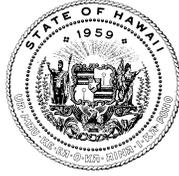


JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

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



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 Hawai'i

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TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
ON FEBRUARY 25, 2026 AT 2:00PM IN CR 308

HB2017, HD2, RELATING TO AGRICULTURE

February 25, 2026

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) strongly **supports** 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 64,712 acres of general agricultural lands which make up 31.67% of DHHL's total land inventory, 10,200 acres of supplemental agricultural lands (4.99%), 6,614 acres of subsistence agricultural lands (3.24%) and 43,063 acres of pastoral lands (21.07%). As of January 1, 2026, DHHL has 1,203 agricultural lessees and 437 pastoral lessees and 19,971 applicants for agricultural leases statewide and 3,202 applicants for pastoral leases statewide.

Pursuant to the Hawaiian Homes Commission Act, 1920, as amended, aquaculture is also a permitted use of leased Hawaiian Home Lands and DHHL is authorized to supply water for these operations. Adding a new section to Chapter 235, Hawaii Revised Statutes, will allow current and future agricultural and pastoral lease beneficiaries, as well as those who hold a valid lease, license, or right-of-entry, to benefit from agricultural tax credits.

Thank you for your consideration of our testimony.

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

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2017, H.D.2, Relating to Agriculture

BEFORE THE:

House Committee on Finance

DATE: Wednesday, February 25, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2017, H.D.2, for your consideration.

H.B. 2017, H.D.2, 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, or for a maximum of five taxable years, whichever occurs first.

The bill defines "agricultural business," and also "eligible taxpayer" as a person engaged in an agricultural business who holds a valid lease, license, or right of entry issued by the Department of Hawaiian Home Lands (DHHL) and conducts agricultural, pastoral, aquacultural, and commercial activities on Hawaiian home lands pursuant to the Hawaiian Homes Commission Act of 1920 (as amended).

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 and establishing 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 applies to taxable years beginning after December 31, 2026.

First, DOTAX recommends amending the bill to clarify if a taxpayer may claim the credit for expenditures that also qualify 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.

Second, DOTAX notes that it does not have subject-matter expertise regarding agricultural, silvicultural, or aquacultural activities and operations, related agricultural 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.

Lastly, DOTAX notes that with these 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.



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February 25, 2026

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2017, HD2
RELATING TO AGRICULTURE

Conference Room 308 & Videoconference
2:00 PM

Aloha Chair Todd, Vice-Chair Takenouchi, 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, HD2, which establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian Home Lands.

Beneficiaries on Hawaiian Home Lands often face substantial upfront costs for land preparation, irrigation systems, fencing, equipment, orchard establishment, and other critical infrastructure needed to bring land into productive use. These capital barriers can delay or limit agricultural development and long-term viability. A targeted tax credit helps offset those initial investments and encourages sustained agricultural activity.

By supporting infrastructure development, equipment purchases, water access improvements, and crop establishment, this measure strengthens the ability of producers on Hawaiian Home Lands to expand operations and increase food production. Encouraging long-term agricultural investment will improve productivity and promote more consistent use of these lands for agricultural purposes.

From a broader food security perspective, increasing agricultural production on Hawaiian Home Lands contributes to Hawai'i's efforts to reduce reliance on imported food and strengthen local supply chains. Supporting viable agricultural enterprises across all land tenures is essential to growing Hawai'i's agricultural economy.

HB 2017, HD2 represents a thoughtful and targeted approach to encouraging agricultural investment and expanding productive capacity on Hawaiian Home Lands.

Mahalo for the opportunity to provide testimony in support of this measure.

HB-2017-HD-2

Submitted on: 2/23/2026 5:22:31 PM

Testimony for FIN on 2/25/2026 2:00:00 PM

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

Comments:

SUPPORT

HB-2017-HD-2

Submitted on: 2/23/2026 7:27:22 PM

Testimony for FIN on 2/25/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Oppose	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Oppose

2017 HB RELATING TO AGRICULTURE

FIRST CLEAR WAITLIST OF BENEFICIARIES WAITING FOR AG LANDS. I KNOW A BENEFICIARY ON THE AG LAND WAITLIST FOR 35 YRS.