

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
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WENDY GADY
EXECUTIVE DIRECTOR

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
HUI HO'OU LU AINA MAHIAI

TESTIMONY OF WENDY L. GADY
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
February 25, 2026
10:57 a.m.
Conference Room 211 & Videoconference

SENATE BILL NO. 2805, SD1
RELATING TO AGRICULTURE

Chairperson Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Agribusiness Development Corporation (ADC) **strongly supports S.B. 2805, SD1**, which enhances and extends the Agricultural Investment Tax Credit to encourage private investment in agricultural production, processing, and related infrastructure.

Hawai'i agriculture faces uniquely high capital costs driven by land prices, shipping, energy, labor, and regulatory compliance. These conditions discourage private investment in irrigation systems, fencing, equipment, greenhouses, food processing facilities, aquaculture operations, and cold storage infrastructure—precisely the investments needed to expand local production and improve food security.

The Agricultural Investment Tax Credit is one of the State's most effective tools to offset these conditions and mobilize private capital toward:

- Modernizing agricultural infrastructure.
- Expanding value-added processing capacity.

- Improving water efficiency and climate resilience; and
- Supporting new and beginning farmers and agribusiness entrepreneurs.

Without this incentive, many projects that are financially marginal in Hawai'i would not proceed.

States with similar agricultural tax credit programs demonstrate measurable benefits:

- **Minnesota's Beginning Farmer Tax Credit Program** has shown early success in supporting land access and farm entry. In 2022, more than **600 asset owners participated and nearly 400 beginning farmers were involved**, indicating significant demand and participation in expanding productive agricultural operations through credit-supported land leases and sales.

- Research on Minnesota's program found that **71% of beginning farmers reported that the tax credit helped them market themselves to asset owners**, and **58% agreed it helped them lease or purchase land or assets**, demonstrating real impact on enabling new entry into production agriculture—an essential element of expanding local capacity and economic activity.

- **Iowa's Beginning Farmer Tax Credit Program** has issued **nearly \$19.7 million in credits** over multiple years for 292 asset transfer and lease cases, showing consistent use of the incentive to facilitate productive farm asset access.

- In **California**, the state's coordinated ag innovation efforts, including the **California AgTech Alliance**, have created more than **800 new AgTech jobs** and trained over **800 people** in robotics, drones, and precision agriculture, contributing directly to workforce development and private investment attraction in ag innovation sectors.

- New York’s **Agricultural Investment Tax Credit (ITC)**—expanded to 20% of qualifying farm investments and refundable for eligible farmers—has been implemented to make capital purchases more affordable, lowering the effective cost of equipment and infrastructure upgrades and supporting investment in production and processing assets in a major agricultural state economy.

These examples illustrate that well-designed tax incentives can **generate jobs, stimulate private investment, strengthen rural economic activity, and expand productive capacity**. They also show that farmers and producers actively use such credits to support capital-intensive investment decisions.

ADC recognizes and respects the Department of Taxation’s concern about protecting State revenues. However, the Agricultural Investment Tax Credit should be viewed not as a loss of revenue, but as a targeted economic development investment that catalyzes activity that would not otherwise occur.

Key considerations include:

1. **Incentivizing new investment, not subsidizing planned activity.**
The credit is performance-based and tied directly to capital expenditures. Projects that do not proceed generate no credit claims.
2. **Agricultural investment generates secondary tax revenues.**
New or expanded agricultural operations generate general excise tax from construction, equipment, and supplies; income taxes from workers and business owners; and property tax revenues to counties—strengthening the tax base over time.
3. **Supporting high-risk, low-margin sectors.**
Agriculture and aquaculture face weather, water, and market volatility. The credit improves project feasibility without guaranteeing profit, aligning public support with actual investment risk.

4. **Food security and rural stability provide public benefits beyond immediate revenue impacts.** Increased local production reduces reliance on imports, enhances supply chain resilience, supports rural employment, and preserves working lands—outcomes that can reduce long-term public costs.
5. **Predictability improves financial modeling and lender confidence.** Stable, extended tax credits allow lenders and investors to underwrite agricultural projects with greater certainty, reducing reliance on ad hoc state appropriations.

