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# A BILL FOR AN ACT

RELATING TO THE IMPORTANT AGRICULTURAL LAND QUALIFIED  
AGRICULTURAL COST TAX CREDIT.

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

1           SECTION 1. The legislature finds that the important  
2 agricultural land qualified agricultural cost tax credit  
3 supports food self-sufficiency by providing tax credits to  
4 qualified landowners and farmers to help offset costs related to  
5 establishing and sustaining viable agricultural operations.  
6 Currently, the important agricultural land qualified  
7 agricultural cost tax credit is claimed over a three-year  
8 period. The legislature further finds that this tax credit is  
9 set to expire at the end of the 2021 tax year.

10           Extending the important agricultural land qualified  
11 agricultural cost tax credit will provide additional time to  
12 allow landowners and farmers to claim the tax credit in the  
13 event that their agricultural lands are identified as potential  
14 important agricultural lands and subsequently designated as such  
15 by the land use commission. The legislature acknowledges the  
16 State's precarious financial situation due to the coronavirus



1 disease 2019 (COVID-19) pandemic and finds that it is necessary  
2 to allow a three-year delay for a landowner or farmer of  
3 designated important agricultural lands to claim the tax credit.

4 The purpose of this Act is to:

5 (1) Clarify that a taxpayer may claim the important  
6 agricultural land qualified agricultural cost tax  
7 credit in the third taxable year after application for  
8 the first year certification of the credit, rather  
9 than in the taxable year following the taxable year in  
10 which the qualified agricultural costs were incurred;  
11 and

12 (2) Extend the expiration date of the important  
13 agricultural land qualified agricultural cost tax  
14 credit from December 31, 2021, to December 31, 2030.

15 SECTION 2. Section 235-110.93, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By amending subsection (a) to read:

18 "(a) There shall be allowed to each taxpayer an important  
19 agricultural land qualified agricultural cost tax credit that  
20 may be claimed in taxable years beginning after the taxable year  
21 during which the tax credit under section 235-110.46 is



1 repealed, exhausted, or expired. The credit shall be deductible  
2 from the taxpayer's net income tax liability, if any, imposed by  
3 this chapter for the taxable year in which the credit is  
4 properly claimed. The tax credit amount shall be determined as  
5 follows:

6 (1) In the first year in which the credit is claimed, the  
7 lesser of the following:

8 (A) Twenty-five per cent of the qualified  
9 agricultural costs incurred by the taxpayer after  
10 July 1, 2008; or

11 (B) \$625,000;

12 (2) In the second year in which the credit is claimed, the  
13 lesser of the following:

14 (A) Fifteen per cent of qualified agricultural costs  
15 incurred by the taxpayer after July 1, 2008; or

16 (B) \$250,000; and

17 (3) In the third year in which the credit is claimed, the  
18 lesser of the following:

19 (A) Ten per cent of the qualified agricultural costs  
20 incurred by the taxpayer after July 1, 2008; or

21 (B) \$125,000.



1 The taxpayer may incur qualified agricultural costs during a  
 2 taxable year in anticipation of claiming the credit in future  
 3 taxable years during which the credit is available. The  
 4 taxpayer may first claim the credit no earlier than in ~~[any]~~ the  
 5 third taxable year after the taxable year during which the  
 6 taxpayer ~~[incurred the qualified agricultural costs upon which~~  
 7 ~~the credit is claimed.]~~ applied to the department of agriculture  
 8 for first-year certification of the credit. The taxpayer ~~[also]~~  
 9 may subsequently claim the credit in consecutive or  
 10 inconsecutive taxable years until exhausted."

11 2. By amending subsection (1) to read:

12 "(1) The department of agriculture shall cease certifying  
 13 credits pursuant to this section for taxable years beginning  
 14 after December 31, ~~[2021,]~~ 2030; provided that a taxpayer with  
 15 accumulated, but unclaimed, certified credits may continue  
 16 claiming the credits in subsequent taxable years until  
 17 exhausted."

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

20 SECTION 4. This Act shall take effect on July 1, 2050, and  
 21 shall apply to taxable years beginning after December 31, 2021.



**Report Title:**

Income Taxation; Important Agricultural Land Qualified  
Agricultural Cost Tax Credit; HDOA; Extension

**Description:**

Clarifies that a taxpayer may claim the important agricultural land qualified agricultural cost tax credit no earlier than the third taxable year after application for first-year certification of the credit. Extends the time that the department of agriculture may certify the important agricultural land qualified agricultural costs tax credit from 12/31/2021 to 12/31/2030. Applies to taxable years beginning after 12/31/2021. Effective 7/1/2050. (SD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

