Climate-smart farming practices tax credit

BILL NUMBER: SB 1260

INTRODUCED BY: GABBARD

EXECUTIVE SUMMARY: Establishes an agroecological and climate-smart farming practices tax credit.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish an Agroecological and Climate-Smart Farming Practices income tax credit (“Credit”).

The amount of the credit shall be equal to the qualified expenses of the qualified taxpayer, up to a maximum of \$\_\_\_\_\_.

The Credit is a nonrefundable tax credit against net income tax liability. Credits in excess of tax liability may be carried forward to subsequent years until exhausted.

In the case of partnerships, S corporations, estates or trusts, the Credit is allowable for “qualified expenses” incurred by the entity. Qualified expenses upon which the tax credit is computed is determined at the entity level. Distribution and share of credit shall be determined by rule.

The total amount of tax credits allowed under this section for all taxpayers in any taxable year shall not exceed \$\_\_\_\_\_. If the cap is exceeded, the taxpayer may claim the Credit in the subsequent taxable year..

Subsection (e) requires the taxpayer, before March 31 of each year in which qualified expenses were incurred in the previous taxable year, to submit a written, certified statement to the Chairperson of the Board of Agriculture identifying the qualified expenses incurred in the previous taxable year. The Board of Agriculture shall verify the nature and amount of the qualified expenses and shall issue a certificate verifying the amount of the credit. The taxpayer shall file the certificate with the taxpayer’s tax return.

Under subsection (g) the Department of Taxation shall prepare forms necessary to claim the credit, require information necessary to ascertain the validity of the credit and may adopt rules.

Defines the following terms:

“Agroecological and climate-smart farming practices” means sustainable farming practices that promote soil quality and health; fertility management for organic and conventional farming systems; preventative and biological pest management; crop rotation, cover cropping, and polycultures and the conservation or restoration of native and Polynesian-introduced plants to agricultural landscapes.

“Qualified taxpayer” means a farmer that adopts agroecological and climate-smart farming practices.

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2025.

STAFF COMMENTS: This bill, firstly, contains too many blanks to enable proper vetting.

The Credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount compared to the loss in revenue from the credit.

Lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy 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.

The second point to remember about tax credits is that they 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 we need money to support victims of natural disasters like the Maui wildfires, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

In any event, a direct appropriation to create a subsidy program, as is now done for energy saving devices, would be more accountable and transparent. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested: 2/9/2025



February 8, 2025

To: Chair Mike Gabbard, Vice Chair Tim Richards and the Senate Committee on Agriculture and Environment

Subject: **SB 1260**, Relating to Agriculture

Aloha,

I am writing in **support** of **SB 1260**, which establishes an agroecological and climate-smart farming tax credit in Hawai'i.

Through experiences that have been shared with me from GoFarm Hawai'i cohorts, participants in Climate Smart Commodities and Natural Resources Conservation Service programs, and University of Hawai'i CTAHR students, there is a growing and dedicated interest in farming practices that steward the land to be more resilient to climate change. However, practices such as minimizing tillage or growing [cover crops](#) may require additional input costs or an initial trade-off in lower yields. Labor costs may also increase with management practices that require increased monitoring, such as pest management. As with every transition, trying new farming practices comes with risks and uncertainties.

Nonetheless, agroecological and climate-smart practices benefit the land, which in turn benefits us all through healthy soils, clean water, and nutritious foods. Farmers, ranchers, and land stewards should not carry the costs and risks of these practices when we will all benefit. The proposed tax credit recognizes the positive externalities that sustainable farming practices carry. By rewarding farmers to focus on soil health, proactive pest management, crop diversity, and growing culturally important foods, this measure supports a healthy food system for Hawai'i's future.

I urge the committee to pass this measure. Thank you for the opportunity to testify on this issue.

Mahalo,

Lea Iaea & the Food+ Policy Team

#fixourfoodsystem

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**The Food+ Policy internship** develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2025, the cohort of interns are undergraduate and graduate students and young professionals working in the food system. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

**SB-1260**

Submitted on: 2/8/2025 10:51:00 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ted Bohlen	Testifying for Climate Protectors Hawaii	Support	Written Testimony Only

Comments:

Climate Protectors Hawaii **SUPPORT** a tax credit for agroecological and climate-smart farming practices.



