
A BILL FOR AN ACT

RELATING TO IMPORTANT AGRICULTURAL LANDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 235, Hawaii Revised Statutes is amended
2 by adding a new section to be appropriately designated and to
3 read as follows:

4 "§235- Rental income from agricultural leases on
5 important agricultural land excluded from gross income. (a) In
6 addition to the exclusions in section 235-7, there shall be
7 excluded from gross income, adjusted gross income, and taxable
8 income, rental income, including lease rents, received by a
9 taxpayer subject to the taxes imposed by this chapter derived
10 from agricultural leases on lands identified and designated as
11 important agricultural lands pursuant to part III, chapter 205,
12 for the taxable year the rental income was recognized; provided
13 that the minimum length of the lease term shall be:

14 (1) Twenty years; or

15 (2) Any other lease term length mutually agreeable to both
16 lessor and lessee, if the amount of the lease rent is
17 set by an independent appraisal using the lower of the



1 comparable value or agricultural capitalization
2 appraisal methodologies.

3 The taxpayer shall be eligible for the exclusions initially for
4 up to twenty years; provided that the time period may be
5 extended for every year the term of the lease is extended.

6 (b) Each taxpayer who claims the exclusion under this
7 section must provide prescribed information to the department of
8 agriculture annually in the manner prescribed by the department
9 of agriculture, to enable an aggregated quantitative and
10 qualitative assessment of the impact of the exclusion."

11 SECTION 2. Section 237-24, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§237-24 Amounts not taxable.** This chapter shall not
14 apply to the following amounts:

15 (1) Amounts received under life insurance policies and
16 contracts paid by reason of the death of the insured;

17 (2) Amounts received (other than amounts paid by reason of
18 death of the insured) under life insurance, endowment,
19 or annuity contracts, either during the term or at
20 maturity or upon surrender of the contract;

21 (3) Amounts received under any accident insurance or
22 health insurance policy or contract or under workers'



- 1 compensation acts or employers' liability acts, as
2 compensation for personal injuries, death, or
3 sickness, including also the amount of any damages or
4 other compensation received, whether as a result of
5 action or by private agreement between the parties on
6 account of the personal injuries, death, or sickness;
- 7 (4) The value of all property of every kind and sort
8 acquired by gift, bequest, or devise, and the value of
9 all property acquired by descent or inheritance;
- 10 (5) Amounts received by any person as compensatory damages
11 for any tort injury to the person, or to the person's
12 character reputation, or received as compensatory
13 damages for any tort injury to or destruction of
14 property, whether as the result of action or by
15 private agreement between the parties (provided that
16 amounts received as punitive damages for tort injury
17 or breach of contract injury shall be included in
18 gross income);
- 19 (6) Amounts received as salaries or wages for services
20 rendered by an employee to an employer;
- 21 (7) Amounts received as alimony and other similar payments
22 and settlements;



- 1 (8) Amounts collected by distributors as fuel taxes on
2 "liquid fuel" imposed by chapter 243, and the amounts
3 collected by such distributors as a fuel tax imposed
4 by any Act of the Congress of the United States;
- 5 (9) Taxes on liquor imposed by chapter 244D on dealers
6 holding permits under that chapter;
- 7 (10) The amounts of taxes on cigarettes and tobacco
8 products imposed by chapter 245 on wholesalers or
9 dealers holding licenses under that chapter and
10 selling the products at wholesale;
- 11 (11) Federal excise taxes imposed on articles sold at
12 retail and collected from the purchasers thereof and
13 paid to the federal government by the retailer;
- 14 (12) The amounts of federal taxes under chapter 37 of the
15 Internal Revenue Code, or similar federal taxes,
16 imposed on sugar manufactured in the State, paid by
17 the manufacturer to the federal government;
- 18 (13) An amount up to, but not in excess of, \$2,000 a year
19 of gross income received by any blind, deaf, or
20 totally disabled person engaging, or continuing, in
21 any business, trade, activity, occupation, or calling
22 within the State; a corporation all of whose



1 outstanding shares are owned by an individual or
2 individuals who are blind, deaf, or totally disabled;
3 a general, limited, or limited liability partnership,
4 all of whose partners are blind, deaf, or totally
5 disabled; or a limited liability company, all of whose
6 members are blind, deaf, or totally disabled;

7 (14) Amounts received by a producer of sugarcane from the
8 manufacturer to whom the producer sells the sugarcane,
9 where:

10 (A) The producer is an independent cane farmer, so
11 classed by the Secretary of Agriculture under the
12 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
13 the Act may be amended or supplemented;

14 (B) The value or gross proceeds of sale of the sugar,
15 and other products manufactured from the
16 sugarcane, is included in the measure of the tax
17 levied on the manufacturer under section 237-
18 13(1) or (2);

19 (C) The producer's gross proceeds of sales are
20 dependent upon the actual value of the products
21 manufactured therefrom or the average value of



