H.B. NO. (784

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

| 1 | SECTION 1. Chapter 235, Hawaii Revised Statutes, is |
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| 2 | amended by adding a new section to be appropriately designated |
| 3 | and to read as follows: |
| 4 | "§235- Livestock feed tax credit. (a) There shall be |
| 5 | allowed to each qualified producer subject to the tax imposed by |
| 6 | this chapter a livestock feed tax credit that shall be applied |
| 7 | to the taxpayer's net income tax liability, if any, imposed by |
| 8 | this chapter for the taxable year for which the credit is |
| 9 | properly claimed. |
| 10 | For each taxable year, a qualified producer may claim a tax |
| 11 | credit in the amount of the lesser of: |
| 12 | (1) Fifteen per cent of livestock feed costs incurred by |
| 13 | the qualified producer; or |
| 14 | (2) \$200,000. |
| 15 | (b) No other credit may be claimed under this chapter for |
| 16 | livestock feed costs for which a credit is claimed under this |

17 section for the taxable year.





| 1 | (c) The cost upon which the tax credit is computed shall |
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| 2 | be determined at the entity level. In the case of a |
| 3 | partnership, S corporation, estate, trust, or other pass through |
| 4 | entity, distribution and share of the credit shall be determined |
| 5 | by rule. |
| 6 | If a deduction is taken under section 179 (with respect to |
| 7 | election to expense certain depreciable business assets) of the |
| 8 | Internal Revenue Code, no tax credit shall be allowed for that |
| 9 | portion of the livestock feed costs for which a deduction was |
| 10 | taken. |
| 11 | The basis of eligible property for depreciation or |
| 12 | accelerated cost recovery system purposes for state income taxes |
| 13 | shall be reduced by the amount of credit allowable and claimed. |
| 14 | No deduction shall be allowed for that portion of otherwise |
| 15 | deductible livestock feed costs on which a credit is claimed |
| 16 | under this section. |
| 17 | (d) If the credit under this section exceeds the |
| 18 | taxpayer's net income tax liability for the taxable year, the |
| 19 | excess of the credit over liability shall be refunded to the |
| 20 | taxpayer; provided that no refunds or payments on account of the |
| 21 | credits allowed by this section shall be made for amounts less |
| 22 | than \$1. |



| 1 | <u>A11</u> | claims for a tax credit under this section, including |
|----|------------|--|
| 2 | amended c | laims, shall be filed on or before the end of the |
| 3 | twelfth m | onth following the close of the taxable year for which |
| 4 | the credi | t is claimed. Failure to comply with the foregoing |
| 5 | provision | shall constitute a waiver of the right to claim the |
| 6 | credit. | |
| 7 | (e) | The director of taxation: |
| 8 | (1) | Shall prepare any forms that may be necessary to claim |
| 9 | | a credit under this section; |
| 10 | (2) | May require the taxpayer to furnish information to |
| 11 | | ascertain the validity of the claim for credit made |
| 12 | | under this section; and |
| 13 | (3) | May adopt rules pursuant to chapter 91 to effectuate |
| 14 | | this section. |
| 15 | <u>(f)</u> | The department of agriculture shall: |
| 16 | (1) | Maintain records of the total amount of livestock feed |
| 17 | | costs for each taxpayer claiming a credit; |
| 18 | (2) | Verify the amount of the livestock feed costs claimed |
| 19 | | by each taxpayer claiming the tax credit for each |
| 20 | | taxable year; |



