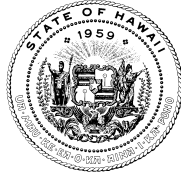


JOSH GREEN, M.D.  
GOVERNOR  
STATE OF HAWAII  
*Ke Kia'āina o ka Moku'āina 'o  
Hawaii*

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 SENATE COMMITTEES ON AGRICULTURE  
AND ENVIRONMENT AND HAWAIIAN AFFAIRS  
ON MARCH 24, 2026 AT 2:00PM IN CR 224

**HB2017, HD3, RELATING TO AGRICULTURE**

March 24, 2026

Aloha Chairs Gabbard and Richards, Vice Chair Lamosao, and members of the Committees:

The Department of Hawaiian Home Lands (DHHL) strongly **supports** this bill which 1) establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian Home Lands and 2) applies to taxable years beginning after 12/31/2026.

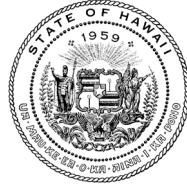
DHHL has approximately 64,712 acres of general agricultural lands which make up 31.67% of DHHL's total land inventory, 10,200 acres of supplemental agricultural lands (4.99%), 6,614 acres of subsistence agricultural lands (3.24%) and 43,063 acres of pastoral lands (21.07%). As of January 1, 2026, DHHL 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 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. Some of the deliverables that can be expected with the passage of this bill into law, include but are not limited to, pastoral development on Hawai'i island and agricultural development in west Kaua'i.

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

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 2017, H.D.3, Relating to Agriculture

**BEFORE THE:**

Senate Committees on Agriculture and Environment, and Hawaiian Affairs

**DATE:** Tuesday, March 24, 2026

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 224

Chairs Gabbard and Richards, III, Vice-Chairs Richards, III, and Lamosao, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2017, H.D.3, for your consideration.

H.B. 2017, H.D.3, 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 an "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.

In the case of partnerships, S corporations, estates, trusts, or other pass-through entities, the credit is limited to costs incurred for the taxable year, and the cost will be determined at the entity level. No other credit may be claimed under this chapter based on costs used to claim a credit under this section, and no credit shall be allowed for any portion of qualified costs for which a deduction is taken under section 179 of the Internal Revenue Code (regarding depreciable business assets).

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

First, 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.

Second, DOTAX recommends that the effective date be amended to apply to “costs incurred,” rather than “taxable years beginning,” after December 31, 2026.

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.



‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

**HOUSE BILL HB2017 HD3**  
RELATING TO AGRICULTURE

Ke Kōmike ‘Aha Kenekoa o ka ‘Oihana Mahi‘ai a me ke Ao Kūlohelohe  
(Senate Committee on Agriculture and Environment)

Ke Kōmike ‘Aha Kenekoa o ke Kuleana Hawai‘i  
(Senate Committee on Hawaiian Affairs)

Ke Kapitala ‘o Hawai‘i  
Hawai‘i State Capitol

Malaki 24<sup>th</sup>, 2026

2:00pm

Lumi 224

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Aloha e Chair Gabbard and Richards, Vice Chair Richards and Lamosaoand Members of the Committee:

The Office of Hawaiian Affairs (OHA) **SUPPORTS HB2017 HD3**, which establishes a nonrefundable income tax credit for qualified agricultural investment costs incurred for agricultural activities conducted on Hawaiian homelands.

OHA supports policies that strengthen agricultural productivity, food security, and economic self-sufficiency for Native Hawaiian beneficiaries. Agricultural lessees on Hawaiian homelands face significant structural barriers to investment, including high upfront infrastructure costs, limited access to conventional financing, and the long-term impacts of deferred infrastructure on former plantation lands. This measure helps address those barriers by incentivizing reinvestment directly into agricultural operations on trust lands.

By allowing eligible agricultural lessees, licensees, and right-of-entry holders to claim a tax credit for qualified agricultural investment costs, this bill encourages improvements to essential agricultural infrastructure such as water systems, irrigation, access roads, processing facilities, and equipment. These investments are critical to restoring lands to productive use, supporting diversified agriculture, and enabling long-term stewardship of Hawaiian homelands.

