
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 lands 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 that are
10 derived from agricultural leases on lands identified and
11 designated as important agricultural lands pursuant to part III,
12 chapter 205, for the taxable year the rental income was
13 realized; provided that:

- 14 (1) The minimum length of the lease term shall be:
15 (A) Twenty years; or
16 (B) Any other lease term length mutually agreeable to
17 lessor and lessee, if the amount of the lease
18 rent is set by an independent appraisal using the



1 lower of the comparable value or agricultural
2 capitalization appraisal methodologies;
3 and
4 (2) The lease is in effect and the lessee is continuously
5 and substantially undertaking agricultural activity on
6 the leased land, pursuant to chapter 205, as verified
7 by the department of agriculture on a regular basis
8 using a process determined by the department of
9 agriculture; provided that the exclusion shall not
10 apply if the lease is terminated or the department of
11 agriculture determines that the leased land is not
12 continuously and substantially being used for
13 agricultural activity.

14 The taxpayer shall be eligible for the exclusion initially for
15 up to twenty years; provided that the time period may be
16 extended for every year the term of the lease is extended;
17 provided further that the assignment of the original lease to
18 another lessee shall be for the time period remaining on the
19 original lease, unless the terms of the lease are renegotiated.

20 (b) Each taxpayer who claims the exclusion under this
21 section shall annually provide any necessary information
22 determined by and to the department of agriculture in the manner



1 prescribed by the department of agriculture to enable an
2 aggregated quantitative and qualitative assessment of the impact
3 of the exclusion."

4 SECTION 2. Section 237-24.75, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "~~[-]~~§237-24.75~~[+]~~ **Additional exemptions.** In addition to
7 the amounts exempt under section 237-24, this chapter shall not
8 apply to ~~[amounts]~~:

- 9 (1) Amounts received as a beverage container deposit
- 10 collected under chapter 342G, part VIII~~[-]~~; and
- 11 (2) Rental income, including lease rents, derived from
- 12 agricultural leases on lands identified and designated
- 13 as important agricultural lands pursuant to part III,
- 14 chapter 205, for the taxable year the rental income
- 15 was realized; provided that:

- 16 (A) The minimum length of the lease term shall be:
- 17 (i) Twenty years; or
- 18 (ii) Any other lease term length mutually
- 19 agreeable to lessor and lessee, if the
- 20 amount of the lease rent is set by an
- 21 independent appraisal using the lower of the



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

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

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

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

19 SECTION 6. This Act shall take effect on July 1, 2020;
20 provided that section 1 shall apply to taxable years beginning
21 after December 31, 2008; and provided further that section 2



- 1 shall take effect on July 1, 2009, and shall apply to gross
- 2 income or gross proceeds received after June 30, 2009.



Report Title:

Important Agricultural Lands; Tax Incentives

Description:

Excludes rental income derived from agricultural leases on important agricultural lands from gross and adjusted gross income, and taxable income, under certain conditions, and exempts rental income derived from agricultural leases on important agricultural lands from the general excise tax law, under certain conditions. (SD1)