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| 1 | (3) | Calculate the total livestock feed costs claimed by |
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| 2 | | all taxpayers claiming the tax credit in each taxable |
| 3 | | year; and |
| 4 | (4) | Certify the total amount of the tax credit claimed for |
| 5 | | each taxpayer and for all taxpayers claiming the |
| 6 | | credit in each taxable year. |
| 7 | Upon | each determination, the department of agriculture |
| 8 | shall iss | ue a certificate to the taxpayer verifying the |
| 9 | taxpayer' | s qualified producer status, the amount of livestock |
| 10 | feed cost | s claimed by the taxpayer, and the credit amount |
| 11 | certified for the taxpayer for each taxable year. | |
| 12 | Notwithstanding any other law to the contrary, the | |
| 13 | information required by this subsection shall be available for | |
| 14 | public in | spection and dissemination under chapter 92F. |
| 15 | (g) | The taxpayer shall file the certificate with the |
| 16 | taxpayer' | s tax return with the department of taxation. |
| 17 | Notwithst | anding the department of agriculture's certification |
| 18 | authority | under this section, the director of taxation may audit |
| 19 | and adjus | t the certification to conform to the facts. |
| 20 | <u>(h)</u> | The department of agriculture shall certify no more |
| 21 | <u>than \$1,5</u> | 00,000 in credits in the aggregate for all taxpayers in |
| 22 | the taxab | le year beginning after December 31, 2012, and ending |
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| 1 | before January 1, 2014. In no instance shall the department of | |
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| 2 | taxation allow the aggregate amount of tax credits claimed to | |
| 3 | exceed \$1,500,000 in the taxable year. To comply with this | |
| 4 | restriction, the department of agriculture shall certify credits | |
| 5 | on a first come, first served basis. | |
| 6 | (i) As used in this section: | |
| 7 | "Livestock feed costs" means the purchase amount of all | |
| 8 | edible materials consumed by a qualified producer's cows, goats, | |
| 9 | sheep, poultry, sows, beef cattle, fish, or crustaceans, which | |
| 10 | contribute energy or nutrients to the animal's diet, and which | |
| 11 | are distributed or imported. | |
| 12 | "Poultry products" means chicken eggs that are uncooked in | |
| 13 | shell, egg-laying chicks, meat bird chicks, pullets, broilers, | |
| 14 | fryers, and laying chicken hens. | |
| 15 | "Qualified producer" means any person that, at the time of | |
| 16 | application for and receipt of the tax credit under this | |
| 17 | section, is in the business of producing: | |
| 18 | (1) Milk from a herd, located in the State, of not fewer | |
| 19 | than three hundred fifty cows or one hundred lactating | |
| 20 | milking goats; | |
| 21 | (2) Poultry products from a flock, raised and located in | |
| 22 | the State, of not fewer than fifty birds; | |
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| 1 | (3) | Pork from a herd, raised and located in the State, of |
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| 2 | | not fewer than fifty sows; |
| 3 | (4) | Beef that is raised in the State; provided that |
| 4 | | producers who finish at least one hundred head of beef |
| 5 | | cattle annually shall be eligible for this tax credit; |
| 6 | (5) | Sheep that are raised in the State; provided that |
| 7 | | producers with current annual sales of at least thirty |
| 8 | | sheep or lambs shall be eligible for this tax credit; |
| 9 | | or |
| 10 | (6) | Fish and crustaceans, raised in the State; provided |
| 11 | | that producers with current annual sales of at least |
| 12 | | two thousand pounds of fish, or crustaceans, or both |
| 13 | | shall be eligible for this tax credit." |
| 14 | SECT | ION 2. Chapter 235, Hawaii Revised Statutes, is |
| 15 | amended b | y adding a new section to be appropriately designated |
| 16 | and to re | ad as follows: |
| 17 | " <u>§23</u> | 5- Livestock feed development tax credit. (a) |
| 18 | There sha | ll be allowed to each qualified producer subject to the |
| 19 | tax impos | ed by this chapter a livestock feed development tax |
| 20 | credit th | at shall be applied to the taxpayer's net income tax |
| 21 | liability | , if any, imposed by this chapter. |
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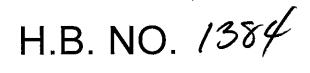
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| 1 | For | livestock feed development costs, a qualified producer |
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| 2 | may claim | a tax credit as follows: |
| 3 | (1) | During the taxable year beginning after December 31, |
| 4 | | 2013, and ending before January 1, 2015: |
| 5 | | (A) Ten per cent of livestock feed development costs |
| 6 | | incurred by the qualified producer; or |
| 7 | | (B) \$225,000; |
| 8 | | whichever is less. |
| 9 | (2) | During the taxable year beginning after December 31, |
| 10 | | 2014, and ending before January 1, 2016: |
| 11 | | (A) Five per cent of livestock feed development |
| 12 | | costs; or |
| 13 | | (B) \$225,000; |
| 14 | | whichever is less. |
| 15 | (b) | No other credit may be claimed under this chapter for |
| 16 | livestock | feed development costs for which a credit is claimed |
| 17 | by the ta | xpayer under this section for the taxable year. |
| 18 | <u>(c)</u> | The cost upon which the tax credit is computed shall |
| 19 | be determ | ined at the entity level. In the case of a |
| 20 | partnersh | ip, S corporation, estate, trust, or other pass through |
| 21 | <u>entity, d</u> | istribution and share of the credit shall be determined |
| 22 | by rule. | |





