

JAN 24 2018

A BILL FOR AN ACT

RELATING TO THE ORGANIC FOODS PRODUCTION TAX CREDIT.

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

1 SECTION 1. The purpose of this Act is to clarify and
2 strengthen the organic foods production tax credit.

3 SECTION 2. Section 235-110.94, Hawaii Revised Statutes, is
4 amended as follows:

5 1. By amending subsection (b) to read:

6 "(b) The amount of the tax credit shall be equal to the
7 qualified expenses of the qualified taxpayer, up to a maximum of
8 \$50,000[-] per qualified taxpayer."

9 2. By amending subsection (d) to read:

10 "(d) The total amount of tax credits allowed under this
11 section shall not exceed \$2,000,000 for all qualified taxpayers
12 in any taxable year[~~; provided that any taxpayer who is not~~
13 ~~eligible to claim the credit in a taxable year due to the~~
14 ~~\$2,000,000 cap having been exceeded for that taxable year shall~~
15 ~~be eligible to claim the credit in the subsequent taxable year]~~.
16 In a taxable year where the total \$2,000,000 tax credit has been



1 exceeded, all taxpayers eligible to claim the tax credit during
2 that tax year shall be credited on a pro rata basis."

3 3. By amending subsection (f) to read:

4 "(f) The department of agriculture shall:

5 (1) Maintain records of the names and addresses of the
6 qualified taxpayers claiming the credits under this
7 section and the total amount of the qualified expenses
8 upon which the tax credits are based;

9 (2) Verify the nature and amount of the qualified
10 expenses;

11 (3) Total all qualified and cumulative expenses that the
12 department certifies; and

13 (4) Certify the amount of the tax credit for each taxpayer
14 for each taxable year and the cumulative amount of the
15 tax credit.

16 Upon each determination made under this subsection, the
17 department of agriculture shall issue a certificate to the
18 taxpayer verifying information submitted to the department of
19 agriculture, including amounts of qualified expenses, the credit
20 amount certified for the taxpayer for each taxable year, and the
21 cumulative amount of tax credits certified. The taxpayer shall



1 file the certificate with the taxpayer's tax return with the
2 department of taxation.

3 The [board] department of agriculture may assess and
4 collect a fee to offset the costs of certifying tax credit
5 claims under this section[-]; provided that any rules related to
6 this fee shall not be subject to chapter 91."

7 4. By amending subsection (i) to read:

8 "(i) As used in this section:

9 "Net income tax liability" means income tax liability
10 reduced by all other credits allowed under this chapter.

11 "Organic Foods Production Act" means the federal Organic
12 Foods Production Act of 1990, as amended (7 United States Code
13 section 6501 et seq.).

14 "Organic system plan" has the same meaning as provided in 7
15 Code of Federal Regulations section 205.2.

16 "Qualified expenses" means expenses incurred by a qualified
17 taxpayer to [~~produce organically produced agricultural products,~~
18 ~~including expenses incurred to obtain~~] apply for, obtain, and
19 maintain organic certification from the United States Department
20 of Agriculture, pursuant to the Organic Foods Production Act.

21 "Qualified expenses" include:



- 1 (1) Application fees;
- 2 (2) Inspection costs;
- 3 (3) Fees related to equivalency agreement/arrangement
- 4 requirements, travel/per diem for inspectors, user
- 5 fees, sales assessments, and postage; and
- 6 (4) Costs for any equipment, materials, or supplies
- 7 necessary for organic certification [~~or production of~~
- 8 ~~agricultural products~~], in accordance with the
- 9 qualified taxpayer's organic system plan [~~and the~~
- 10 ~~organic production and handling requirements of~~
- 11 pursuant to the National Organic Program, codified at
- 12 7 Code of Federal Regulations part 205, subpart C[,
- 13 ~~including but not limited to certified organic seed,~~
- 14 ~~cover crops, or animal feed]~~.

15 "Qualified expenses" shall not include any amount refunded or to
16 be refunded to the taxpayer by the United States Department of
17 Agriculture's organic certification cost-share program or any
18 other similar financial assistance program.

19 "Qualified taxpayer" means a producer[, ~~handler, or~~
20 ~~handling operation,~~] as [~~those terms are~~] defined in title 7
21 United States Code section 6502:



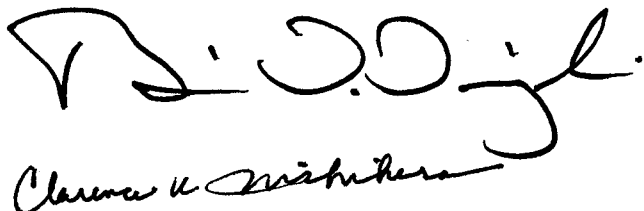
S.B. NO. 3031

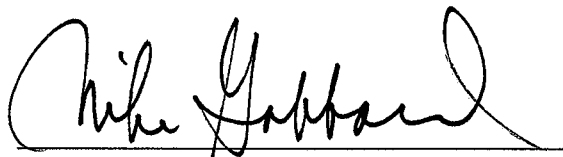
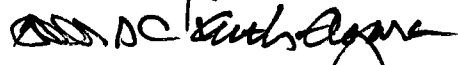
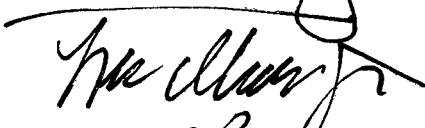


- (1) That sells agricultural products in adherence to the standards and requirements of the Organic Foods Production Act;
- (2) That has applied for organic certification, in accordance with the requirements of the Organic Foods Production Act; and
- (3) Whose gross income from the sale of organically produced agricultural products for the most recently reported fiscal year totals no more than \$500,000."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after _____, 2017, and shall be repealed on December 31, 2021.

INTRODUCED BY:


Clarence H. Smith



S.B. NO. 3031

Report Title:

Organic Foods Production Tax Credit

Description:

Clarifies and strengthens the organic foods production tax credit. Repeals on 12/31/2021.

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