

Pa'auilo Mauka Kalopa Community Association

November 2018 Newsletter

President`s Message



PMKCA President Joe Clarkson

Aloha PMKCA Neighbors

Real Property Tax and Agricultural Land – Part 2, Agricultural Assessment Guidelines

Hawai'i County land owners who wish to have their land assessed as agricultural land must apply for either non-dedicated agricultural land status or dedicated commercial agricultural land status. The main differences between dedicated and non-dedicated status are: the length of term, which for dedicated status is usually a minimum of ten years; the assessment rate, which for dedicated status is half that of non-dedicated; and the conditions for which rollback taxes and penalties may be due.

Most small agricultural land owners are in the non-dedicated category, amounting to 90% of the nearly 10,000 parcels on the island that are assessed as agricultural land. My discussion here will concern only the means by which a landowner may qualify for non-dedicated agricultural use status.

The qualifying process begins by filing a non-dedicated agricultural use application (NDA) by December 31. There is no minimum period for which the use applied for must continue. Agricultural use can be changed by refileing an NDA application. Once the application is approved, there are no penalties or rollback taxes due unless the owner or lessee:

- a) Petitions for rezoning to other than an agricultural zoned district or
- b) Subdivides into parcels of less than 5 acres or
- c) Creates condominium units with an area equivalent to less than 5 acres.

All land to be given non-dedicated agricultural assessment status must belong to one or a combination of several categories listed as follows:

- Intensive agriculture, with a rate of \$4000 per acre. Examples are:
 - Truck crops, which must be kept in crops at all times except for fallow periods of no more than 6 to 12 months and fallowed land must not involve more than 40% of the total area. Land planted in ginger may be fallowed for 2-3 years.
 - Confined animal operations, the area of which is limited to the dimensions of the pens holding the animals or 10-30 animals per acre if the animals are hogs raised free-range or 60-240 birds per acre (depending on size) if poultry is raised free range. If a coop is used to confine the poultry, the area of assessment is the size of the coop.
 - Aquaculture, of which the qualified area includes the fish raising tank and staging areas, together with any ancillary area for supplies and storage of equipment.
 - Bee keeping, where 1-5 hives are used per acre for pollination or 5 hives per acre for honey production.
- Orchards, with a rate of \$3000 per acre. Examples are:
 - Large trees, like avocado, lychee, or mango (and presumably macadamia) with a density of no fewer than 30 trees per acre or
 - Small trees, like palms, papaya or coffee, with no fewer than 360 trees per acre.
 - (Note that planned orchards can be given acreage credit only if they are planted and can maintain their ag status only if properly maintained in succeeding years.)
- Fast rotation forestry, with a rate of \$1000 per acre. This use involves

- Fast rotation forestry, with a rate of \$1000 per acre. This use involves densely grown trees that are harvested within 8-20 years. Harvested trees must be used for paper, fuel or biomass.
- Feed crops, with a rate of \$1000 per acre. These crops must produce 3-5 harvests annually (which seems to be a very high number of harvests to me).
- Slow rotation forestry, with a rate of \$420 per acre. Trees must be grown for 40 years or more and used for lumber. (Note: I wonder why it is not permitted to harvest any tree between 20 and 40 years of age and still be assessed as forest land?) Acreage with natural tree growth may be considered for slow rotation forestry as long as harvested areas are replanted and continue to be managed as producing forests.
- Pasture and grazing, with a rate of \$28-420 per acre, depending on productivity as follows:
 - Poor pasture, which can support only one head of cattle or 5 head of sheep/goats per 15-20 acres or one horse per 18-25 acres; \$28 per acre.
 - Average pasture, which can support one head of cattle or 5 head of sheep per 7-10 acres, or one horse per 3 acres (Note: this makes little sense, since horses generally require more acreage than cattle); \$120 per acre.
 - Good pasture, which can support one head of cattle or 5 sheep per acre of pasture, or one horse per 1.5 acres; \$420 per acre.
 - Note: Pasture and grazing is the category that many Paauilo Mauka and Kalopa land owners will request.

Assessors will look for the ability of the owner to confine animals on pasture with fences or natural barricades like gulches or a pali. A permanent water source for the animals must be available and a pasture rotation program will be further evidence of good pasture management.

Pasture may also be fallowed to allow for recovery after higher density stocking, but inquiries should be made to the Tax Office to determine how long pasture can remain fallow and still retain the pasture assessment.

A case might be made that pastures that are being mowed and do not have animals grazing them are in fallow status, but it will difficult to get or maintain pasture status without fences, stock water and livestock.

A comment from an official of the Tax Office was that, "A house, a few fruit trees and three acres of lawn are not going to qualify for agricultural assessment".

Waste land, with an assessment of \$100 per acre. This category may be used only in combination with the other ag categories. Waste land is land that cannot be converted to any of the qualifying agricultural uses. Typically, this category is applied to steep hillsides or land in gulches or swamps.

If a landowner makes an application to have any one or more of these categories applied for assessment purposes, the assessment letter that is mailed out around March 15 of every year should be closely inspected to verify that the Tax Office agrees with the application. Landowners who disagree with the judgement of the Tax Office may appeal, but it is critical to remember that all appeals must be made by April 9th, only about three weeks after the assessment is mailed to the landowner/taxpayer.

Best Regards,

Joe Clarkson
President, PMKCA