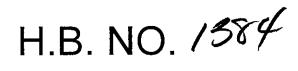
| 1 | If a deduction is taken under section 179 (with respect to |
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| 2 | election to expense certain depreciable business assets) of the |
| 3 | Internal Revenue Code, no tax credit shall be allowed for that |
| 4 | portion of the livestock feed development costs for which a |
| 5 | deduction was taken. |
| 6 | The basis of eligible property for depreciation or |
| 7 | accelerated cost recovery system purposes for state income taxes |
| 8 | shall be reduced by the amount of credit allowable and claimed. |
| 9 | No deduction shall be allowed for that portion of otherwise |
| 10 | deductible livestock feed development costs on which a credit is |
| 11 | claimed under this section. |
| 12 | (d) If the credit under this section exceeds the |
| 13 | taxpayer's net income tax liability for the taxable year, the |
| 14 | excess of the credit over liability shall be refunded to the |
| 15 | taxpayer; provided that no refunds or payments on account of the |
| 16 | credits allowed by this section shall be made for amounts less |
| 17 | than \$1. |
| 18 | All claims for a tax credit under this section, including |
| 19 | amended claims, shall be filed on or before the end of the |
| 20 | twelfth month following the close of the taxable year for which |
| 21 | the credit is claimed. Failure to comply with the foregoing |



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| 1 | provision | shall constitute a waiver of the right to claim the |
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| 2 | credit. | |
| 3 | (e) | The director of taxation: |
| 4 | (1) | Shall prepare any forms that may be necessary to claim |
| 5 | | a credit under this section; |
| 6 | (2) | May require the taxpayer to furnish information to |
| 7 | | ascertain the validity of the claim for credit made |
| 8 | | under this section; and |
| 9 | (3) | May adopt rules pursuant to chapter 91 to effectuate |
| 10 | | this section. |
| 11 | (f) | The department of agriculture shall: |
| 12 | (1) | Maintain records of the total amount of livestock feed |
| 13 | | development costs for each taxpayer claiming a credit; |
| 14 | (2) | Verify the amount of the livestock feed development |
| 15 | | costs claimed by each taxpayer claiming the tax credit |
| 16 | | for each taxable year; |
| 17 | (3) | Calculate the total livestock feed development costs |
| 18 | | claimed by all taxpayers claiming the tax credit for |
| 19 | | each taxable year; and |
| 20 | (4) | Certify the total amount of the tax credit claimed for |
| 21 | | each taxpayer and for all taxpayers claiming the |
| 22 | | credit in each taxable year. |





| 1 | Upon each determination, the department of agriculture |
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| 2 | shall issue a certificate to the taxpayer verifying the |
| 3 | taxpayer's qualified producer status, the amount of livestock |
| 4 | feed development costs claimed by the taxpayer, and the credit |
| 5 | amount certified for the taxpayer for each taxable year. |
| 6 | Notwithstanding any other law to the contrary, this information |
| 7 | shall be available for public inspection and dissemination under |
| 8 | chapter 92F. |
| 9 | (g) The taxpayer shall file the certificate with the |
| 10 | taxpayer's tax return with the department of taxation. |
| 11 | Notwithstanding the department of agriculture's certification |
| 12 | authority under this section, the director of taxation may audit |
| 13 | and adjust certification to conform to the facts. |
| 14 | (h) The department of agriculture shall certify no more |
| 15 | than \$500,000 in credits in the aggregate for all taypers for |
| 16 | each taxable year. |
| 17 | In no instance shall the department of taxation allow the |
| 18 | aggregate amount of tax credits claimed to exceed \$500,000 in |
| 19 | any taxable year. |
| 20 | (i) As used in this section: |
| 21 | "Livestock feed development costs" means the purchase |
| 22 | amount of materials or equipment needed to produce edible |



