
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Agricultural food safety compliance income tax
5 credit. (a) There shall be allowed to each taxpayer an
6 agricultural food safety compliance income tax credit that shall
7 be deductible from the taxpayer's net income tax liability, if
8 any, imposed by this chapter for the taxable year in which the
9 credit is properly claimed. The tax credit amount shall be
10 determined as follows:

11 (1) In the first year in which the credit is claimed, the
12 lesser of the following:

13 (A) Twenty-five per cent of the qualified compliance
14 costs incurred by the taxpayer after July 1,
15 2017; or

16 (B) \$ _____ ;



1 (2) In the second year in which the credit is claimed, the
2 lesser of the following:

3 (A) Fifteen per cent of the qualified compliance
4 costs incurred by the taxpayer after July 1,
5 2017; or

6 (B) \$ _____ ; and

7 (3) In the third year in which the credit is claimed, the
8 lesser of the following:

9 (A) Ten per cent of the qualified compliance costs
10 incurred by the taxpayer after July 1, 2017; or

11 (B) _____ .

12 The taxpayer may claim the credit in any taxable year after the
13 taxable year during which the taxpayer incurred the qualified
14 compliance costs upon which the credit is claimed. The taxpayer
15 also may claim the credit in consecutive or nonconsecutive
16 taxable years until exhausted.

17 (b) The cost upon which the tax credit is computed shall
18 be determined at the entity level. In the case of a
19 partnership, S corporation, estate, trust, or other pass through
20 entity, distribution and share of the credit shall be determined
21 pursuant to section 235-110.7(a).



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

7 All claims for a tax credit under this section, including
8 amended claims, shall be filed on or before the end of the
9 twelfth month following the close of the taxable year for which
10 the credit is claimed. Failure to comply with the foregoing
11 provision shall constitute a waiver of the right to claim the
12 credit.

13 (d) The director of taxation:

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

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

19 (3) May adopt rules pursuant to chapter 91 to effectuate
20 this section.

21 (e) The department of agriculture shall:



- 1 (1) Maintain records of the total amount of qualified
2 compliance costs for each taxpayer claiming a credit;
3 (2) Verify the amount of the qualified compliance costs
4 claimed;
5 (3) Total all qualified compliance costs claimed; and
6 (4) Certify the total amount of the tax credit for each
7 taxable year.

8 Upon each determination, the department of agriculture
9 shall issue a certificate to the taxpayer verifying the
10 qualifying compliance costs and the credit amount certified for
11 each taxable year. For a taxable year, the department of
12 agriculture may certify a credit for a taxpayer who would have
13 been eligible to claim the credit in a previous taxable year,
14 but could not because the maximum annual credit amount under
15 subsection (f) was reached in that taxable year.

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



1 Notwithstanding any other law to the contrary, the
2 information required by this subsection shall be available for
3 public inspection and dissemination under chapter 92F.

4 (f) If in any taxable year the annual amount of certified
5 credits reaches \$ in the aggregate, the department of
6 agriculture shall immediately discontinue certifying credits and
7 notify the department of taxation. In no instance shall the
8 department of agriculture certify a total amount of credits
9 exceeding \$ per taxable year. To comply with this
10 restriction, the department of agriculture shall certify credits
11 on a first come, first served basis.

12 The department of taxation shall not allow the aggregate
13 amount of credits claimed to exceed that amount per taxable
14 year.

15 (g) The department of agriculture, in consultation with
16 the department of taxation, shall annually determine the
17 information necessary to provide a quantitative and qualitative
18 assessment of the outcomes of the tax credit.

19 Every taxpayer, no later than the last day of the taxable
20 year following the close of the taxpayer's taxable year in which
21 the credit is claimed, shall submit a certified written



1 statement to the department of agriculture. Failure to provide
2 the information shall result in ineligibility and a recapture of
3 any credit already claimed for that taxable year. The amount of
4 the recaptured tax credit shall be added to the taxpayer's tax
5 liability for the taxable year in which the recapture occurs.

6 Notwithstanding any law to the contrary, a statement
7 submitted under this subsection shall be a public document.

8 (h) The department of agriculture, in consultation with
9 the department of taxation, shall annually submit a report
10 evaluating the effectiveness of the tax credit. The report
11 shall include findings and recommendations to improve the
12 effectiveness of the tax credit to further encourage the
13 development of agricultural businesses.

14 (i) As used in this section:

15 "Agricultural business" means any person with a commercial
16 agricultural, silvicultural, or aquacultural facility or
17 operation, including:

18 (1) The care and production of livestock and livestock
19 products, poultry and poultry products, apiary
20 products, and plant and animal production for nonfood
21 uses;



- 1 (2) The planting, cultivating, harvesting, and processing
2 of crops; and
- 3 (3) The farming or ranching of any plant or animal species
4 in a controlled salt, brackish, or freshwater
5 environment;
- 6 provided that the principal place of the agricultural business
7 is maintained in the State.
- 8 "Net income tax liability" means income tax liability
9 reduced by all other credits allowed under this chapter.
- 10 "Qualified compliance costs" means losses of income
11 incurred by an agricultural business as a result of taking land
12 out of active production or use as required for compliance with
13 federal food safety requirements, including the Food Safety
14 Modernization Act.
- 15 (j) The department of agriculture shall cease certifying
16 credits pursuant to this section after the fourth taxable year
17 following the taxable year during which the credits are first
18 claimed; provided that a taxpayer with accumulated but unclaimed
19 certified credits may continue claiming the credits in
20 subsequent taxable years until exhausted.



1 (k) The department of taxation, in consultation with the
2 department of agriculture, shall submit to the legislature an
3 annual report, no later than twenty days prior to the convening
4 of each regular session, beginning with the regular session of
5 2019, regarding the quantitative and qualitative assessment of
6 the impact of the agricultural food safety compliance income tax
7 credit."

8 SECTION 2. New statutory material is underscored.

9 SECTION 3. This Act shall take effect on July 31, 2150 and
10 shall apply to taxable years beginning after December 31, 2016.



Report Title:

Agricultural Lands; Food Safety; Income Tax Credit

Description:

Establishes an income tax credit for agricultural businesses that lose income because the business took land out of active production to comply with federal food safety requirements.

(HB230 HD1)

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

