
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 of \$2,000,000 in tax credits
17 has been exceeded, all taxpayers eligible to claim the tax



credit during that tax year shall be credited on a pro rata basis so that the cumulative amount of tax credits certified for the taxable year is \$2,000,000. For purposes of this subsection, "pro rata basis" means a fraction that the department shall determine by dividing \$2,000,000 by the cumulative amount of all qualified expenses submitted for the taxable year, then multiplying that quotient by each taxpayer's qualified expenses for the taxable year."

3. By amending subsection (f) to read:

"(f) The department of agriculture shall:

- (1) Maintain records of the names and addresses of the qualified taxpayers claiming the credits under this section and the total amount of the qualified expenses upon which the tax credits are based;
- (2) Verify the nature and amount of the qualified expenses;
- (3) Total all qualified and cumulative expenses that the department certifies; and
- (4) Certify the amount of the tax credit for each taxpayer for each taxable year and the cumulative amount of the tax credit.



1 Upon each determination made under this subsection, the
2 department of agriculture shall issue a certificate to the
3 taxpayer verifying information submitted to the department of
4 agriculture, including amounts of qualified expenses, the credit
5 amount certified for the taxpayer for each taxable year, and the
6 cumulative amount of tax credits certified. The taxpayer shall
7 file the certificate with the taxpayer's tax return with the
8 department of taxation.

9 ~~[The board of agriculture may assess and collect a fee to~~
10 ~~offset the costs of certifying tax credit claims under this~~
11 ~~section.] "~~

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

13 "(i) As used in this section:

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

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

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



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

6 "Qualified expenses" include:

7 (1) Application fees;

8 (2) Inspection costs;

9 (3) Fees related to equivalency agreement/arrangement
10 requirements, travel/per diem for inspectors, user
11 fees, sales assessments, and postage; and

12 (4) Costs for any equipment, materials, or supplies
13 necessary for organic certification ~~[or production of~~
14 ~~agricultural products]~~, in accordance with the
15 qualified taxpayer's organic system plan ~~[and the~~
16 ~~organic production and handling requirements of]~~
17 pursuant to the National Organic Program, codified at
18 7 Code of Federal Regulations part 205, subpart C~~[,~~
19 ~~including but not limited to certified organic seed,~~
20 ~~cover crops, or animal feed]~~.



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

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

8 (1) That sells agricultural products in adherence to the
9 standards and requirements of the Organic Foods
10 Production Act;

11 (2) That has applied for organic certification, in
12 accordance with the requirements of the Organic Foods
13 Production Act; and

14 (3) Whose gross income from the sale of organically
15 produced agricultural products for the most recently
16 reported fiscal year totals no more than \$500,000."

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

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



Report Title:

Organic Foods Production Tax Credit

Description:

Clarifies and strengthens the organic foods production tax credit. Repeals on 12/31/2021. (SD1)

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