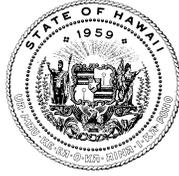


JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii*

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
& ENVIRONMENT AND HAWAIIAN AFFAIRS
ON FEBRUARY 12, 2026 AT 1:00PM IN CR 224

SB 2887, RELATING TO AGRICULTURE

February 12, 2026

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

The Department of Hawaiian Home Lands (DHHL) **supports with amendments** this bill which for taxable years beginning 1/1/2027, amends the Important Agricultural Land Qualified Agricultural Cost Tax Credit to: (1) include Hawaiian home lands designated for subsistence agriculture, supplemental agriculture, or pastoral in the definition of "important agricultural lands"; and (2) expand the definition of "qualified agricultural costs" to include costs relating to the planting of orchard or fruit-bearing crops, or expenditures related to the clearing of former sugar and pineapple plantation lands.

DHHL prefers the HB2017, HD1 version of this bill. DHHL supports the amendments to house companion bill HB2017 that take tax incentives out of the Important Agricultural Lands statute and move them into Chapter 235 so that DHHL will have freestanding tax credits with the same benefits.

DHHL request that the language of HB2017, HD1 be adopted for amendments to this bill, and be further 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.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson
Board of Agriculture & Biosecurity

DEAN M. MATSUKAWA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE & BIOSECURITY
KA 'OIHANA MAHI'AI A KIA'I MEAOLA
1428 South King Street
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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE AND BIOSECURITY**

**BEFORE THE SENATE COMMITTEES ON AGRICULTURE AND ENVIRONMENT
AND HAWAIIAN AFFAIRS**

**THURSDAY, FEBRUARY 12, 2026
1:00 PM
CONFERENCE ROOM 224**

**SENATE BILL NO. 2887
RELATING TO AGRICULTURE**

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

Thank you for the opportunity to testify on Senate Bill No. 2887 that for taxable years beginning January 1, 2027, amends the Important Agricultural Lands Qualified Agricultural Cost tax credit (Section 235-110.93) by (1) including Hawaiian Home Lands designated for subsistence agriculture, supplemental agriculture, or pastoral in the definition of "Important Agricultural Lands"; and (2) expanding the definition of "qualified agricultural costs" to include costs relating to the planting of orchard or fruit-bearing crops, or expenditures related to the clearing of former sugar and pineapple plantation lands. The Department of Agriculture and Biosecurity (Department) offers comments.

The Department is concerned about conferring Important Agricultural Land (IAL) designation upon the Department of Hawaiian Home Lands (DHHL) land use categories of subsistence agriculture, supplemental agriculture, or pastoral without having these lands be in conformance with Part III of Chapter 205, particularly sections 205-41 (IAL definitions and objectives) and 205-44 (standards and criteria for the identification of IAL).

With respect to the proposed amendment to the "qualified agricultural costs", we note that Section 205-46 (Act 183, SLH 2005) identified the IAL incentive and protection programs meant to enhance agricultural viability on designated IAL. Subsequently, the IAL Qualified Agricultural Cost tax credit (Section 235-110.93, SLH 2008) that was enacted did not include cost items similar to that proposed in this measure – planting of crops, purchase of planting materials, soil preparation, grubbing, soil restoration, and

Testimony of Sharon Hurd
February 12, 2026
Page 2

other items. The Department would recommend proceeding cautiously in considering amendments to this tax credit.

Thank you for the opportunity to provide our testimony.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2887, Relating to Agriculture

BEFORE THE:

Senate Committees on Agriculture and Environment, and Hawaiian Affairs

DATE: Thursday, February 12, 2026

TIME: 1:00 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 S.B. 2887 for your consideration.

S.B. 2887 amends section 235-110.93, Hawaii Revised Statutes (HRS), to expand the important agricultural land qualified agricultural cost tax credit in two ways.

First, it changes the definition of "important agricultural lands" to include Hawaiian home lands designated for subsistence agriculture, supplemental agriculture, or pastoral uses.

Second, it expands "qualified agricultural costs" to add two new categories:

- costs incurred for planting orchard or fruit-bearing crops on not less than an unspecified amount of acres; and
- costs incurred for clearing trees and debris, and also for restoring soil to fix nutrient deficiencies on former sugar and pineapple plantation lands out of agricultural use for more than five years but to be used primarily for agricultural purposes.

The Department of Agriculture will continue to certify eligible lands and qualified agricultural costs.

The bill is effective upon approval and applies to taxable years beginning after December 31, 2026.

