



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

DAVID Y. IGE
GOVERNOR

MARY ALICE EVANS
DIRECTOR

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Statement of
MARY ALICE EVANS
Director, Office of Planning and Sustainable Development
before the
HOUSE COMMITTEE ON FINANCE
Friday, April 1, 2022
1:30 PM
State Capitol, Conference Room 308 & Videoconference

in consideration of
SB 339, SD2, HD1
**RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT.**

Chair Luke, Vice Chair Yamashita, and Members of the House Committee on Finance.

The Office of Planning and Sustainable Development (OPSD) **strongly supports** SB 339, SD2, HD1, which would extend through December 31, 2030 the period in which the Department of Agriculture (DOA) is authorized to certify claims for this tax credit.

OP supports the 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. A strong agricultural economy requires continued investment in new and upgrades to agricultural infrastructure, equipment, and farm improvements. The IAL incentives were always intended to be a long-term commitment to Hawai'i's agricultural industry—like agricultural real property tax dedication provisions—providing permanent tools and services that promote the continued viability of current and future farmers on Hawai'i's best lands.

OP offers the following comments but defers to other departments as to their fiscal impact.

OPSD recommends the tax credit be extended, at a minimum, through December 2031 for a full ten years. Furthermore, we recommend consideration that this be made a permanent tax credit to support ongoing investment and reinvestment in the operational needs of the agricultural sector over the long term. Elimination of the need to enact extensions for the tax credit would remove uncertainty for farmers as to whether the tax credit will be allowed to expire or lapse and enable them to better plan for and finance long-term investments in their farming operations.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 339, S.D. 2, H.D. 1

April 1, 2022
1:30 p.m.
Room 308 and Videoconference

RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 339, S.D. 2, H.D. 1, amends Section 235-110.93, HRS, to extend the time that the Department of Agriculture may certify the Important Agricultural Land Qualified Agricultural Cost Tax Credit from December 31, 2021, to December 31, 2031.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.

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 Sylvia Luke, Chair;
The Honorable Kyle T. Yamashita, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: Friday, April 1, 2022
Time: 1:30 P.M.
Place: Via Videoconference, Hawaii State Capitol

**Re: S.B. 339, S.D. 2, H.D. 1, 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. 2, H.D. 1, for your consideration.

S.B. 339, S.D. 2, H.D. 1, extends the period during which the important agricultural land qualified agricultural cost tax credit (IAL credit) is available by amending section 235-110.93, Hawaii Revised Statutes, to postpone the date that the Department of Agriculture (DOA) shall cease certifying the IAL credit from December 31, 2021, until December 31, 2030. The measure has a defective effective date of July 1, 2050, and otherwise applies to taxable years beginning after December 31, 2021.

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 impose a significant administrative burden on the Department.

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

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 HOUSE COMMITTEE ON FINANCE**

**APRIL 1, 2022
1:30 P.M.
VIA VIDEOCONFERENCE**

**SENATE BILL NO. 339 SD2, HD1
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT**

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 339, HD1. This measure amends the Important Agricultural Lands (IAL) Qualified Agricultural Cost Tax Credit by extending 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 moves Hawaii toward food self-sufficiency by helping to offset costs incurred by landowners and farmers that are directly related to establishing and sustaining viable agricultural operations. Of the seven IAL incentives enacted in 2008, the IAL qualified agricultural cost tax credit is by far the most utilized incentive. From the 2014 through 2020 tax years, the Department has certified nearly \$4.7 million in tax credits for 15 landowner/farmer operations on 136,498 acres of designated IAL on the islands of Kauai, Oahu, Maui, and the Big Island.

Thank you for the opportunity to testify on this important measure.





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

April 1, 2022

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON SB 339, SD2, HD1
RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED
AGRICULTURAL COST TAX CREDIT

Room 308 & Videoconference
1:30 PM

Aloha Chair Luke, Vice-Chair Yamashita, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 339, SD2, HD1, which extends the period during which the important agricultural land qualified agricultural cost tax credit is available.

Hawai'i 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 Hawai'i'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 Hawai'i.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extension of Important Agricultural Land Credit

BILL NUMBER: SB 339 HD 1

INTRODUCED BY: House Committee on Agriculture

EXECUTIVE SUMMARY: 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 extend the deadline for the credit to December 31, 2030.

EFFECTIVE DATE: July 1, 2050, applies to 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), 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, HRS.

