
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

PART I

1
2 SECTION 1. (a) There is established within the department
3 of agriculture an agricultural import replacement task force to
4 identify the top ten fruit and vegetable imports to the State
5 that may be commercially grown by 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 college
9 of tropical agriculture and human resources;

10 (3) The assistant superintendent of the office of
11 facilities and operations from the department of
12 education;

13 (4) A representative from the Hawaii Farm Bureau
14 federation, who shall be invited to be a member by the
15 chairperson of the board of agriculture;



1 (5) A representative from the Hawaii Farmers Union United,
2 who shall be invited to be a member by the chairperson
3 of the board of agriculture; and

4 (6) A representative from the local food distribution
5 industry, who shall be invited to be a member by the
6 chairperson of the board of agriculture.

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

10 PART II

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

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

20 (b) The amount of the tax credit shall be equal to the
21 qualified expenses of the qualified taxpayer less any grant



1 money received under section 141-10, up to a maximum of
2 \$ _____ in any taxable year.

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

10 (d) The amount of the tax credits allowed under this
11 section shall not exceed \$5,000,000 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 \$5,000,000 tax credit cap being reached for that taxable year
15 shall be eligible to claim the credit in the subsequent taxable
16 year.

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



- 1 (1) Qualified expenses incurred in the previous year;
- 2 (2) The amount of the tax credit claimed by the taxpayer
- 3 pursuant to this section, if any, in the previous
- 4 taxable year; and
- 5 (3) The amount, if any, of any grant provided to the
- 6 taxpayer under section 141-10.
- 7 (f) The department of agriculture shall:
- 8 (1) Maintain records of the names and addresses of the
- 9 qualified taxpayers claiming the credits under this
- 10 section and the total amount of the qualified expenses
- 11 upon which the tax credits are based;
- 12 (2) Verify the nature and amount of the qualified
- 13 expenses;
- 14 (3) Total all qualified and cumulative expenses that the
- 15 department certifies; and
- 16 (4) Certify the amount of the tax credit for each taxpayer
- 17 of each taxable year and the cumulative amount of the
- 18 tax credit.
- 19 Upon each determination made under this subsection, the
- 20 department of agriculture shall issue a certificate to the



1 qualified taxpayer verifying information submitted to the
2 department of agriculture, including:

- 3 (1) Amounts of qualified expenses;
- 4 (2) The credit amount certified for the taxpayer for each
5 taxable year; and
- 6 (3) The cumulative amount of tax credits certified.

7 The qualified taxpayer shall file the certificate with the
8 qualified taxpayer's tax return with the 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 (g) The director of taxation:

- 13 (1) Shall prepare any forms that may be necessary to claim
14 a tax credit under this section;
- 15 (2) May require the taxpayer to furnish reasonable
16 information to ascertain the validity of the claim for
17 the tax credit made under this section; and
- 18 (3) May adopt rules under chapter 91 necessary to
19 effectuate the purposes of this section.

20 (h) If the tax credit under this section exceeds the
21 qualified taxpayer's net income tax liability, the excess of the



1 credit over liability may be used as a credit against the
2 taxpayer's net income tax liability in subsequent years until
3 exhausted. All claims for the tax credit under this section,
4 including amended claims, shall be filed on or before the end of
5 the twelfth month following the close of the taxable year for
6 which the credit may be claimed. Failure to comply with the
7 foregoing provision shall constitute a waiver of the right to
8 claim the credit.

9 (i) As used in this section:

10 "Agricultural import replacements" means the fruits or
11 vegetables grown in the State and sold for consumption in the
12 State or for use by business entities licensed and registered in
13 the State that are the same types of fruits and vegetables
14 identified by the agricultural import replacement task force
15 established by Act _____, Session Laws of Hawaii 2021, as
16 agricultural imports.

17 "Agricultural imports" means the top ten fruits or
18 vegetables, as identified by the agricultural import replacement
19 task force established by Act _____, Session Laws of Hawaii
20 2021, that are imported into the State but may be commercially
21 grown in the State.



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

3 "Qualified expenses" means expenses incurred by a qualified
4 taxpayer to produce agricultural import replacements, including
5 costs for any equipment, materials, or supplies necessary to
6 grow agricultural import replacements.

7 "Qualified taxpayer" means any person, business entity, or
8 cooperative association of persons engaged in the State in the
9 growing or production of agricultural import replacements."

10 SECTION 3. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2050;
12 provided that section 2 of this Act shall apply to taxable years
13 beginning after December 31, 2022.



Report Title:

Agricultural Import Replacements; Task Force; Income Tax Credit

Description:

Establishes a task force to identify the top 10 fruits and 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. Effective 7/1/2050. (SD2)

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