

JAN 25 2017

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The legislature finds that in the past decade,
2 Hawaii has seen a tremendous growth in the sale of agricultural
3 commodities directly to consumers through farmers' markets,
4 roadside stands, and community supported agriculture ("CSAs").
5 The department of agriculture lists two hundred thirty farmers'
6 markets statewide operating approximately three hundred fifty-
7 eight markets each week. CSAs have become a popular way for
8 consumers to buy local, seasonal food directly from a farmer.

9 The report entitled *Increased Food Security and Food Self-*
10 *Sufficiency Strategy*, published in October of 2012, lists
11 facilitating farmer participation in farmers' markets and
12 encouraging and promoting CSAs as priority actions. The report
13 notes that replacing just ten per cent of the food Hawaii
14 currently imports would allow approximately \$313,000,000 to
15 remain in the State's economy.

16 The 2015 United States Department of Agriculture National
17 Agricultural Statistics identified 7,000 farms in Hawaii in 2012



1 and found that 3,042 farms, or forty-three per cent, had sales
2 of less than \$5,000; 5,487, or seventy-eight per cent, had sales
3 of less than \$25,000; and 6,171 farms, or eighty-eight per cent,
4 had sales of less than \$50,000. Many of these small farms sell
5 produce directly to consumers through farmers' markets, roadside
6 stands, and CSAs.

7 The legislature finds that providing additional support to
8 Hawaii's agriculture industry could help to reduce reliance on
9 agricultural imports and to foster job growth in the State. The
10 legislature believes that reducing the tax burden of farms that
11 produce and sell locally grown agricultural commodities, such as
12 fruits, vegetables, nuts, coffee, and honey, will help to
13 promote the production of locally-grown food.

14 The purpose of this Act is to establish an income tax
15 credit for agricultural commodities produced in the State and
16 sold directly to consumers, up to a limit of \$5,000, for
17 agricultural producers whose gross income totals no more than
18 \$50,000 per year.

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



1 "§235- Agricultural commodities tax credit. (a) There
2 shall be allowed to each qualified taxpayer subject to the tax
3 imposed under this chapter, an income tax credit for the sale of
4 agricultural commodities sold directly to consumers by
5 producers, including direct farm sales, sales at farmers'
6 markets and roadside stands, and community supported
7 agriculture, that shall be deductible from the taxpayer's net
8 income tax liability, if any, imposed by this chapter for the
9 taxable year in which the credit is properly claimed.

10 (b) The amount of the tax credit shall be equal to the
11 gross income received from the sale of agricultural commodities
12 sold directly to consumers by producers up to a maximum of
13 \$5,000 for each qualified taxpayer for each year that the credit
14 is available.

15 (c) In the case of a partnership, S corporation, estate,
16 or trust, the tax credit allowable is for gross income received
17 by the entity for the taxable year. The gross income upon which
18 the tax credit is computed shall be determined at the entity
19 level. Distribution and share of credit shall be determined
20 pursuant to section 704(b) of the Internal Revenue Code.

21 (d) The director of taxation:



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

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

6 (3) May adopt rules under chapter 91 necessary to
7 effectuate the purposes of this section.

8 (e) If the tax credit under this section exceeds the
9 taxpayer's net income tax liability, the excess of the credit
10 over liability may be used as a credit against the taxpayer's
11 net income tax liability in subsequent years until exhausted.

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

18 (f) As used in this section:

19 "Agricultural commodity" means fresh fruits and fresh
20 vegetables of every kind and character; nuts; coffee, whether

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1 cherry or parchment or green beans; and raw unprocessed honey
2 produced in the State.

3 "Producer" means any person engaged within the State in the
4 growing or production for market of any agricultural commodity,
5 or any cooperative association of such persons, whose gross
6 income from the sale of agricultural commodities for the most
7 recently reported fiscal year totals no more than \$50,000."

8 SECTION 3. New statutory material is underscored.

9 SECTION 4. This Act upon its approval, shall apply to
10 taxable years beginning after December 31, 2016.

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S.B. NO. 1193

Report Title:

Agriculture; Agricultural Commodities; Producers; Income Tax Credit

Description:

Establishes an income tax credit for producers who sell agricultural commodities directly to consumers.

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