

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



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 AGRICULTURE AND ENVIRONMENT  
February 13, 2026  
3:10 p.m.  
Conference Room 224 & Videoconference

SENATE BILL NO. 2805  
RELATING TO AGRICULTURE

Chairperson Gabbard, Vice Chair Richards, and Members of the Committee:

The Agribusiness Development Corporation (ADC) strongly **supports** S.B. 2805, 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, and aquaculture operations—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 structural disadvantages and mobilize private capital:

- 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 at all.

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 investment in economic activity that would otherwise not occur.

Key points for consideration:

**1. The credit incentivizes new investment, not activity that would happen anyway.**

The credit is performance-based and tied directly to actual capital expenditures. If a project does not proceed, no credit is claimed. This ensures that the State's foregone revenue is linked to real, measurable investment.

**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.
- Property tax revenues to counties; and
- Reduced dependence on imported food and materials, improving the State's balance of payments.

These indirect revenues partially offset the cost of the credit and strengthen the long-term tax base.

**3. The credit supports risk-heavy, low-margin sectors.**

Agriculture and aquaculture are among the highest-risk industries due to weather, water availability, pests, and market volatility. Unlike other sectors, most agricultural investments have long payback periods and modest returns. The credit improves project feasibility without guaranteeing profit, aligning public support with real risk exposure.

**4. Food security and rural stability are public benefits not captured in revenue models.**

The value of the credit should not be measured solely by short-term revenue impact. Local food production reduces vulnerability to supply chain disruptions, supports rural communities, and preserves agricultural lands. These outcomes reduce long-term public costs associated with emergency food supply, land abandonment, and disaster response.

**5. A predictable, stable credit improves program integrity.**

A consistent tax credit allows financial institutions and investors to model agricultural projects with greater certainty, improving lending decisions and reducing reliance on ad hoc State appropriations.

S.B. 2805 strikes a reasonable balance between fiscal responsibility and economic development. It does not create an open-ended subsidy; it leverages private investment toward clearly defined public goals—food security, climate resilience, and agricultural sustainability.

From ADC's perspective, the Agricultural Investment Tax Credit is a prudent use of tax policy to address structural disadvantages facing Hawai'i agriculture and to strengthen the long-term tax base rather than erode it.

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

Mahalo for the opportunity to submit testimony.

**JOSH GREEN, M.D.**  
Governor

**SYLVIA LUKE**  
Lt. Governor



State of Hawai'i  
**DEPARTMENT OF AGRICULTURE & BIOSECURITY**  
KA 'OIHANA MAHI'AI A KIA'I MEAOLA  
1428 South King Street  
Honolulu, Hawai'i 96814-2512  
Phone: (808) 973-9560 FAX: (808) 973-9613

**SHARON HURD**  
Chairperson  
Board of Agriculture & Biosecurity

**DEAN M. MATSUKAWA**  
Deputy to the Chairperson

**TESTIMONY OF SHARON HURD  
CHAIRPERSON, BOARD OF AGRICULTURE AND BIOSECURITY  
BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

**FEBRUARY 13, 2026  
3:10 PM  
CONFERENCE ROOM 224 & VIDEOCONFERENCE**

**SENATE BILL NO. 2805  
RELATING TO AGRICULTURE**

Chair Gabbard, Vice Chair Richards, and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 2805. This bill establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support expansion of agricultural crops that take longer to become productive. The Department supports the intent with comments and defers to the Department of Taxation.

Incentivizing investment in agricultural production and supporting expansion of longer maturing crops through the use of tax credits will help larger scale agricultural operations and helps encourage agricultural development in the State.

The Department would recommend that a definition be provided for "agricultural crops that take longer to be productive". In addition, "qualified agricultural costs" are not consistent within the bill.

Thank you for the opportunity to testify on this measure.



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

February 13, 2026

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**TESTIMONY ON SB 2805**  
RELATING TO THE AGRICULTURE

Conference Room 224 & Videoconference  
3:01 PM

Aloha Chair Gabbard, Vice-Chair Richards, 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**, 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 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 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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Natalie Urminska  
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Aloha Chair Gabbard, Vice Chair Richards, and Members of the Senate Agriculture and Environment 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

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Agricultural Investment Tax Credit

BILL NUMBER: SB 2805

INTRODUCED BY: DELA CRUZ, KIDANI, LAMOSAO, LEE, C., Elefante

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: 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: 2/11/2026



Date of Hearing: February 13th, 2026

To: Chair Gabbard, Vice Chair Richards and the Senate Committee on Agriculture and Environment

Subject: **SB 2805**, Relating to Agricultural Investment Tax Credit

Aloha Chair Gabbard, Vice Chair Richards, and Members of the Committee,

Hawai'i Food + Policy supports SB 2805, 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. SB 2805 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<sup>(2)</sup>. SB 2805 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 SB 2805** as an investment in Hawai'i's agricultural future, food security, and economic sustainability

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

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[1] Hawaii Department of Agriculture & Biosecurity. (2026). Statistics on total agricultural and food imports and exports: State of Hawai'i, 2018–2024. Market Analysis and News Branch.

[2] 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.

**SB-2805**

Submitted on: 2/10/2026 3:49:36 PM

Testimony for AEN on 2/13/2026 3:10:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
penny levin	Individual	Comments	Written Testimony Only

Comments:

Aloha;

I am in general support of this bill and make the following two recommendations:

1. the acreage for orchard be set at a minimum of 5 acres
2. Add, ...6) The costs relating to the rehabilitation and planting of lo'i or mala kalo, including
  - (A) The clearing of and removal of trees, invasive species, and debris; and
  - (B) Tillage, including the preparation and restoration of the soil to correct any nutrient deficiency, planting, weed control, fertilizing, irrigation, and pest management.

mahalo for this opportunity to testify

Penny Levin