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## A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 PART I

2 SECTION 1. (a) There is established an agricultural  
3 import replacement task force to identify the top ten fruit and  
4 vegetable imports to the State that can be commercially grown by  
5 farmers in the State.

6 (b) The task force shall consist of the following members:

7 (1) A representative from the department of agriculture;

8 (2) A representative from the University of Hawaii  
9 economic research organization;

10 (3) A representative of the Hawaii Farm Bureau Federation;  
11 and

12 (4) The assistant superintendent of the office of  
13 facilities and operations from the department of  
14 education.

15 (c) The task force shall submit a report of its findings  
16 and recommendations, including any proposed legislation, to the  
17 legislature no later than December 1, 2022.



1 PART II

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

5 "§235- Agricultural import replacement tax credit. (a)

6 There shall be allowed to each qualified taxpayer subject to the  
7 tax imposed under this chapter, an income tax credit that shall  
8 be deductible from the taxpayer's net income tax liability, if  
9 any, imposed by this chapter for the taxable year in which the  
10 credit is properly claimed.

11 (b) The amount of the tax credit shall be equal to the  
12 qualified expenses of the qualified taxpayer less any grant  
13 money received under section 141-10, up to a maximum of  
14 \$ in any taxable year.

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

1        (d) The amount of the tax credits allowed under this  
2 section shall not exceed \$5,000,000 for all qualified taxpayers  
3 in any taxable year; provided that any taxpayer who is not  
4 eligible to claim the credit in a taxable year due to the  
5 \$5,000,000 tax credit cap being reached for that taxable year  
6 shall be eligible to claim the credit in the subsequent taxable  
7 year.

8        (e) Every qualified taxpayer, before March 31 of each year  
9 in which qualified expenses were incurred by the taxpayer in the  
10 previous taxable year, shall submit a written, certified  
11 statement to the chairperson of the board of agriculture  
12 identifying:

- 13        (1) Qualified expenses incurred in the previous year;  
14        (2) The amount of the tax credit claimed by the taxpayer  
15        pursuant to this section, if any, in the previous  
16        taxable year; and  
17        (3) The amount, if any, of any grant provided to the  
18        taxpayer under section 141-10.

19        (f) The department of agriculture shall:  
20        (1) Maintain records of the names and addresses of the  
21        qualified taxpayers claiming the credits under this



# H.B. NO. 94

1           section and the total amount of the qualified expenses  
2           upon which the tax credits are based;

3           (2) Verify the nature and amount of the qualified  
4           expenses;

5           (3) Total all qualified and cumulative expenses that the  
6           department certifies; and

7           (4) Certify the amount of the tax credit for each taxpayer  
8           of each taxable year and the cumulative amount of the  
9           tax credit.

10          Upon each determination made under this subsection, the  
11          department of agriculture shall issue a certificate to the  
12          taxpayer verifying information submitted to the department of  
13          agriculture, including amounts of qualified expenses, the credit  
14          amount certified for the taxpayer for each taxable year, and the  
15          cumulative amount of tax credits certified. The taxpayer shall  
16          file the certificate with the taxpayer's tax return with the  
17          department of taxation.

18          The board of agriculture may assess and collect a fee to  
19          offset the costs of certifying tax credit claims under this  
20          section.

21          (g) The director of taxation:



# H.B. NO. 94

- 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        (h) 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        (i) As used in this section:
- 19                   "Agricultural import replacements" means the fruits or  
20                   vegetables grown in the State and sold for consumption in the  
21                   State or for use by business entities licensed and registered in



1 the State that are the same types of fruits and vegetables  
2 identified by the agricultural import replacement task force  
3 established by Act \_\_\_\_\_, Session Laws of Hawaii 2021, as  
4 agricultural imports.

5 "Agricultural imports" means the top ten fruits or  
6 vegetables, as identified by the agricultural import replacement  
7 task force established by Act \_\_\_\_\_, Session Laws of Hawaii 2021,  
8 that are imported into the State but may be commercially grown  
9 in the State.

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

12 "Qualified expenses" means expenses incurred by a qualified  
13 taxpayer to produce agricultural import replacements.

14 "Qualified expenses" include costs for any equipment, materials,  
15 or supplies necessary to grow agricultural import replacements.

16 "Qualified taxpayer" means any person, business entity, or  
17 cooperative association of such persons engaged in the State in  
18 the growing or production of agricultural import replacements."

19 SECTION 3. New statutory material is underscored.

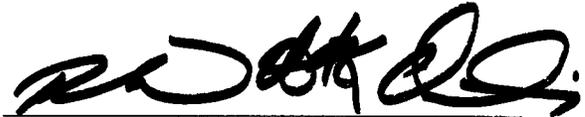


# H.B. NO. 94

1 SECTION 4. This Act shall take effect upon its approval;  
2 provided that section 2 of this Act shall apply to taxable years  
3 beginning after December 31, 2022.

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INTRODUCED BY:



JAN 20 2021



# H.B. NO. 94

**Report Title:**

Agricultural Imports Replacement; Task Force; Income Tax Credit

**Description:**

Establishes a task force to identify the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State. Creates an income tax credit to incentivize the production of those fruits or vegetables to obviate the need to import them into the State.

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