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# A BILL FOR AN ACT

RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT.

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

1       SECTION 1. The purpose of this Act is to extend by ten  
2 years the important agricultural land qualified agricultural  
3 cost tax credit that expired at the end of the 2017 tax year.  
4 This additional time is to allow landowners and farmers to claim  
5 the tax credit in the event their agricultural lands are  
6 identified as potential important agricultural lands and  
7 designated as such by the land use commission.

8       SECTION 2. Section 235-110.93, Hawaii Revised Statutes, is  
9 amended by amending subsection (1) to read as follows:

10       "(1) The department of agriculture shall cease certifying  
11 credits pursuant to this section [~~after the fourth taxable year~~  
12 ~~following the taxable year during which the credits are first~~  
13 ~~claimed]~~ for taxable years beginning after December 31, 2028;  
14 provided that a taxpayer with accumulated, but unclaimed,  
15 certified credits may continue claiming the credits in  
16 subsequent taxable years until exhausted."

17       SECTION 3. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

H.B. NO. 2302

1 SECTION 4. This Act shall take effect upon approval.

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INTRODUCED BY:   
BY REQUEST  
JAN 22 2018

# H.B. NO. 2302

**Report Title:**

Important Agricultural Land Qualified Agricultural Costs Tax  
Credit

**Description:**

Extending through the 2028 tax year, the time that the  
Department of Agriculture may certify important agricultural  
lands qualified agricultural costs.

JUSTIFICATION SHEET

DEPARTMENT: Agriculture

TITLE: A BILL FOR AN ACT RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED AGRICULTURAL COST TAX CREDIT.

PURPOSE: To extend through the 2028 tax year, the important agricultural land qualified agricultural cost tax credit (Tax Credit) that expired at the end of the 2017 tax year.

MEANS: Amend section 235-110.93, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Extension of the effective period of the Tax Credit is to allow landowners and farmers to claim the Tax Credit in the event their agricultural lands are identified as potential important agricultural lands via the "voluntary" or "county" methods and designated as such by the land use commission.

The important agricultural land law (chapter 205, part III, HRS) provides two methods, commonly known as the "voluntary" and "county" processes, to identify and designate agricultural land as important agricultural land. Since 2009, private landowners have used the "voluntary" process (section 205-45, HRS) to identify and have designated by the Land Use Commission, approximately 111,267 acres of state agricultural district land as important agricultural land in eight petitions on the islands of Kauai, Oahu, Maui, and Hawaii. Incentives for designated important agricultural land were enacted in 2008 (Act 233, Session Laws of Hawaii 2008). Subsequently, the Department of Agriculture approved five requests totaling approximately \$2,168,000 from the owners of the designated important agricultural land

for certification of cost claims for Tax Credit.

The Department of Agriculture is not aware that any of the other enacted important agricultural land incentives have been sought by these landowners (farm dwellings and employee housing, loan guaranty, and priority processing of permits for agricultural processing facilities). All landowners have waived the incentive known as the 85 percent-15 percent simultaneous reclassification or credit. The Department of Agriculture has received over 30 informal inquiries from small landowners/farmers or their agents about the important agricultural land identification and designation process, the Tax Credit, and the farm dwellings and employee housing Important Agricultural Land incentives, but none have applied for important agricultural land designation.

There have been no agricultural lands designated according to the "county" process (section 205-47, HRS). The County of Kauai has identified potential important agricultural lands according to that process but is continuing to work with landowners to encourage "voluntary" identification and subsequent designation. The City and County of Honolulu has completed the identification of potential Important Agricultural Land scenarios, have notified and conducted outreach to landowners, and anticipate forwarding the proposed Important Agricultural Land maps and documentation to the City Council for its consideration early in 2018.

Impact on the public: Will allow landowners and farmers on agricultural lands that are designated by the land use commission via the "voluntary" or "county" processes as important agricultural land to apply for the Tax Credit.

Impact on the department and other agencies:  
The Department of Agriculture will certify qualified agricultural costs pursuant to section 235-110.93. The Department of Taxation will allow the Tax Credit pursuant to section 235-110.93 for an additional 10 years.

GENERAL FUND: The annual amount of certified credits allowed is not to exceed \$7,500,000.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: AGR 192.

OTHER AFFECTED  
AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.