
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The legislature finds that the State currently
2 imports eighty-five to ninety per cent of its food, fuel, and
3 fiber, and alternatively envisions a thriving and self-
4 sufficient agricultural sector in Hawaii that readily provides
5 for its people an abundance of affordable local foods and
6 lucrative food-related jobs.

7 The legislature further finds that the State has set the
8 goal to double local food production by 2030 and that one of the
9 more significant barriers to achieving this goal is a lack of
10 access to capital. The legislature also recognizes that there
11 is limited to no incentive for private investors to invest in
12 agriculture in Hawaii. However, according to the department of
13 business, economic development, and tourism, replacing just ten
14 per cent of the food products currently imported into the State
15 would amount to approximately \$313,000,000 in new revenues for
16 Hawaii's agricultural sector. Assuming a thirty per cent farm
17 share, \$94,000,000 would be realized at the farm-gate, which



1 would generate an economy-wide impact of an additional
2 \$188,000,000 in sales, \$47,000,000 in profit earnings,
3 \$6,000,000 in state tax revenues, and more than two thousand
4 three hundred jobs.

5 The purpose of this Act is to establish a tax credit that
6 incentivizes private food manufacturers in the State to use
7 Hawaii-grown food ingredients in their products, which in
8 effect, will support the development of agricultural self-
9 sufficiency and food security in Hawaii.

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

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

19 (b) The amount of the tax credit shall be equal to the
20 qualified expenses of the qualified taxpayer, up to a maximum of
21 \$ _____.



1 (c) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable shall be for qualified
3 expenses incurred by the entity for the taxable year. The
4 expenses upon which the tax credit is computed shall be
5 determined at the entity level. Distribution and share of
6 credit shall be determined by rule.

7 (d) The total amount of tax credits allowed under this
8 section shall not exceed \$ for all qualified taxpayers
9 in any taxable year; provided that any taxpayer who is not
10 eligible to claim the credit in a taxable year due to the
11 \$ cap having been exceeded for that taxable year shall
12 be eligible to claim the credit in the subsequent taxable 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 taxable
19 year; and



1 (2) The amount of the tax credit claimed by the taxpayer
2 pursuant to this section, if any, in the previous
3 taxable year.

4 (f) The board of agriculture shall:

5 (1) Maintain records of the names and addresses of the
6 qualified taxpayers claiming the credits under this
7 section and the total amount of the qualified expenses
8 upon which the tax credits are based;

9 (2) Verify the nature and amount of the qualified
10 expenses;

11 (3) Total all qualified and cumulative expenses that the
12 board certifies; and

13 (4) Certify the amount of the tax credit for each taxpayer
14 for each taxable year and the cumulative amount of the
15 tax credit.

16 Upon each determination made under this subsection, the board of
17 agriculture shall issue a certificate to the taxpayer verifying
18 information submitted to the board of agriculture, including
19 amounts of qualified expenses, the credit amount certified for
20 the taxpayer for each taxable year, and the cumulative amount of
21 tax credits certified. The taxpayer shall file the certificate



1 with the taxpayer's tax return with the department of taxation.
2 The board of agriculture may assess and collect a fee to offset
3 the costs of certifying tax credit claims under this section.

4 (g) The director of taxation:

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

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

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

12 (h) If the tax credit under this section exceeds the
13 taxpayer's net income tax liability, the excess of the credit
14 over liability may be used as a credit against the taxpayer's
15 net income tax liability in subsequent years until exhausted.

16 All claims for the tax credit under this section, including
17 amended claims, shall be filed on or before the end of the
18 twelfth month following the close of the taxable year for which
19 the credit may be claimed. Failure to comply with the foregoing
20 provision shall constitute a waiver of the right to claim the
21 credit.



1 (i) As used in this section:

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

4 "Qualified expenses" means the costs directly incurred by
5 the taxpayer for the purchase, maintenance, or improvement of
6 food manufacturing equipment and facilities.

7 "Qualified taxpayer" means food manufacturers that produce
8 value-added products using local crops."

9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act, upon its approval, shall apply to
11 taxable years beginning after December 31, 2023.

12

INTRODUCED BY:



JAN 23 2023



H.B. NO. 947

Report Title:

Food Manufacturer Tax Credit; Local Crops

Description:

Establishes a food manufacturer tax credit. Defines "qualified taxpayers" as manufacturers that produce valued-added products using local crops. Applies to taxable years beginning after 12/31/2023.

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