

# S.B. NO. 2833

JAN 23 2020

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## A BILL FOR AN ACT

RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to extend the  
2 important agricultural land qualified agricultural cost tax  
3 credit that will expire at the end of the 2021 tax year. The  
4 important agricultural land qualified cost tax credit supports  
5 food self-sufficiency by providing tax credits to qualified  
6 landowners and farmers to help offset costs related to  
7 establishing and sustaining viable agricultural operations.  
8 This extension will provide additional time to allow landowners  
9 and farmers to claim the tax credit in the event their  
10 agricultural lands are identified as potential important  
11 agricultural lands and designated as such by the land use  
12 commission.

13           SECTION 2. Section 235-110.93, Hawaii Revised Statutes, is  
14 amended by amending subsection (1) to read as follows:

15           "(1) The department of agriculture shall cease certifying  
16 credits pursuant to this section for taxable years beginning  
17 after December 31, ~~[2021]~~ 2030; provided that a taxpayer with  
18 accumulated, but unclaimed, certified credits may continue

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1 claiming the credits in subsequent taxable years until  
2 exhausted."

3 SECTION 3. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY:   
BY REQUEST

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**Report Title:**

Important Agricultural Land Qualified Agricultural Costs Tax Credit

**Description:**

Extending through the 2030 tax year, the time that the Department of Agriculture may certify important agricultural lands qualified agricultural costs.

JUSTIFICATION SHEET

DEPARTMENT: Agriculture

TITLE: A BILL FOR AN ACT RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED AGRICULTURAL COST TAX CREDIT.

PURPOSE: To extend through the 2030 tax year, the important agricultural land qualified agricultural cost tax credit that will expire at the end of the 2021 tax year.

MEANS: Amend section 235-110.93(1), Hawaii Revised Statutes (HRS).

JUSTIFICATION: The important agricultural land qualified cost tax credit supports food self-sufficiency by providing tax credits to qualified landowners and farmers to help offset costs related to establishing and sustaining viable agricultural operations. The extension of the effective period of the important agricultural land qualified cost tax credit will allow landowners and farmers to claim the tax credit in the event their agricultural lands are identified as potential important agricultural lands via the "voluntary" or "county" methods and designated as such by the Land Use Commission.

The important agricultural land law (chapter 205, part III, HRS) provides two methods, commonly known as the "voluntary" and "county" processes, to identify and designate agricultural land as important agricultural land. Since 2009, private landowners have used the "voluntary" process (section 205-45, HRS) to identify and have designated by the Land Use Commission, approximately 135,799 acres of state agricultural district land as important agricultural land in fourteen petitions on the islands of Kauai, Oahu, Maui, and

Hawaii. Incentives for designated important agricultural land were enacted in 2008 (Act 233, Session Laws of Hawaii 2008). Subsequently, the Department of Agriculture approved thirteen requests totaling approximately \$4,417,701 from the owners of the designated important agricultural land for certification of cost claims for the important agricultural land qualified agricultural cost tax credit.

The Department of Agriculture is not aware that any of the other enacted important agricultural land incentives have been sought by these landowners (farm dwellings and employee housing, loan guaranty, and priority processing of permits for agricultural processing facilities). All landowners have waived the incentive known as the 85 percent-15 percent simultaneous reclassification or credit. The Department of Agriculture has received over 30 informal inquiries from small landowners/farmers or their agents about the important agricultural land identification and designation process, the Important Agricultural Land tax credit, and the farm dwellings and employee housing Important Agricultural Land incentives, but none has applied for important agricultural land designation.

There have been no agricultural lands designated according to the "county" process (section 205-47, HRS). The County of Kauai has identified potential important agricultural lands according to that process but is continuing to work with landowners to encourage "voluntary" identification and subsequent designation. The City and County of Honolulu's Department of Planning and Permitting completed the identification of potential Important Agricultural Land scenarios, and submitted the proposed Important Agricultural Land maps and documentation to the City Council, where the City Council adopted the proposed maps on

June 5, 2019, by resolution no. 18-233, CD1, FD1. The resolution was then transmitted to the State of Hawaii Land Use commission for further action pursuant to section 205-48, HRS.

Impact on the public: Will allow landowners and farmers on agricultural lands that are designated by the Land Use Commission via the "voluntary" or "county" processes as important agricultural land to apply for the tax credit for qualified agricultural costs that are related to designated important agricultural lands.

Impact on the department and other agencies: The Department of Agriculture will continue to certify qualified agricultural costs pursuant to section 235-110.93, HRS.

GENERAL FUND: The annual amount of certified credits allowed is not to exceed \$7,500,000.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: AGR 192.

OTHER AFFECTED AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.