
A BILL FOR AN ACT

RELATING TO A TAX CREDIT FOR INTERISLAND TRANSPORTATION OF
AGRICULTURAL PRODUCTS GROWN OR PROCESSED IN STATE
ENTERPRISE ZONES.

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

1 SECTION 1. In 1978, voters approved article XI, section 3,
2 of the Constitution of the State of Hawaii, which sets out the
3 framework for state policies to promote agriculture and the
4 conservation of productive agricultural lands in the State.

5 The legislature finds that there is a compelling need to
6 provide mechanisms to fulfill the intent and purpose of article
7 XI, section 3, of the state constitution and enable
8 implementation of the constitutional mandate.

9 The legislature further finds that while land is the basic
10 resource for agriculture and the supply of lands suitable for
11 agriculture is an irreplaceable resource, the long-term
12 viability of agriculture also depends on factors that affect the
13 profitability of agriculture. One such factor is the
14 availability and cost of transportation services. Hawaii's
15 agricultural producers face operating costs that increasingly



1 threaten the viability of their agricultural operations and the
2 sustainability of agriculture in Hawaii.

3 The purpose of this Act is to authorize a tax credit equal
4 to twenty per cent of the qualifying business costs for the
5 transportation of agricultural commodities between the islands
6 of the State.

7 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is
8 amended by amending the definition of "eligible business
9 activity" to read as follows:

10 "Eligible business activity" means the:

11 (1) Manufacture of tangible personal property, the
12 wholesale sale of tangible personal property as
13 described in section 237-4, or a service business as
14 defined in this section;

15 (2) Production and interisland transportation of
16 agricultural products where the business is a producer
17 as defined in section 237-5, or the processing of
18 agricultural products, all or some of which were grown
19 within an enterprise zone;



1 (3) Research, development, sale, or production of all
2 types of genetically-engineered medical, agricultural,
3 or maritime biotechnology products; or

4 (4) Production of electric power from wind energy for sale
5 primarily to a public utility company for resale to
6 the public;

7 provided that medical marijuana dispensary activities pursuant
8 to chapter 329D shall not be considered an eligible business
9 activity for the purposes of this chapter."

10 SECTION 3. Section 209E-10, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§209E-10 State business tax credit.** (a) The department
13 shall certify annually to the department of taxation the
14 applicability of the tax credit provided in this chapter for a
15 qualified business against any taxes due the State. Except for
16 the general excise tax, the credit shall be eighty per cent of
17 the tax due for the first tax year, seventy per cent of the tax
18 due for the second tax year, sixty per cent of the tax due for
19 the third year, fifty per cent of the tax due the fourth year,
20 forty per cent of the tax due the fifth year, thirty per cent of
21 the tax due the sixth year, and twenty per cent of the tax due



1 the seventh year. For qualified businesses engaged in the
2 manufacturing of tangible personal property or the producing or
3 processing of agricultural products, the credit shall continue
4 after the seventh year at the rate of twenty per cent of the tax
5 due for each of the subsequent three tax years. Any tax credit
6 not usable shall not be applied to future tax years.

7 (b) When a partnership is eligible for a tax credit under
8 this section, each partner shall be eligible for the tax credit
9 provided for in this section on the partner's income tax return
10 in proportion to the amount of income received by the partner
11 from the partnership. Any qualified business having taxable
12 income from business activity, both within and without the
13 enterprise zone, shall allocate and apportion its taxable income
14 attributable to the conduct of business. Tax credits provided
15 for in this section shall only apply to taxable income of a
16 qualified business attributable to the conduct of business
17 within enterprise zones located within the same county.

18 (c) In addition to any tax credit authorized under this
19 section, any qualified business shall be entitled to a tax
20 credit against any taxes due the State in an amount equal to a
21 percentage of unemployment taxes paid. The amount of the credit



H.B. NO. 1324

1 shall be equal to eighty per cent of the unemployment taxes paid
2 during the first year, seventy per cent of the taxes paid during
3 the second year, sixty per cent of the taxes paid during the
4 third year, fifty per cent of the taxes paid during the fourth
5 year, forty per cent of the taxes paid during the fifth year,
6 thirty per cent of the taxes paid during the sixth year, and
7 twenty per cent of the taxes paid during the seventh year. For
8 qualified businesses engaged in the manufacturing of tangible
9 personal property or the producing or processing of agricultural
10 products, the credit shall continue after the seventh year in an
11 amount equal to twenty per cent of the taxes paid during each of
12 the subsequent three tax years.

13 (d) Tax credits provided for in subsection (c) shall only
14 apply to the unemployment tax paid on employees employed at the
15 qualified business' establishment or establishments within
16 enterprise zones located within the same county. Any tax credit
17 not usable shall not be applied to future tax years.

18 (e) In addition to any tax credit authorized under this
19 section, any qualified business engaged in producing or
20 processing agricultural products, for actual interisland
21 transportation costs paid for transporting its agricultural



H.B. NO. 1324

1 products from one island to another island within the State,
 2 shall be entitled to a tax credit of twenty per cent of the
 3 transportation costs paid. The department shall certify to each
 4 taxpayer the amount of credit the taxpayer may claim. The
 5 department may require a taxpayer to furnish receipts that
 6 verify the actual costs paid and may adopt rules under chapter
 7 91 to effectuate the certification requirements under this
 8 subsection."

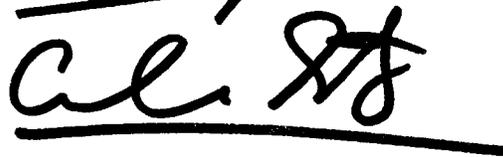
9 SECTION 4. New statutory material is underscored.

10 SECTION 5. This Act shall take effect on July 1, 2017.

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JAN 24 2017



H.B. NO. 1324

Report Title:

Taxation; Agricultural Products; Interisland; Tax Credit

Description:

Authorizes a tax credit equal to 20% of qualifying business costs for the transportation of agricultural commodities between islands within the State of Hawaii.

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