S.B. 2805, SD1, strikes a responsible balance between fiscal stewardship and economic development. It leverages private capital toward clearly defined public outcomes: food security, climate resilience, job creation, rural economic stability, and tax base growth.

From ADC's perspective, the Agricultural Investment Tax Credit is a strategic tool that strengthens Hawai'i's long-term economic foundation and agricultural self-sufficiency.

For these reasons, ADC respectfully urges the Committee to **PASS S.B. 2805, SD1.**

Mahalo for the opportunity to submit testimony.



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February 25, 2026

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 2805, SD1
RELATING TO AGRICULTURE

Conference Room 211 & Videoconference
10:57 AM

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, 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 2805, SD1, which establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive.

If Hawai'i is serious about increasing local food production and protecting agricultural lands, we must incentivize long-term investment in agricultural infrastructure and productive capacity. Agriculture is capital-intensive. Irrigation systems, reservoirs, farm roads, processing facilities, equipment, and perennial crop development require substantial upfront investment and often years before returns are realized.

SB 2805, SD1 establishes a targeted Agricultural Investment Tax Credit that encourages these types of investments. By including costs for water infrastructure, processing facilities, agricultural equipment, and orchard and perennial crop development, the measure directly supports the expansion of production capacity across multiple agricultural sectors.

Perennial and orchard crops require significant upfront capital and extended periods before generating revenue. Supporting these investments strengthens Hawai'i's long-term food security and helps diversify our agricultural economy.

Reducing the cost of production is essential if we want to reduce the cost of food. Strategic tax policy that encourages reinvestment in agricultural operations helps stabilize farms,

expand acreage under cultivation, and improve competitiveness against imported products.

This measure applies broadly across agricultural sectors, including crop production, livestock, aquaculture, apiary, and silviculture. Encouraging capital investment strengthens the entire agricultural ecosystem and supports the long-term viability of working agricultural lands.

SB 2805, SD1 represents a meaningful step toward aligning tax policy with the State's food security and agricultural development goals.

Thank you for the opportunity to provide testimony.



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Wai'anae, O'ahu

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Honolulu, O'ahu

Natalie Urminska
Kaua'i

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Senate Ways and Means Committee,

The Hawai'i Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFU supports SB2805.**

SB2805 presents an opportunity to support Hawaii's diverse agricultural community by offering a nonrefundable income tax credit aimed at promoting significant investments in agricultural production. This credit stands to play a crucial role in encouraging the cultivation of perennial crops. By providing this tax relief, the bill acknowledges the essential role of long-term crop investments and the barriers many farmers face.

However, it is vital to ensure that the benefits of this tax credit are equitably distributed across various farming operations. Introducing a cap on the allowable credit is a necessary measure to prevent disproportionately favoring well-capitalized enterprises over smaller, family-run farms. This ensures that smallholders, who are integral to local food systems and rural economies, are not disadvantaged in their access to this incentive. By structuring the tax credit in a way that includes all scales of operations, SB2805 can more effectively support a resilient and inclusive agricultural sector that benefits the broader community and upholds the rich agricultural heritage of Hawaii.

Mahalo for the opportunity to testify.

Hunter Heavilin
Advocacy Director
Hawai'i Farmers Union

**Testimony to the Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair**

**Wednesday, February 25, 2026, at 10:57AM
Conference Room 211 & Videoconference**

RE: SB2805 SD1 Relating to Agriculture

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2805 SD1 (SB2805 SD1), which establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive.

SB2805 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for 21st Century Agriculture. This pillar aligns with this bill in its intent towards long term food systems resilience and reduced infrastructural costs for Hawaii's farmers. This bill contributes towards such resilience by decreasing the burden incurred by farms for long-term investments. For an industry that is already limited by high operating costs, labor shortage, and limited land availability, this legislation provides important relief that will directly increase the state's agricultural productivity. Further, diversifying and expanding our local food basket with this tax credit advances several other statewide economic initiatives, such as increase tax revenue generation, expanding value-added production and exports, and encouraging private sector investment.

