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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 increasing local  
2 food production for local consumption is an issue of statewide  
3 interest. Strengthening the local agricultural industry in a  
4 way that revitalizes food systems can provide economic, social,  
5 ecological, and public health benefits for the lands, waters,  
6 and people of Hawaii.

7           The legislature further finds that Hawaii farmers, fishers,  
8 and ranchers need support to alleviate the high costs associated  
9 with agricultural production in the islands. Ensuring the  
10 viability of local food producers is critical to the State's  
11 progress toward the goals outlined in the Aloha+ challenge.

12           The purpose of this Act is to establish an income tax  
13 credit to alleviate the high costs of production for Hawaii's  
14 farmers, ranchers, and fishers and incentivize growth in the  
15 agricultural sector.



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

4 "§235- Farming income tax credit. (a) There shall be  
5 allowed to each eligible farmer subject to the tax imposed under  
6 this chapter, an income tax credit that shall be deductible from  
7 the eligible farmer's net income tax liability, if any, imposed  
8 by this chapter for the taxable year in which the credit is  
9 properly claimed.

10 (b) The amount of the tax credit shall be equal to the  
11 qualified expenses of the eligible farmer, up to a maximum of  
12 \$10,000.

13 (c) If the tax credit under this section exceeds the  
14 eligible farmer's net income tax liability and the eligible  
15 farmer's federal gross income is under \$250,000, the excess of  
16 the credit over liability shall be refunded to the taxpayer;  
17 provided that no refunds or payment on account of the tax  
18 credits allowed by this section shall be made for amounts less  
19 than \$1. If the tax credit under this section exceeds the  
20 eligible farmer's net income tax liability and the eligible  
21 farmer's federal gross income is \$250,000 or more, the excess of



1 the 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 (d) The director of taxation:

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

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

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

17 (e) All of the provisions relating to assessments and  
18 refunds under this chapter and under section 231-23(c) (1) shall  
19 apply to the tax credit under this section.

20 (f) As used in this section:



1       "Eligible farmer" means a taxpayer that provides proof of  
2 at least two-thirds of excess federal gross income from farming  
3 or ranching, as shown by federal Form 1040 Schedule F filings,  
4 or from fishing, as shown by federal Form 1040 Schedule C  
5 filings.

6       "Excess federal gross income" means the amount of federal  
7 gross income from all sources for the tax year."

8       SECTION 3. New statutory material is underscored.

9       SECTION 4. This Act, upon its approval, shall apply to  
10 taxable years beginning after December 31, 2022.

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INTRODUCED BY:   
JAN 20 2023



# H.B. NO. 612

**Report Title:**

Agriculture; Farmers; Ranchers; Fishers; Income Tax Credit

**Description:**

Creates an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State.

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