
A BILL FOR AN ACT

RELATING TO CARBON FARMING.

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

1 SECTION 1. The earth has three main carbon sinks: the
2 atmosphere, the oceans, and the humus-sphere. The humus-sphere
3 is made of stable, long-lasting remnants of decaying organic
4 material essential to soil fertility and the growth of nutrient-
5 rich crops. Soil has lost most of its humus due to industrial
6 farming techniques and bad land-management practices.
7 Industrial agriculture contributes twenty to thirty per cent of
8 all manmade greenhouse gases in the atmosphere and land
9 management is the second largest contributor to carbon dioxide
10 emissions on earth. The legislature finds that the agricultural
11 sector has the ability to sequester carbon dioxide in the
12 atmosphere and reduce emissions of carbon dioxide through carbon
13 farming.

14 Carbon farming involves implementing practices that are
15 known to improve the rate at which carbon dioxide is removed
16 from the atmosphere and converted to plant material or soil
17 organic matter. Research conducted in California showed that if



1 compost from green waste, including household food scraps and
2 dairy manure, were applied to five per cent of California's
3 grazing lands, the soil could sequester the annual greenhouse
4 gas emissions from California's farm and forestry industries.
5 Carbon farming has captured the attention of the White House,
6 Governor of California's administration, city of San Francisco,
7 officials in Brazil and China, and members of the United States
8 House of Representatives.

9 The purpose of this Act is to establish an income tax
10 credit for taxpayers who practice carbon farming on their
11 property.

12 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§235- Carbon farming tax credit. (a) There shall be
16 allowed to each taxpayer subject to the taxes imposed by this
17 chapter, an income tax credit that shall be deductible from the
18 taxpayer's net income tax liability, if any, imposed by this
19 chapter for the taxable year in which the credit is properly
20 claimed.



1 For each qualifying property, the dollar amount of the
2 carbon farming tax credit shall be \$. A taxpayer may
3 claim this credit for each qualifying property.

4 (b) As used in this section:

5 "Carbon farming" means utilizing agricultural practices
6 free from the use of synthetic pesticides and fossil fuel
7 dependent nitrogen fertilizer, including but not limited to
8 cover crops, residue mulching, composting, and crop rotation,
9 for the purposes of improving the photosynthetic removal and
10 retention of atmospheric carbon dioxide in soil organic matter.

11 "Compost" means a relatively stable, decomposed, organic,
12 humus-like material, generated by a composting facility that is
13 suitable for landscaping or soil amendment purposes.

14 "Composting" means a process in which organic solid wastes,
15 such as green or yard waste materials, manures, and non-treated
16 wood chips and shavings, are biologically decomposed and
17 stabilized under controlled conditions to produce a stable
18 humus-like mulch or soil amendment.

19 "Green waste" means leaves, garden residues, shrubbery and
20 tree trimmings, grass clippings, and similar material.



1 "Qualifying property" means property where the taxpayer
2 practices carbon farming; provided that the property is:

3 (1) Located in an agricultural district, as defined under
4 section 205-2(d); and

5 (2) Operated for agricultural purposes as permitted under
6 section 205-4.5.

7 (c) If the credit under this section exceeds the
8 taxpayer's net income tax liability for the taxable year, the
9 excess of the credit over liability shall be refunded to the
10 taxpayer; provided that no refunds or payments on account of the
11 credits allowed by this section shall be made for amounts less
12 than \$1.

13 All claims for a tax credit under this section, including
14 amended claims, shall be filed on or before the end of the
15 twelfth month following the close of the taxable year for which
16 the credit is claimed. Failure to comply with the foregoing
17 provision shall constitute a waiver of the right to claim the
18 credit.

19 (d) The director of taxation:

20 (1) Shall prepare any forms that may be necessary to claim
21 a credit under this section;



1 (2) May require the taxpayer to furnish information to
2 ascertain the validity of the claim for credit made
3 under this section; and

4 (3) May adopt rules pursuant to chapter 91 to effectuate
5 this section.

6 (e) The department of agriculture shall:

7 (1) Verify that the taxpayer qualifies to claim the tax
8 credit; and

9 (2) Certify the total amount of the tax credit for each
10 taxable year.

11 Upon each determination, the department of agriculture
12 shall issue a certificate to the taxpayer verifying the credit
13 amount certified for each taxable year.

14 The taxpayer shall file the certificate with the taxpayer's
15 tax return with the department of taxation. Notwithstanding the
16 department of agriculture's certification authority under this
17 section, the director of taxation may audit and adjust
18 certification to conform to the facts."

19 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2016.
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H.B. NO. 485

Report Title:

Income Tax Credit; Carbon Farming; Agriculture

Description:

Establishes an income tax credit for taxpayers who practice carbon farming for agricultural purposes on property located in agricultural districts.

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