OHA recognizes the provisions that clarify expenses deducted under section 179 of the Internal Revenue Code may not also be claimed for the tax credit, preventing duplicative tax benefits and protecting the program's fiscal integrity.

OHA further supports the bill's recognition of the full range of agricultural activities conducted on Hawaiian homelands, including agricultural, pastoral, aquacultural, and commercial activities authorized under the Hawaiian Homes Commission Act. Supporting these operations advances Native Hawaiian economic opportunity while reinforcing the agricultural purpose of these lands.

Importantly, this measure complements existing OHA efforts to strengthen Native Hawaiian agriculture, including the Māhi'ai Business Loan Program, which provides access to low-interest capital for Native Hawaiian farmers and agricultural entrepreneurs, with loans typically ranging from \$2,500 to \$100,000 at approximately 4% interest to support farm start-up, expansion, and working capital needs.<sup>1</sup> While OHA's loan program helps address financing gaps, many beneficiaries still face high upfront costs for infrastructure and land improvements. This tax credit works in tandem with those efforts by reducing the financial burden of reinvestment, enabling borrowers to better leverage financing and scale their operations.

This measure aligns with OHA's constitutional mandate to advocate for the interests of Native Hawaiians and to support policies that promote sustainable livelihoods, food resilience, and responsible use of trust lands. Incentivizing agricultural investment on Hawaiian homelands supports beneficiary self-determination and helps reduce long-standing waitlists by strengthening the viability of agricultural homesteading.

For these reasons, OHA supports this measure and respectfully urges its passage.

Mahalo for the opportunity to provide testimony.

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<sup>1</sup> Office of Hawaiian Affairs, Māhi'ai Agricultural Loan Program, <https://loans.oha.org/mahiai-agricultural-loan/>

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Agricultural Investment Tax Credit for Hawaiian Home Lands

BILL NUMBER: HB 2017 HD3

INTRODUCED BY: FIN

EXECUTIVE SUMMARY: Establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian home lands. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (HD3).

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a tax credit of \_\_\_% 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.

Requires the director of taxation, in consultation with the department of Hawaiian home lands, to adopt rules pursuant to chapter 91 necessary to effectuate the purposes of this section.

If the tax credit claimed exceeds the taxpayer's income tax liability, the excess can be used in subsequent years until exhausted or for a maximum of five taxable years, whichever occurs first.

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.

“Agricultural business” means any person with a commercial agricultural, silvicultural, or aquacultural facility or operation, 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; provided that the principal place of the agricultural business is maintained in the State.

“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 agricultural, pastoral, aquacultural, and commercial activities on Hawaiian home lands pursuant to the Hawaiian Homes Commission Act of 1920, as amended.

“Qualified agricultural investment costs” means expenditures incurred by an eligible taxpayer for agricultural purposes on Hawaiian home lands, including: (1) The plans, design, engineering, construction, renovation, repair, maintenance, and equipment for agricultural infrastructure, including roads, utilities, irrigation systems, water storage facilities, water pipelines, ditches, reservoirs, and agricultural processing facilities used primarily for agricultural purposes; (2) Equipment used primarily to cultivate, grow, harvest, or process agricultural products; (3) Regulatory processing, feasibility studies, and legal, engineering, accounting, and other consultant services directly related to agricultural development or water access for agricultural activities; (4) The planting and establishment of orchard or fruit-bearing crops, including the purchase of planting materials, soil preparation, planting, fertilization, irrigation, weed control, and pest management; and (5) The clearing of former sugar or pineapple plantation lands that have been out of agricultural use for more than five years, including the removal of trees and debris, and soil restoration necessary to return the land to productive agricultural use.

EFFECTIVE DATE: July 1, 3000, and shall apply to taxable years beginning after December 31, 2026.

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: 3/21/2026



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March 24, 2026

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
SENATE COMMITTEE ON HAWAIIAN AFFAIRS

**TESTIMONY ON HB 2017, HD3**  
RELATING TO AGRICULTURE

Conference Room 224 & Videoconference  
3:00 PM

Aloha Chairs Gabbard and Richards, Vice-Chair Lamosao, and Members of the Committees:

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, HD3**, 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, HD3 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-3**

Submitted on: 3/20/2026 12:41:21 PM

Testimony for AEN on 3/24/2026 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support

2017 HB RELATING TO AGRICULTURE.