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

Digested 3/29/2022



Hawaii Cattlemen's Council, Inc.

COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Kyle T. Yamashita, Vice Chair

SB339 SD2 HD1

RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED AGRICULTURAL COST TAX
CREDIT

Friday, April 1, 2022, 1:30 PM
VIA VIDEOCONFERENCE

Chair Luke, Vice Chair Yamashita, and Members of the Committee,

The Hawaii Cattlemen's Council (HCC) is the Statewide umbrella organization comprised of the four county level Cattlemen's Associations. Our 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 over 750 thousand acres of land in Hawaii, or 20% of the State's total land mass. We represent the interests of Hawaii's cattle producers.

The Hawaii Cattlemen's Council **supports SB339 SD2 HD1** which extends the period during which the important agricultural land qualified agricultural cost tax credit is available. The Important Agricultural Lands designation is an important voluntary designation of land that allows for the continued operation of agriculture. This incentive helps the landowner to keep the lands in agricultural production which will in turn help the state on its path to increasing local food production.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director





March 30, 2022

Representative Sylvia Luke, Chair
Representative Kyle T. Yamashita, Vice Chair
House Committee on Finance

Comments in Support of SB 339, S.D. 2, H.D. 1, Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit (Extends the period during which the important agricultural land qualified agricultural cost tax credit is available; applies to taxable years beginning after 12/31/2021; effective 7/1/2050.)

Friday, April 1, 2021, at 1:30 p.m.; Conference Room 308, Via Videoconference

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. 2, H.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. 2, H.D. 1. The purpose of this bill is to extend the period during which the important agricultural land qualified agricultural cost tax credit is available 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'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.

Under existing law, however, the DOA must cease certifying these tax credits for taxable years beginning after December 31, 2021. The proposed extension will allow landowners and farmers to claim these tax credits 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. 2, H.D. 1**, and respectfully urges your favorable consideration of this bill.



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Friday, April 1, 2022 — 1:30 p.m.

Ulupono Initiative supports SB 339 SD 2 HD 1, Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit.

Dear Chair Luke 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 the 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 2 HD 1, which extends the period during which the Important Agricultural Land Qualified Agricultural Cost Tax Credit is available.

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.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

SB-339-HD-1

Submitted on: 3/31/2022 12:16:55 PM

Testimony for FIN on 4/1/2022 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Dante Carpenter	Carpenter & Carpenter, Inc.	Support	Written Testimony Only

Comments:

Chair Rep. Luke, V-C Yamashita & Members of House Finance Committee:

I am Dante Carpenter, Consultant to **Waialua Egg Farm**, a "Farm-Fresh and Cage-Free" Egg Production Facility, located in Waialua, O'ahu testifying in strong support of this Bill. Please know that this *Egg-Production Facility* is a "State-of-the Art" Facility with an eventual capacity to produce One (1) million eggs per day for sale to Hawai'i Residents. Presently there are approximately 200,000 young hens, delivered as young chicks, who have begun being "egg-producers" in the facility.

To-date, over \$40 million dollars has been expended for the property acquisition, design & construction of facilities to meet all the newest health, humane, and safety requirements of Modern Egg Production. This Project is situated on 300 acres of Important Agricultural Land (IAL) in Waialua.

Finally, by extending the time, the Dept. of Agriculture can verify and certify the qualified Ag. Cost Tax Credit is appropriate for the designated IAL Producer.

Respectfully submitted,

Dante Carpenter, Pres. C & C, Inc.



Kamehameha Schools®

House Committee on Finance

Date: April 1, 2022

Time: 1:30 p.m.

Where: Conference Room 308

TESTIMONY

By Dana Sato

Integrated Asset Management, Community & 'Āina Resiliency Group

RE: SB 339, SD2, HD1 – Relating to the Important Agricultural Land Qualified Agricultural Cost Tax Credit

E ka Luna Ho‘omaluku Luke, ka Hope Luna Ho‘omaluku Yamashita, a me nā Lālā o ke Kōmike, aloha!

Kamehameha Schools **supports SB 339**, which extends to the 2030 taxable year the time in which the Department of Agriculture may certify the important agricultural land (IAL) qualified agricultural cost tax credit.

We believe that our educational mission is best achieved in a society that supports and enables the success and well-being 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.

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.

Hānai i ke keiki; ola ka lāhui. (*Nurture the child and the people thrive.*)