For Hawaii to improve its food resilience and self-sufficiency, it must maintain a diverse food basket. By incentivizing this diversity, this legislation helps to make a broader variety of local produce available to the market for direct sale or for value-added production, while limiting the risk oversaturation in the market for crops that produce on a shorter cycle with less infrastructural investment required. This tax credit will reduce cost barriers and allow for diverse commodities crops to strengthen their position within the market.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 2805 SD1. Thank you for the opportunity to testify.

SB-2805-SD-1

Submitted on: 2/23/2026 7:08:58 PM

Testimony for WAM on 2/25/2026 10:57:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT!!!



Date of Hearing: February 25th, 2026

To: Chair Dela Cruz, Vice Chair Moriwaki and the Senate Committee on Ways and Means

Subject: **SB2805 SD1**, Relating to Agricultural Investment Tax Credit

Aloha,

Hawai'i Food + Policy **supports SB2805 SD1**, which establishes an Agricultural Investment Tax Credit. Hawai'i Food + Policy is committed to advancing policies that strengthen our local food systems, increase agricultural resilience, and reduce our state's dependence on imported food. SB2805 SD1 aligns directly with these goals by incentivizing significant investment in agricultural production and supporting the expansion of orchard and fruit-bearing crops that take longer to become productive.

The economic potential of import replacement is immense. Replacing just 10% of our food imports would keep approximately \$313 million within the state and create over 2,300 local jobs.¹ SB2805 SD1 addresses the high financial barriers for crops that take years to become productive, such as orchard and fruit crops. By providing a credit for "qualified agricultural costs"—including irrigation, planting materials, and equipment—this bill encourages the long-term investment needed for food security.

We encourage the Legislature to consider whether the current sunset date of January 1, 2031, provides sufficient time to evaluate the true impact of this policy. Given the biological and economic realities of orchard establishment and infrastructure development, extending the program may better align with its intended purpose.

For these reasons, Hawai'i Food+ Policy urges the Committee to **pass SB2805 SD1** as an investment in Hawai'i's agricultural future, food security, and economic sustainability.

Mahalo,
Brandon Kinard & the Food+ Policy Team
#fixourfoodsystem

[1] Office of Planning, Department of Business, Economic Development & Tourism. (2012). Increased food security and food self-sufficiency strategy: A state strategic/functional plan prepared in accordance with HRS Chapter 226. State of Hawaii.

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2026, the cohort of interns are undergraduate and graduate students and young professionals working in the food system. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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SUBJECT: INCOME, Agricultural Investment Tax Credit

BILL NUMBER: SB 2805 SD1

INTRODUCED BY: AEN

EXECUTIVE SUMMARY: Establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive. Sunsets 1/1/2031.

SYNOPSIS: Adds sec 235____, HRS, for a nonrefundable investment tax credit of an unspecified per cent of qualified agricultural costs incurred by the taxpayer, up to a maximum of \$_____.

For a partnership, S corporation, estate, or trust, the cost upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined by administrative rule.

No credit shall be allowed for costs for which a deduction is claimed under IRC sec 179.

The total amount of tax credits allowed under this section shall not exceed \$_____ for all taxpayers in any taxable year; provided that any taxpayer who is not eligible to claim the credit in a taxable year due to the \$_____ cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91.

If the tax credit claimed exceeds the taxpayer's income tax liability, the excess can be used in subsequent years until exhausted. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

“Net income tax liability” means income tax liability reduced by all other credits allowed under chapter 235.

"Qualified agricultural costs" means expenditures for:

(1) The plans, design, engineering, construction, renovation, repair, maintenance, and equipment for: (A) Roads or utilities, primarily for agricultural purposes; (B) Agricultural processing facilities where the majority of the crops or livestock processed, harvested, treated, washed, handled, or packaged are from agricultural businesses; and (C) Water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems in the State, primarily for agricultural purposes;

(2) Feasibility studies, regulatory processing, and legal and accounting services related to the items under paragraph (1);

(3) Equipment, primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business;

(4) Regulatory processing, studies, and legal and other consultant services related to obtaining or retaining sufficient water for agricultural activities; and

(5) The costs relating to the planting of orchard or fruit-bearing crops on not less than _____ acres, including: (A) The purchase of planting materials, including seeds, transplants, cuttings, and grafted plants; (B) The clearing of and removal of trees and debris; and (C) Tillage, including the preparation and restoration of the soil to correct any nutrient deficiency, planting, weed control, fertilizing, irrigation, and pest management.