1 all similar products manufactured by the
2 manufacturer; and
3 (D) The producer's gross proceeds of sales are
4 reduced by reason of the tax on the value or sale
5 of the manufactured products;
6 (15) Money paid by the State or eleemosynary child-placing
7 organizations to foster parents for their care of
8 children in foster homes; [~~and~~]
9 (16) Amounts received by a cooperative housing corporation
10 from its shareholders in reimbursement of funds paid
11 by such corporation for lease rental, real property
12 taxes, and other expenses of operating and maintaining
13 the cooperative land and improvements; provided that
14 such a cooperative corporation is a corporation:
15 (A) Having one and only one class of stock
16 outstanding;
17 (B) Each of the stockholders of which is entitled
18 solely by reason of the stockholder's ownership
19 of stock in the corporation, to occupy for
20 dwelling purposes a house, or an apartment in a
21 building owned or leased by the corporation; and



1 (C) No stockholder of which is entitled (either
2 conditionally or unconditionally) to receive any
3 distribution not out of earnings and profits of
4 the corporation except in a complete or partial
5 liquidation of the corporation[-]; and

6 (17) Rental income, including lease rents, derived from
7 agricultural leases on lands identified and designated
8 as important agricultural lands pursuant to part III,
9 chapter 205, for the taxable year the rental income
10 was recognized; provided that the minimum length of
11 the lease term shall be:

- 12 (1) Twenty years; or
13 (2) Any other lease term length mutually agreeable to
14 both lessor and lessee, if the amount of the
15 lease rent is set by an independent appraisal
16 using the lower of the comparable value or
17 agricultural capitalization appraisal
18 methodologies;

19 and provided that the taxpayer shall be eligible for
20 the exclusions initially for up to twenty years and
21 for every year the term of the lease is extended."



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so much
3 thereof as may be necessary for fiscal year 2007-2008 and \$
4 or so much thereof as may be necessary for fiscal year 2008-2009
5 for the department of agriculture to collect and analyze data to
6 make an aggregated quantitative and qualitative assessment of
7 the impact of the exclusion of rental income from important
8 agricultural land from the income tax law.

9 The sum appropriated shall be expended by the department of
10 agriculture for the purposes of this Act.

11 SECTION 4. The department of agriculture shall submit to
12 the legislature an annual report, no later than twenty days
13 prior to the convening of each regular session, beginning with
14 the Regular Session of 2009, regarding the quantitative and
15 qualitative assessment of the impact of the exclusion of rental
16 income from important agricultural land from the income tax law.

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

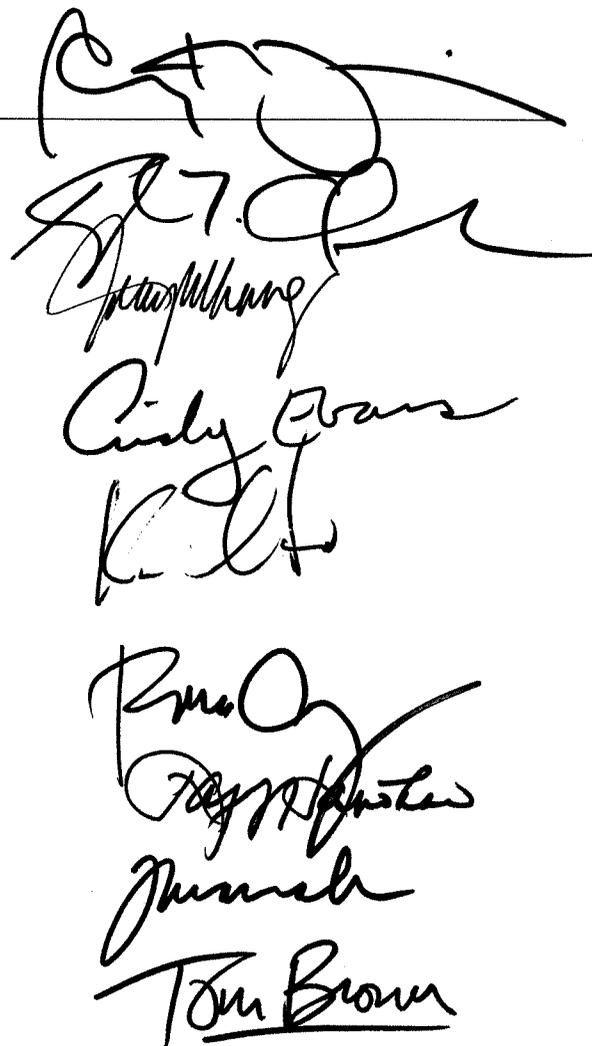


H.B. NO. 1639

1 SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY:


A series of handwritten signatures in black ink, stacked vertically. The signatures are: a large, stylized signature at the top; a signature that appears to be 'J. L. ...'; a signature that appears to be 'Cindy Evans'; a signature that appears to be 'K. L. ...'; a signature that appears to be 'P. M. ...'; a signature that appears to be 'J. ...'; a signature that appears to be 'J. ...'; and a signature that appears to be 'Tom Brown' at the bottom.

JAN 23 2007



Report Title:

Important Agricultural Lands; Tax Incentives

Description:

Excludes rental income received as lease rents from certain leases of important agricultural lands from gross income for purposes of the income tax law, and exempts rental income received as lease rents from certain leases of important agricultural lands from the general excise tax law.

