



1 (6) A representative from the local food distribution  
2 industry.

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

6 PART II

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

10 "§235- Agricultural import replacement tax credit. (a)  
11 There shall be allowed to each qualified taxpayer subject to the  
12 tax imposed under this chapter, an income tax credit that shall  
13 be deductible from the taxpayer's net income tax liability, if  
14 any, imposed by this chapter for the taxable year in which the  
15 credit is properly claimed.

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

20 (c) In the case of a partnership, S corporation, estate,  
21 or trust, the tax credit allowable is for qualified expenses



1 incurred by the entity for the taxable year. The expenses upon  
2 which the tax credit is computed shall be determined at the  
3 entity level. Distribution and share of credit shall be  
4 determined pursuant to section 704(b) of the Internal Revenue  
5 Code.

6 (d) The amount of the tax credits allowed under this  
7 section shall not exceed \$5,000,000 for all qualified taxpayers  
8 in any taxable year; provided that any taxpayer who is not  
9 eligible to claim the credit in a taxable year due to the  
10 \$5,000,000 tax credit cap being reached for that taxable year  
11 shall be eligible to claim the credit in the subsequent taxable  
12 year.

13 (e) Every qualified taxpayer, before March 31 of each year  
14 in which qualified expenses were incurred by the taxpayer in the  
15 previous taxable year, shall submit a written, certified  
16 statement to the chairperson of the board of agriculture  
17 identifying:

- 18 (1) Qualified expenses incurred in the previous year;  
19 (2) The amount of the tax credit claimed by the taxpayer  
20 pursuant to this section, if any, in the previous  
21 taxable year; and



- 1       (3) The amount, if any, of any grant provided to the
- 2           taxpayer under section 141-10.
- 3       (f) The department of agriculture shall:
- 4           (1) Maintain records of the names and addresses of the
- 5           qualified taxpayers claiming the credits under this
- 6           section and the total amount of the qualified expenses
- 7           upon which the tax credits are based;
- 8           (2) Verify the nature and amount of the qualified
- 9           expenses;
- 10          (3) Total all qualified and cumulative expenses that the
- 11          department certifies; and
- 12          (4) Certify the amount of the tax credit for each taxpayer
- 13          of each taxable year and the cumulative amount of the
- 14          tax credit.

15       Upon each determination made under this subsection, the  
16 department of agriculture shall issue a certificate to the  
17 qualified taxpayer verifying information submitted to the  
18 department of agriculture, including:

- 19           (1) Amounts of qualified expenses;
- 20           (2) The credit amount certified for the taxpayer for each
- 21           taxable year; and



1       (3) The cumulative amount of tax credits certified.  
2 The qualified taxpayer shall file the certificate with the  
3 qualified taxpayer's tax return with the department of taxation.

4       The board of agriculture may assess and collect a fee to  
5 offset the costs of certifying tax credit claims under this  
6 section.

7       (g) The director of taxation:

8       (1) Shall prepare any forms that may be necessary to claim  
9 a tax credit under this section;

10       (2) May require the taxpayer to furnish reasonable  
11 information to ascertain the validity of the claim for  
12 the tax credit made under this section; and

13       (3) May adopt rules under chapter 91 necessary to  
14 effectuate the purposes of this section.

15       (h) If the tax credit under this section exceeds the  
16 qualified taxpayer's net income tax liability, the excess of the  
17 credit over liability may be used as a credit against the  
18 taxpayer's net income tax liability in subsequent years until  
19 exhausted. All claims for the tax credit under this section,  
20 including amended claims, shall be filed on or before the end of  
21 the twelfth month following the close of the taxable year for



1 which the credit may be claimed. Failure to comply with the  
2 foregoing provision shall constitute a waiver of the right to  
3 claim the credit.

4 (i) As used in this section:

5 "Agricultural import replacements" means the fruits or  
6 vegetables grown in the State and sold for consumption in the  
7 State or for use by business entities licensed and registered in  
8 the State that are the same types of fruits and vegetables  
9 identified by the agricultural import replacement task force  
10 established by Act \_\_\_\_\_, Session Laws of Hawaii 2021, as  
11 agricultural imports.

12 "Agricultural imports" means the top ten fruits or  
13 vegetables, as identified by the agricultural import replacement  
14 task force established by Act \_\_\_\_\_, Session Laws of Hawaii  
15 2021, that are imported into the State but may be commercially  
16 grown in the State.

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

19 "Qualified expenses" means expenses incurred by a qualified  
20 taxpayer to produce agricultural import replacements.

21 "Qualified expenses" includes costs for any equipment,



1 materials, or supplies necessary to grow agricultural import  
2 replacements.

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

6 SECTION 3. New statutory material is underscored.

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



**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. (SD1)

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