| 1 | materials | consumed by the qualified producer's cows, goats, | |
|----|--|--|--|
| 2 | poultry, | sows, beef cattle, sheep, fish, or crustaceans which | |
| 3 | contribute energy or nutrients to the animal's diet, including | | |
| 4 | seeds, fe: | rtilizer, insecticides, and fungicides used for the | |
| 5 | purposes of producing feed. | | |
| 6 | "Pou | ltry products" means chicken eggs that are uncooked in | |
| 7 | <u>shell, eg</u> | g-laying chicks, meat bird chicks, pullets, broilers, | |
| 8 | fryers, a | nd laying chicken hens. | |
| 9 | "Qua | lified producer" means any person that, at the time of | |
| 10 | applicatio | on for and receipt of the tax credit under this | |
| 11 | section, | is in the business of producing: | |
| 12 | (1) | Milk from a herd, located in the State, of not fewer | |
| 13 | | than three hundred fifty cows or one hundred lactating | |
| 14 | | milking goats; | |
| 15 | (2) | Poultry products from a flock, raised and located in | |
| 16 | | the State, of not fewer than fifty birds; | |
| 17 | (3) | Pork from a herd, raised and located in the State, of | |
| 18 | | not fewer than fifty sows; | |
| 19 | (4) | Beef that is raised in the State; provided that | |
| 20 | | producers who finish at least one hundred head of beef | |
| 21 | | cattle annually shall be eligible for this tax credit; | |
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| 1 | <u>(5)</u> | Sheep that are raised in the State; provided that |
|----|------------|--|
| 2 | | producers with current annual sales of at least thirty |
| 3 | | sheep or lambs shall be eligible for this tax credit; |
| 4 | | or |
| 5 | . (6) | Fish and crustaceans, raised in the State; provided |
| 6 | | that producers with current annual sales of at least |
| 7 | | two thousand pounds of fish, or crustaceans, or both |
| 8 | | shall be eligible for this tax credit." |
| 9 | SECT | ION 3. Section 235-110.93, Hawaii Revised Statutes, is |
| 10 | amended b | y amending subsection (h) to read as follows: |
| 11 | "(h) | [If in any taxable year the] The aggregate annual |
| 12 | amount of | certified important agricultural land qualified |
| 13 | agricultu | ral cost tax credits [reaches \$7,500,000 in the |
| 14 | aggregate | $_{7}$] in any taxable year shall not exceed the following: |
| 15 | (1) | \$6,000,000 for the taxable year beginning after |
| 16 | | December 31, 2012, and ending before January 1, 2014; |
| 17 | (2) | \$7,000,000 per taxable year for the taxable years |
| 18 | | beginning after December 31, 2013, and ending before |
| 19 | | January 1, 2016; and |
| 20 | (3) | \$7,500,000 per taxable year for all other successive |
| 21 | | taxable years. |



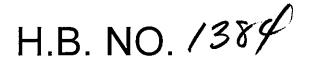
| 1 | If in any taxable year the annual amount of certified |
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| 2 | credits reaches the limit provided by this subsection, the |
| 3 | department of agriculture shall immediately discontinue |
| 4 | certifying credits and notify the department of taxation. In no |
| 5 | instance shall the department of agriculture certify a total |
| 6 | amount of credits exceeding [\$7,500,000 per taxable year.] <u>the</u> |
| 7 | annual aggregate amount limit of certified credits per taxable |
| 8 | year provided by this subsection. To comply with this |
| 9 | restriction, the department of agriculture shall certify credits |
| 10 | on a first come, first served basis. |
| 11 | The department of taxation shall not allow the aggregate |
| 12 | amount of credits claimed to exceed that amount per taxable |
| 13 | year." |
| 14 | SECTION 4. There is appropriated out of the general |
| 15 | revenues of the State of Hawaii the sum of \$ or so |
| 16 | much thereof as may be necessary for fiscal year 2013-2014 for |
| 17 | staffing or other expenses necessary to implement the tax |
| 18 | credits established or amended by this Act. |
| 19 | The sum appropriated shall be expended by the department of |
| 20 | agriculture for the purposes of this Act. |
| 21 | SECTION 5. There is appropriated out of the general |
| | |

22 revenues of the State of Hawaii the sum of \$

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or so much

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2 staffing and consultant expenses necessary to implement the tax 3 credits established or amended by this Act. The sum appropriated shall be expended by the department of 4 5 taxation for the purposes of this Act. 6 SECTION 6. Statutory material to be repealed is bracketed 7 and stricken. New statutory material is underscored. 8 SECTION 7. This Act shall take effect on July 1, 2013; 9 provided that: 10 Section 1 shall take effect on January 1, 2013, and (1)11 shall apply to the taxable year beginning after 12 December 31, 2012, and ending before January 1, 2014; 13 and 14 (2) Section 2 shall take effect on January 1, 2014, and

thereof as may be necessary for fiscal year 2013-2014 for

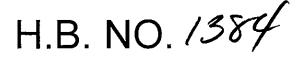
15 shall apply to the taxable years beginning after
16 December 31, 2013, and ending before January 1, 2016.

INTRODUCED BY: RECORD IAN 2 4 2013



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Report Title:

Agriculture; Livestock Feed; Livestock Feed Development; Tax Credit; Appropriation

Description:

Amends the important agricultural land qualified agricultural cost tax credit by changing the tax credit cap to \$6,000,000 per year for the 2013 tax year and \$7,000,000 per year for the 2014 and 2015 tax years, and \$7,500,000 per year thereafter. Creates a livestock feed tax credit from 1/1/2013 to 12/31/2013. Creates livestock feed development tax credit from 1/1/2014 to 12/31/2015. Appropriates funds for staffing and consulting expenses.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

