

Honolulu, Hawaii

, 2008

APR 29 2008

RE: S.B. No. 2646
S.D. 2
H.D. 2
C.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2646, S.D. 2, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO IMPORTANT AGRICULTURAL LANDS,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to provide a comprehensive set of incentives to establish and sustain viable agricultural operations on lands designated as important agricultural lands (IALs) and to trigger the designation of IALs as established in section 205-46, Hawaii Revised Statutes. This bill, among other things;

- (1) Excludes income from certain agricultural leases on lands designated as IALs from the income tax;
- (2) Exempts income from certain agricultural leases on lands designated as IALs from the general excise tax (GET);



- (3) Allows landowners who have designated their agricultural lands as IALs to construct residential dwellings for farmers, employees, and their families on the IALs, subject to certain conditions;
- (4) Establishes an IAL Qualified Agricultural Cost Tax Credit (IAL Tax Credit) for qualified agricultural costs incurred by taxpayers, up to an unspecified maximum amount per year for each taxpayer;
- (5) Authorizes the Chairperson of the Board of Agriculture to guarantee agricultural loans for agricultural projects located on IALs up to an annual aggregate cap of \$2,500,000;
- (6) Requires the Department of Agriculture (DOA) to include the water needs of IAL agricultural operations when developing the Water Use and Development Plan;
- (7) Requires the priority processing of permit applications for agricultural processing facilities submitted by an agribusiness, where the majority of the agribusinesses' lands are designated as IALs; and
- (8) Requires:
 - (A) DOA and Department of Land and Natural Resources (DLNR) to collaborate to identify and map public lands that should be designated as IALs;
 - (B) The Land Use Commission to designate these lands as IALs; and
 - (C) Management of such lands to be transferred to DOA.

Your Committee on Conference has amended this measure by:

- (1) Reducing the allowable amount of land used for farm dwellings or employee housing to five per cent of the total designated IALs or fifty acres, whichever is less;
- (2) Eliminating income exclusions on certain agricultural leases and income exemptions from the general excise tax;



- (3) Amending the "important agricultural land qualified agricultural cost tax credit" to be refundable up to fifty percent over three years with an annual aggregate cap of \$7,500,000;
- (4) Making an appropriation of \$50,000 to the Department of Agriculture to administer the important agricultural and qualified agricultural cost tax credit;
- (5) Clarifies that under "qualified agricultural costs" in a new section in chapter 235, Hawaii Revised Statutes, agricultural housing will be exclusively for agricultural purposes and occupied solely by farmers and employees for agricultural business and their immediate family members;
- (6) Deleting the section of the bill that would have repealed the tax credit established by section 235-110.46, Hawaii Revised Statutes, the Ko Olina Tax Credit, but providing that the Agricultural Investment Tax Credit becomes effective after the tax credit established by section 235-110.46, Hawaii Revised Statutes, is expired or exhausted;
- (7) Providing that a landowner of agricultural lands may petition the State Land Use Commission to designate lands as IALs, and may seek reclassification of a portion of the agricultural lands to the rural, urban, or conservation district provided that at least eighty-five percent of the total acreage is sought to be designated as IALs;
- (8) Providing that once agricultural lands are reclassified to rural, urban, or conservation district as a result of designating IALs, that to reclassify any of those IALs the landowner must obtain legislative approval by way of a concurrent resolution approved by two-thirds of both the Senate and House of Representatives; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity and style.

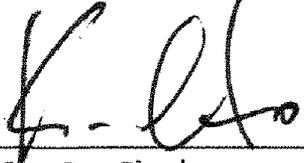
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 2646, S.D. 2, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2646, S.D. 2, H.D. 2, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

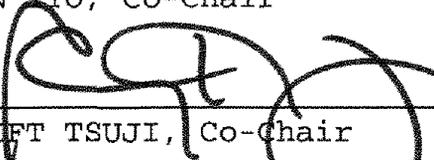
ON THE PART OF THE SENATE



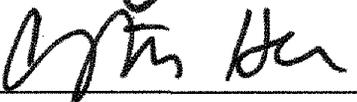
KEN ITO, Co-Chair



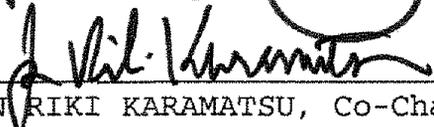
JILL TOKUDA, Chair



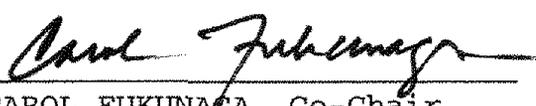
CLIFT TSUJI, Co-Chair



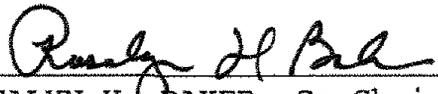
CLAYTON HEE, Co-Chair



JON RIKI KARAMATSU, Co-Chair



CAROL FUKUNAGA, Co-Chair



ROSALYN H. BAKER, Co-Chair