Re: SB1260

Agenda Item: RELATING TO AGRICULTURE

Position: Support

Testimony: By 'Āina Design Corp. A 501(c) non-profit organization

Email: [admin@ainadesign.org](mailto:admin@ainadesign.org)

Address: 1105 Uluopihī Lp. Kailua, HI 96734

Aloha Committee Members,

We fully support SB1260, especially when dealing with actions that may indeed have priceless beneficial effects. That said, crediting our farm community for their agroecological and climate-smart farming practices is a positive gesture to our citizens of the importance that regenerative farming plays for ecological health. We have adopted the term "regenerative farming" to narrow the scope of conventional farming to feature restoration properties and methods. To better monitor the significance of regenerative farm activities, we suggest modifying the term "conventional" for similar purposes.

We look forward to assisting our state in this endeavor through a documentation service that allows farmers to participate in this or any crediting program through simplified methods so they can focus on their farm duties.

Sincerely,

Joe Hagedorn,

President, 'Āina Design Corp



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Maui

Kaipo Kekona  
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Kilia Avelino-Purdy  
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India Clark  
North Shore, O'ahu

Christian Zuckerman  
Wai'anae, O'ahu

Ted Radovich  
Waimānalo, O'ahu

Vincent Kimura  
Honolulu, O'ahu

Natalie Urminska  
Kaua'i

Aloha Chair Gabbard, Vice Chair Richards, and Members of the Senate Agriculture and Environment Committee,

The Hawai'i Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFU supports SB1260.**

SB 1260 is an important step toward incentivizing sustainable agriculture and enhancing food security in Hawai'i. **HFU recommends key amendments** to ensure small and family farmers benefit equitably and provide refundability and flexibility for farmers with low tax liability, reduce bureaucratic obstacles in the certification process, and support Hawai'i's traditional and regenerative agricultural practices. We urge the Legislature to adopt these amendments to strengthen Hawai'i's agricultural resilience and sustainability. Rationales and amendments are provided below.

### 1. Set an Appropriate Tax Credit Cap

The bill does not currently specify the maximum tax credit per farmer or the total annual cap statewide. A cap structure that ensures equitable access across different farm sizes is necessary. Suggested caps are \$25,000 per farmer and a \$1 million statewide annual cap. This tiered approach ensures a fair distribution of benefits.

#### **Amend Section 2, subsection (b), to set tax credit caps:**

*"The amount of the tax credit shall be equal to the qualified expenses of the qualified taxpayer, up to a maximum of \$25,000 per taxpayer per taxable year. The total amount of tax credits allowed under this section shall not exceed \$1,000,000 in any taxable year."*

### 2. Ensure Accessibility for Small and Family Farmers

Many small farmers may not have a large enough tax liability to fully utilize a non-refundable tax credit. To ensure these farmers benefit, the tax credit should be refundable or transferable. This aligns with HFU's policy priorities to support regenerative agriculture and ensure tax incentives are accessible to all farmers.

#### **Amend Section 2, subsection (h), to allow refundability:**

*"If the tax credit under this section exceeds the taxpayer's net income tax liability, ~~the excess of the credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted.~~ the excess amount may be refunded or carried forward for up to five consecutive taxable years."*

### 3. Streamline Certification Process

Currently, the bill requires farmers to submit expenses for verification by the Board of Agriculture. However, an overly burdensome certification process could deter participation. A streamlined process will reduce administrative delays and make it easier for small farmers to access the credit. Also of note, the Department of Taxation may be better able to track and administer credit certifications based either on standards set by the BOA or as amendments within this bill.

**Amend Section 2, subsection (f), to streamline certification:**

"The Board of Agriculture, in consultation with the Department of Taxation, shall establish clear standards for certifying qualified expenses and eligible farming practices. These standards may be incorporated into administrative rules or codified within this section to ensure uniformity and efficiency in administering the tax credit."

### 4. Incorporate Indigenous Agricultural Practices

The bill should explicitly recognize Native Hawaiian agricultural techniques, such as lo'i kalo (taro ponds) and traditional agroforestry systems, as eligible farming practices. Recognizing these practices aligns with Hawai'i's commitment to sustainability and indigenous food systems.

**Amend Section 2, subsection (i), to include Native Hawaiian agricultural practices:**

"'Agroecological and climate-smart farming practices' means sustainable farming practices that promote soil quality and health; fertility management for organic and conventional farming systems; preventative and biological pest management; crop rotation, cover cropping, and polycultures; and the conservation or restoration of native and Polynesian-introduced plants to agricultural landscapes. These practices shall include, but not be limited to, Native Hawaiian agricultural systems such as lo'i kalo wetland cultivation, dryland field systems, agroforestry, and loko i'a fishponds."

Mahalo for the opportunity to testify.

Hunter Heavilin

Advocacy Director  
Hawai'i Farmers Union

**SB-1260**

Submitted on: 2/7/2025 7:16:14 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
penny levin	Individual	Support	Written Testimony Only

Comments:

IN support.