

EXPLANATION OF THE AGRICULTURAL OR RANCHING LAND DEDICATION PROGRAM



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This handout has been prepared by the Real Property Tax Division to assist property owners in the County of Hawai'i by providing an explanation of the agricultural or ranching land dedication program. The agricultural or ranching land dedication program, hereinafter referred to as the agricultural dedication program, was designed to encourage the commercial agricultural use of land on a long term basis by offering "tax breaks" in the form of lower assessments or valuations to persons engaged in agricultural activities. A lower assessment usually means a lower real property tax bill for the property owner. This handout is not intended to cover every aspect of the dedication process, nor is it intended to waive the compliance requirements or the enforcement procedures used by the department in accordance with the terms of the Hawai'i County Code. This handout was prepared as a brief summary of the program highlights.

THE LAW

Dedications are provided by Section 19-60, Article 8, Chapter 19, of the Hawai'i County Code, as amended. A special land reserve is established to enable the owner of land to dedicate the land to a specific ranching or other agricultural use, such as truck crops, orchards, forestry, or aquaculture and to have the land assessed or taxed at its value in such use. The term of dedication is ten years, with some special provisions for leases with less than ten years remaining. The minimum term for any dedication will be five years.

COMMERCIAL AGRICULTURAL USE DEFINED

The term "Commercial agricultural use" means the use of land on a continuous and regular basis that demonstrates the owner is engaged in commercial agricultural activities. Commercial agricultural activities shall mean the use of property to generate income, monetary gain or economic benefit in the form of money or money's worth of a minimum \$2,000 annual gross income per farm operation. The operation may include multiple parcels that need not be contiguous, and/or the use of property that adheres to generally accepted standards or recognized practices within that agricultural industry.

FILING REQUIREMENTS

An owner who desires to dedicate a parcel to an agricultural use must submit a petition to dedicate to the Director of Finance by September 1 of any calendar year. Dedication forms are available at the Real Property Tax Offices in Hilo and Kona, or on our website: www.hawaiipropertytax.com. Please file four copies of the form.

DEDICATION OF LAND IN NON-AGRICULTURAL DISTRICT

The pasturing and grazing of animals is not an allowable agricultural use in a non-agricultural zoned district without the approval of the Director of Planning.

ROLLBACK TAXES

The approval of a petition to dedicate shall constitute a forfeiture on the part of the owner of any right to change the use of the land to a use other than agriculture. If the owner desires to change from one specific commercial agricultural category to another agricultural category, the owner shall so petition the Director of Finance. Any violation of the terms and conditions of the dedication will result in the imposition of rollback taxes retroactive from the end of the tax year in which the breach occurs, along with a ten percent penalty. The rollback taxes shall be based on the difference between the market value and the commercial agricultural use value. The additional taxes and penalties shall be a paramount lien against the property. The sale of a dedicated parcel will result in a breach of the dedication unless the new owner(s) sign a notarized affidavit agreeing to the full requirements of the dedication including any potential penalties. This affidavit must be recorded in the Bureau of Conveyances or Land Court.

The present County ordinance provides that rollback taxes shall be imposed if the owner(s) fail to use the land in the manner requested in the petition for six (6) consecutive months.

RECORDATION OF DEDICATION

The notice of dedication is required to be recorded at the Bureau of Conveyances or Land Court. It is the owner's responsibility to record the notice; however, the County will assist the owner with recording the notice upon payment of the applicable fees. The current recordation fee is \$25 (Bureau of Conveyances) or \$50 (Land Court).

OWNERS DEFINED

Owners of property include the fee simple owners or lessees of the property, provided that the unexpired term of the lease is equivalent to the number of years that the petitioner is dedicating for. In the case of leasehold property, the lessor must agree to all of the terms and conditions of the dedication and indicate their acceptance by signing the petition to dedicate.

RENEWAL OF DEDICATION

At the end of the dedication period the petitioner must submit a new petition to dedicate. The Real Property Tax Office will notify the owner at least 180 days prior to any cancellation or termination. The owner shall reapply for renewal of the dedication by filing an application with the director on or before September 1 of the last year of the dedication. Upon approval by the director of succeeding dedications, the property shall continue to be assessed as dedicated agricultural land.

NOTICE OF APPROVAL OR DISAPPROVAL

The director will approve or disapprove the petition by December 15 of the year that the petition is submitted. If approved, the dedication shall be effective on July 1 of the next calendar year.

Forms are available at the Real Property Tax Offices or can be downloaded from the Real Property Tax Office website:
www.hawaiipropertytax.com

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