"Qualified taxpayer" means any person with a commercial agricultural, silvicultural, or aquacultural project with qualified agricultural costs of not less than \$____, on not less than _____ acres, including: (1) The care and production of livestock and livestock products, poultry and poultry products, apiary products, and plant and animal production for nonfood uses ; (2) The planting, cultivating, harvesting, and processing of crops;and (3) The farming or ranching of any plant or animal species in a controlled salt, brackish, or freshwater environment."

EFFECTIVE DATE: July 1, 2050, for taxable years beginning after December 31, 2025; sunsets on January 1, 2031.

STAFF COMMENTS: Firstly, this measure contains numerous blanks making it difficult to vet in its current form.

This measure provides a tax subsidy to persons with commercial agricultural projects. While a tax credit may incentivize these persons to invest in agricultural production and expand agricultural crops that have longer production periods, lawmakers need to keep in mind two things.

First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when we need money to support social service programs or our state hospitals ?

In any event, a direct appropriation to a grant or subsidy program would be more accountable and transparent.

Furthermore, the Tax Credit would entail resources to implement rules to administer the allowance and monitoring of the Credit, implement changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested: 2/23/2026

JOSH GREEN M.D.
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2805, S.D.1, Relating to Agriculture

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 25, 2026

TIME: 10:57 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2805, S.D.1, for your consideration.

S.B. 2805, S.D.1, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a nonrefundable "agricultural investment tax credit" based on an unspecified percentage of a qualified taxpayer's qualified agricultural costs, up to an unspecified maximum dollar amount per taxpayer, per taxable year, and also limits the total dollar amount of tax credits allowed per taxable year to an unspecified aggregate cap amount. A taxpayer whose claim is disallowed due to the aggregate cap being reached is eligible to claim the credit in the subsequent year, and excess credit may be carried forward until exhausted.

Definitions are provided for "net income tax liability" and "qualified agricultural costs." A "qualified taxpayer" is defined as "any person with a commercial agricultural, silvicultural, or aquacultural project with qualified agricultural costs of not less than" an unspecified dollar amount, on not less than an unspecified number of acres.

In the case of a partnership, S corporation, estate, or trust, the credit is computed and determined at the entity level, with distribution and share determined by rule. If a deduction is taken under section 179 of the Internal Revenue Code, no credit will be

allowed for those same costs.

The measure has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2025. The Act will be repealed on January 1, 2031.

First, DOTAX notes that it does not have subject-matter expertise regarding agricultural, silvicultural, or aquacultural lands and operations, related investment costs, or the ability to determine whether taxpayers meet required qualifications to claim this new tax credit. Therefore, DOTAX requests that a third party be designated to certify the credit.

Second, DOTAX notes it does not have the ability to administer the aggregate caps for the credit. DOTAX therefore requests that the third party assigned to certify the credit also administers the aggregate caps. Alternatively, DOTAX requests that the aggregate caps be removed from the bill.

Third, DOTAX recommends that the bill be amended to limit the ability to carry forward any excess credit to a maximum of five years, as it is difficult to track and administer excess credit carry-forward claims the further they are away from the year incurred.

Fourth, DOTAX recommends adding language to prevent a taxpayer from obtaining a double benefit by claiming the same expenditures for another tax credit or deduction, as follows:

No other tax credit or deduction may be claimed under this chapter for qualified agricultural investment costs for which a credit is claimed under this section for the taxable year.

Fifth, DOTAX recommends amending the bill to clarify whether such credit may be claimed for expenditures financed by grants, subsidies, or other public funding sources.

Lastly, DOTAX notes that with the above amendments, it can administer this new tax credit for costs incurred after December 31, 2026, which will allow sufficient time to prepare forms, instructions, make system changes, and notify taxpayers of the new credit.

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