

STAND. COM. REP. NO. 3249

Honolulu, Hawaii

APR 05 2012

RE: H.B. No. 2668  
H.D. 2  
S.D. 2

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2668, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to support agriculture through the establishment of new tax credits and the adjustment of existing tax credits that support the State's agricultural industries.

Specifically, the measure:

- (1) Creates a livestock feed tax credit for the taxable year beginning after December 31, 2011, and ending before January 1, 2013;
- (2) Creates a livestock feed development tax credit for the taxable years beginning after December 31, 2012, and ending before January 1, 2015;
- (3) Creates a tax credit of up to fifteen per cent of the important agricultural land qualified agricultural cost tax credit, for drought mitigation projects that primarily service those lands, for taxable years beginning December 31, 2011, and ending before January 1, 2021;



- (4) Repeals the requirement that the amount of qualified agricultural costs eligible to be claimed under the important agricultural land qualified agricultural cost tax credit be reduced by the amount of funds the taxpayer received during the taxable year from the irrigation repair and maintenance special fund; and
- (5) Lowers the aggregate important agricultural land qualified agricultural cost tax credit cap from \$7,500,000 per year to \$5,000,000 per year for the taxable year ending before January 1, 2013, and \$7,000,000 per year for the taxable years beginning after December 31, 2012, and ending before January 1, 2016.

Written comments in support of this measure were submitted by Alexander & Baldwin, Inc. Written comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that supporting Hawaii's agriculture is imperative to increasing the State's economic base and creating economic diversity. Your Committee also finds that eighty-five to ninety per cent of Hawaii's food is imported and that an estimated \$3,000,000,000 is spent annually on imported food in Hawaii. Your Committee believes that this measure represents a prudent method of investing in Hawaii's agriculture.

Your Committee has amended this measure by:

- (1) Clarifying that, with regard to partnerships, S corporations, estates, trusts, and other pass through entities, the distribution and share of the tax credits established or amended by the measure shall be determined by administrative rule;
- (2) Providing that the Department of Taxation shall not allow the aggregate amounts of livestock feed tax credits claimed and livestock feed development tax credits claimed to exceed the applicable tax credit caps;
- (3) Appropriating funds to the Department of Agriculture and the Department of Taxation, respectively, for staffing and other expenses necessary for the implementation of the tax credits established or amended by the measure;



- (4) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (5) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2668, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2668, H.D. 2, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



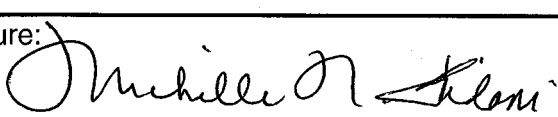
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DAVID Y. IGE, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2668 HD2 SD1	AGL, WAM	3-29-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.	/			
ENGLISH, J. Kalani	/			
ESPERO, Will	/			
FUKUNAGA, Carol				/
KIM, Donna Mercado	/			
KAHELE, Gilbert	/			
KOUCHI, Ronald D.	/			
RYAN, Pohai	/			
TOKUDA, Jill N.	/			
WAKAI, Glenn	/			
SLOM, Sam		/		
<b>TOTAL</b>	12	1	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
<b>Distribution:</b>				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes