

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII'
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII'1 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2017, H.D.1, Relating to Agriculture

BEFORE THE:

House Committee on Judiciary & Hawaiian Affairs

DATE: Wednesday, February 18, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 325

Chair Tarnas, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2017, H.D.1, for your consideration.

H.B. 2017, H.D.1, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a nonrefundable tax credit for qualified agriculture investment costs for agricultural activities on Hawaiian home lands. The credit is limited to an unspecified percentage of the qualified agricultural investment costs, up to an unspecified annual cap, and any excess credit can be carried forward until exhausted.

The bill defines "agricultural business," and also "eligible taxpayer" as a person engaged in an agricultural business that holds a lease, license, or right of entry issued by the Department of Hawaiian Home Lands (DHHL), who conducts agricultural activities on DHHL land designated for subsistence agriculture, supplemental agriculture, or pastoral uses pursuant to the Hawaiian Homes Commission Act of 1920.

The bill also defines "qualified agricultural investment costs" to include expenditures incurred for:

- plans, design, engineering, construction, renovation, repair, maintenance, and equipment for agricultural infrastructure;
- equipment used primarily for cultivating, harvesting or processing agricultural products;
- Regulatory processing, feasibility studies, and legal, engineering, accounting, and other consultant services, directly related to agricultural activities;
- planting orchard or fruit-bearing crops, including the supplies needed to do so; and
- clearing and restoring former sugar and pineapple plantation lands which have been out of use for more than five years, to return the land to productive agricultural use.

The bill has a defective effective date of July 1, 3000, and is applicable for taxable years beginning after December 31, 2026.

First, DOTAX recommends adding a filing deadline to ensure administrative consistency. For example:

All claims for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

Second, DOTAX also recommends amending the bill to clarify how the credit will be calculated for entities, as follows:

The cost upon which the tax credit is computed shall be determined at the entity level. In the case of a partnership, S corporation, estate, trust, or other pass-through entity, distribution and share of the credit shall be determined by rule.

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

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

Fourth, 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.

Fifth, DOTAX recommends amending the bill to clarify if a taxpayer may claim credit for expenditures that are also qualifying under Section 179 of the Internal Revenue Code and 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 the 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.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawaii*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawaii'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON JUDICIARY AND
HAWAIIAN AFFAIRS
ON FEBRUARY 18, 2026 AT 2:00PM IN CR 325

HB2017, HD1, RELATING TO AGRICULTURE

February 18, 2026

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) **supports with amendments** this bill which for taxable years beginning after 1/1/2027, establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian Home Lands.

DHHL has approximately 64,698 acres of general agricultural lands which make up 31.2% of DHHL's total land inventory, 10,129 acres of supplemental agricultural lands (4.89%), 6,471 acres of subsistence agricultural lands (3.12%), and 43,032 acres of pastoral lands (20.76%). As of June 2025, DHHL has approximately 9,962 applicants for agricultural leases statewide and 3,203 applicants for pastoral leases statewide. Pursuant to the Hawaiian Homes Commission Act, 1920, as amended, aquaculture is a permitted use of leased Hawaiian Home Lands and DHHL is authorized to supply water for these operations.

DHHL request that HB2017, HD1, be amended by amending section 2 on page 2, lines 13-19, to read as follows:

"Eligible taxpayer" means any person engaged in an agricultural business who holds a valid lease, license, or right-of-entry issued by the department of Hawaiian home lands and conducts activities including, but not limited to agricultural, pastoral, aquacultural, and commercial activities on Hawaiian home lands pursuant to the Hawaiian Homes Commission Act of 1920, as amended.

Thank you for your consideration of our testimony.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 18, 2026

HEARING BEFORE THE
HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

TESTIMONY ON HB 2017, HD1
RELATING TO AGRICULTURE

Conference Room 325 & Videoconference
2:00 PM

Aloha Chair Tarnas, Vice-Chair Poepoe, 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 HB 2017, HD1, which establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian Home Lands.

HFB appreciates the amendments adopted by the House Committee on Agriculture & Food Systems, which establish a separate nonrefundable income tax credit for qualified agricultural investment costs incurred on Hawaiian Home Lands. This approach strengthens agricultural viability on homestead lands while preserving the integrity and clarity of the Important Agricultural Lands (IAL) framework.

Incentivizing long-term agricultural investment is critical to expanding food production, supporting new and existing farmers, and improving the productivity of agricultural lands across the State. Targeted incentives for Hawaiian Home Lands beneficiaries recognize the importance of Native Hawaiian agriculture and help address capital barriers that can limit growth and expansion.

HFB supports policies that encourage meaningful agricultural investment, strengthen long-term production, and grow Hawai'i's local food supply. HB 2017, HD1, advances these shared goals in a thoughtful and structured manner.

Thank you for the opportunity to testify in support of this measure.