

Honolulu, Hawaii

FEB 12 2025

RE: S.B. No. 13
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 13 entitled:

"A BILL FOR AN ACT RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to provide a five-year nonrefundable aquaculture investment tax credit for investments into a qualified aquaculture business for taxable years beginning after December 31, 2025.

Your Committee received testimony in support of this measure from the Department of Agriculture, Agribusiness Development Corporation, County of Hawai'i Department of Research and Development, Hawaii Food Industry Association, Hawai'i Farm Bureau, Maui Chamber of Commerce, Hawaii Aquaculture and Aquaponics Association, Shrimp Improvement Systems Hawaii LLC, Kowa Premium Foods Hawaii Corporation, and one individual.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that aquaculture businesses often face high costs related to research, permitting, and operational infrastructure. For the State to advance its aquaculture industry, significant investment is necessary. This measure



therefore establishes a targeted tax incentive that will not only encourage private investment, but also promote economic diversification, boost local food security, create jobs and workforce opportunities, and support sustainable practices.

According to testimony received by your Committee, this measure contains conflicting provisions regarding the time period for the tax credit to be claimed. Your Committee finds that for effective administration and to mitigate potential abuse of the tax credit, amendments to this measure are necessary to address these concerns.

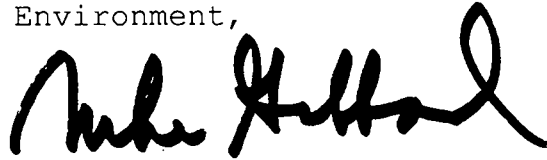
Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have allowed the excess of the tax credit over liability to be used as a credit against the taxpayer's income tax liability until exhausted;
- (2) Inserting language to prohibit taxpayers from claiming any other credit or deduction for qualified investment costs for the taxable year;
- (3) Defining "qualified investment costs" to mean costs, beyond the research and development phase, associated with capital improvements, including the acquisition and development of land, the design and construction of new facilities, and the making of renovations or additions to existing facilities of a qualified aquaculture business;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 13, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 13, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Agriculture and
Environment,

A handwritten signature in black ink, appearing to read "Mike Gabbard", written in a cursive style.

MIKE GABBARD, Chair



Record of Votes
Committee on Agriculture and Environment
AEN

*Only one measure per Record of Votes