

JAN 22 2021

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.



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PART II

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

"§235- Agricultural import replacement tax credit. (a)
There shall be allowed to each qualified taxpayer subject to the tax imposed under this chapter, an income tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

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

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



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:

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.



S.B. NO. 496

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.

4

INTRODUCED BY: *Mike Hubbard*



S.B. NO. 496

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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