

Hawaii Cattlemen's Council
Comments Relating to Real Property
Taxation and Assessment Practices
On Land in Agricultural Use
And Bill 49 (Draft 3)

8/23/2004

The Hawaii Cattlemen's Council (HCC) is a statewide umbrella organization comprising the various county level Cattlemen's Associations. Our 110+ member ranchers represent over 60,000 beef cows (which is over 75% of the State total). Ranchers are the stewards and usually the tax payers of over 1 million acres in Hawaii which is about one quarter of the State's total land mass.

The basic question as to how to assess and tax our ag lands requires us to make a fundamental philosophical decision and then stick with it. The key premise is whether we are going to recognize and respect real property (land and improvements) which is in legitimate agricultural use as being a factor of agricultural production and assessed at its ag use production value for the commodity it produces or are we going to treat it as an investment asset and assess it at its fair market value or some fraction thereof.

We fully acknowledge that assessing based on fair market values and comparable sales, while in itself complicated, is far easier than having to wrestle with the very complex question of establishing fair ag use production values for each commodity, but there is absolutely no linkage or rationale connecting the two approaches. **If agriculture in Hawaii is to survive much less thrive, the ag productivity valuation approach must be the one and the only basis for assessing all real property that is in legitimate agricultural use.**

HCC's position with respect to Bill 49 (Draft 3) is basically supportive and we commend the changes in Draft 3 as we understand that it would preserve the ag productivity assessment practice. We would, however, still like to offer a few additional comments since this bill and subject obviously touch on a lot of other critical issues related to both ag land taxation and ag landuse.

1. While there definitely is a place for rural residential and so-called "gentlemen ranchettes", we need to distinguish those from legitimate or commercial ag. This requires a good yardstick and maybe the \$2,000/year in ag income is a reasonable one; however we feel small ranches and subsistence producers who may otherwise not qualify under this yardstick for the ag production benefits should be allowed to include in that figure the value of livestock slaughtered or produce consumed for "home use".
2. While the use of ag productivity values must be preserved, we recognize that these values do deserve periodic review and adjustment and suggest that this may best be handled on a statewide basis, commodity-by-

commodity, through an entity well equipped with the resources and expertise for the task, perhaps through CTAHR or DOA.

To assist you in better understanding the wide range of ag productivity values that can occur in a cattle operation, please see the attached July 1, 2002 letter from HCA to the County Finance Director. It illustrates a "best case / worst case" comparison where the gross annual sales revenue to a rancher under the very best set of circumstances may be as high as \$226.80 per acre compared to a worst case low of \$1.17 per acre. The cattle business is like no other and the range of production value per acre is both very low and very wide.

3. Dwellings on land in ag use including the sites of these dwellings which are occupied by people who work on that farm or ranch, whether the home is provided free or at some reduced rent, are as integral a part of that ranch or ag operation as are any other lands or structures (be those pasture lands, a work shed, garage, water tank etc.). Accordingly, homesites that are a part of a commercial ranch or farm operation should not be singled out or treated any differently than any other land or improvement which are also factors of that farm or ranch's production. And finally,
4. We support a fair and equitable ag dedication program which we feel Bill 49 would accomplish, particularly with respect to its handling of roll-back taxes which factor in the length of compliance actually achieved.

In closing, we offer to continue to work with the County as we have in the past through the Hawaii Cattlemen's Association as a resource to assist in whatever fashion would be most helpful to finalize this bill and implement a system that works best for the policy goals that are set.

Respectfully submitted,

/S/ James S. Greenwell
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