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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that the cost of  
2 interisland transportation is a bottleneck for market access by  
3 food producers in Hawaii. This issue is also recognized by the  
4 United States Department of Agriculture, which administers a  
5 reimbursement transportation cost payment program for  
6 geographically disadvantaged farmers and ranchers to reimburse  
7 producers for a portion of the cost to transport agricultural  
8 commodities or inputs used to produce an agricultural commodity.  
9 The reimbursement transportation cost payment program helps  
10 eligible farmers and ranchers outside the contiguous United  
11 States, including farmers and ranchers in Hawaii and the  
12 Pacific, offset a portion of the cost of transporting  
13 agricultural products or inputs used to produce an agricultural  
14 commodity over long distances. Payments from the program are  
15 calculated based on the costs incurred for transportation of the  
16 agricultural commodity or inputs during a fiscal year, subject  
17 to an \$8,000 per producer cap per fiscal year.



1           The legislature further finds that providing an income tax  
2 credit like the reimbursement transportation cost payment  
3 program that similarly reimburses producers for a portion of the  
4 cost to transport agricultural goods between the counties will  
5 reduce cost impacts to farm viability and consumer food price  
6 and support progress towards the State's Aloha+ Challenge  
7 commitment to increase local food consumption and production.

8           Accordingly, the purpose of this Act is to establish an  
9 interisland produce shipping tax credit to alleviate the costs  
10 of interisland shipping for farmers and ranchers in the State.

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-       Interisland produce shipping tax credit. (a)  
15 Each qualified taxpayer that files an individual or corporate  
16 net income tax return for a taxable year may claim a tax credit  
17 under this section against the Hawaii state individual or  
18 corporate net income tax imposed by this chapter for the taxable  
19 year in which the credit is properly claimed.

20           In the case of a partnership, S corporation, estate, or  
21 trust, the tax credit allowable is for transportation costs



1 incurred by the entity for the taxable year. The costs 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 by rule.

5 (b) The amount of the credit shall be equal  
6 to \_\_\_\_\_ per cent of the qualified transportation costs of  
7 the qualified taxpayer, up to a maximum of \$ \_\_\_\_\_.

8 (c) The department of agriculture shall:

9 (1) Maintain records of the total amount of qualified  
10 transportation costs for each taxpayer claiming a  
11 credit;

12 (2) Verify the amount of the qualified transportation  
13 costs claimed;

14 (3) Total all qualified transportation costs claimed; and

15 (4) Certify the total amount of the tax credit for each  
16 taxable year.

17 Upon each determination, the department of agriculture  
18 shall issue a certificate to the taxpayer verifying the  
19 qualified transportation costs and the credit amount certified  
20 for each taxable year. For a taxable year, the department of  
21 agriculture may certify a credit for a taxpayer who could have



1 claimed the credit in a previous taxable year, but chose not to  
2 because the maximum annual credit amount under subsection (d)  
3 was reached in that taxable year.

4 The taxpayer shall file the certificate with the taxpayer's  
5 tax return with the department of taxation. Notwithstanding the  
6 department of agriculture's certification authority under this  
7 section, the director of taxation may audit and adjust  
8 certification to conform to the facts.

9 (d) The total amount of tax credits allowed under this  
10 section shall not exceed \$ \_\_\_\_\_ for all taxpayers in any  
11 taxable year; provided that, of the \$ \_\_\_\_\_ :

12 (1) \$ \_\_\_\_\_ may be certified for qualified taxpayers  
13 who are farmers or ranchers;

14 (2) \$ \_\_\_\_\_ may be certified for qualified taxpayers  
15 who operate food hubs; and

16 (3) \$ \_\_\_\_\_ may be certified for qualified taxpayers  
17 who are broad line distributors.

18 If in any taxable year the annual amount of certified credits  
19 reaches the amount specified in paragraph (1), (2), or (3), the  
20 department of agriculture shall immediately discontinue  
21 certifying credits for the taxpayers described in that paragraph



1 and notify the department of taxation. In no instance shall the  
2 department of agriculture certify a total amount of credits  
3 exceeding \$ \_\_\_\_\_ per taxable year. To comply with this  
4 restriction, the department of agriculture shall certify credits  
5 on a first come, first served basis.

6 (e) If the tax credit under this section exceeds the  
7 taxpayer's net income tax liability, the excess of the credit  
8 over liability may be used as a credit against the taxpayer's  
9 net income tax liability in subsequent years until either the  
10 credit is exhausted, or for a period of five years, whichever is  
11 earlier.

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 (f) The director of taxation:

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



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

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

6       (g) As used in this section:

7       "Food hub" means a business or organization that actively  
8       manages the aggregation, distribution, and marketing of source-  
9       identified food products, primarily from local producers, to  
10       strengthen the business or organization's ability to satisfy  
11       wholesale, retail; and institutional demand.

12       "Qualified taxpayer" means any farmer or rancher who is an  
13       individual, group of individuals, partnership, corporation,  
14       estate, trust, association, cooperative, broad line distributor,  
15       food hub, or other business enterprise or other legal entity  
16       who:

17       (1) Is located in the State;

18       (2) Shares in the risk of producing an agricultural  
19       commodity in substantial commercial quantities; and

20       (3) Is entitled to a share of the agricultural commodity  
21       from the agricultural operation.



1       "Qualified transportation costs" means costs incurred,  
2 including air freight, ocean freight, and land freight, in  
3 transporting the following between counties:

- 4       (1) Produce and agricultural goods; and  
5       (2) Inputs used to produce an agricultural commodity,  
6       including but not limited to chemicals, feed,  
7       fertilizer, fuel, seeds, plants, supplies, equipment  
8       parts, and other inputs."

9       SECTION 3. New statutory material is underscored.

10       SECTION 4. This Act shall take effect on June 30, 3000,  
11 and shall apply to taxable years beginning after December 31,  
12 2023.



**Report Title:**

Producers; Agricultural Goods; Interisland Shipping; Income Tax Credit

**Description:**

Creates an income tax credit for transportation costs incurred by certain taxpayers who ship produce and agricultural goods between counties. Effective 6/30/3000. (SD2)

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