DOTAX defers to the Department of Agriculture and Biosecurity on its ability to administer the changes in connection with its certification of the credit, but DOTAX notes that it can administer the form instruction changes with the proposed effective date.

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



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e-mail info@hfbf.org; www.hfbf.org

February 12, 2026

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

TESTIMONY ON SB 2887
RELATING TO AGRICULTURE

Conference Room 224 & Videoconference
1:00 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 provides comments on SB 2887. We support strengthening agricultural investment and expanding opportunities for agricultural producers operating on Hawaiian Home Lands.

HFB has long supported policies that strengthen agricultural viability and incentivize meaningful, long-term investment in agricultural lands. The Important Agricultural Lands (IAL) framework, including the qualified agricultural cost tax credit, was designed to encourage landowners to commit land to permanent agricultural use in exchange for incentives. This linkage between long-term land-use commitment and incentive has been a foundational principle of the IAL program.

HFB appreciates provisions in SB 2887 that expand the definition of qualified agricultural costs to reflect real agricultural investment timelines. Recognizing costs associated with establishing orchard and fruit-bearing crops, as well as restoring former sugar and pineapple plantation lands that have been out of production, helps address long-standing barriers to bringing land back into productive agricultural use. These provisions acknowledge that agricultural production, particularly for perennial crops and land restoration, requires significant upfront investment before returns are realized and align well with the original intent of the IAL program.

SB 2887 also proposes to expand eligibility for the IAL qualified agricultural cost tax credit to Hawaiian Home Lands designated for subsistence agriculture, supplemental agriculture, or pastoral use, without requiring those lands to undergo the formal IAL dedication process. While HFB recognizes the importance of Hawaiian Home Lands and supports efforts to strengthen Native Hawaiian agriculture, we note that this approach raises questions about consistency and equity within the existing IAL incentive structure.

The House Committee on Agriculture and Food Systems recently adopted an approach in HB 2017 HD1 that establishes a separate Hawaiian Home Lands Agricultural Investment Tax Credit within Chapter 235. This model creates a tailored tax credit for agricultural activities conducted on Hawaiian Home Lands while preserving the integrity and clarity of the existing IAL framework.

The IAL tax credit was designed to reward landowners who accept long-term land-use restrictions by dedicating land in perpetuity for agricultural use. HFB respectfully encourages the Legislature to consider whether expanding eligibility within the existing IAL tax credit is the most appropriate mechanism, or whether a separate, tailored incentive for agricultural investment on Hawaiian Home Lands may better align incentives with land-use commitments while preserving the integrity and clarity of the IAL framework

HFB respectfully recommends that SB 2887 be amended to follow a similar structure by establishing a new tax credit in HRS Chapter 235 modeled on section 235-110.93, specifically designed for agricultural investment on Hawaiian Home Lands. This approach would:

- Support Native Hawaiian agricultural producers;
- Preserve the policy integrity of the IAL dedication-based incentive structure;
- Ensure clarity and equity within the tax credit framework; and
- Align incentives with the distinct land tenure structure governing Hawaiian Home Lands.

We suggest amending HRS Chapter 235 to read:

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Hawaiian home lands; agricultural investment tax credit. (a) There shall be allowed to each eligible taxpayer a nonrefundable tax credit against the taxpayer's net income tax liability for qualified agricultural investment costs incurred during the taxable year for agricultural activities conducted on Hawaiian home lands.

(b) The amount of the tax credit allowed under this section shall be equal to _____ per cent of the qualified agricultural investment costs incurred during the taxable year; provided that the total credit claimed by any taxpayer in a taxable year shall not exceed \$ _____.

(c) The tax credit allowed under this section shall not reduce the taxpayer's net income tax liability below zero. Any excess credit may be carried forward to subsequent taxable years until exhausted.

(d) The department of taxation, in consultation with the department of Hawaiian home lands, shall adopt rules pursuant to chapter 91 necessary to carry out the purposes of this section.

(e) As used in this section:

"Agricultural business" has the same meaning as in section 235-110.93.

"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 agricultural activities on Hawaiian home lands designated for subsistence agriculture, supplemental agriculture, or pastoral use 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."

HFB remains committed to working collaboratively with policymakers, Native Hawaiian agricultural producers, and stakeholders to advance solutions that strengthen long-term agricultural production across all land tenure systems in Hawai'i.

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

SB-2887

Submitted on: 2/12/2026 3:38:19 AM

Testimony for AEN on 2/12/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Angela Young	Testifying for CARES	Support	Remotely Via Zoom

Comments:

Support.