
A BILL FOR AN ACT

RELATING TO MANUFACTURING.

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

1 SECTION 1. The legislature finds that Hawaii's economy has
2 been greatly impacted by the COVID-19 pandemic. However, during
3 the first nine months of 2022, roughly 6,800,000 visitors
4 arrived in Hawaii, representing eighty-eight per cent recovery
5 from the same period in 2019. International visitors arriving
6 by air recovered 36.7 per cent.

7 The legislature further finds that overall for 2022, the
8 average annual unemployment rate is estimated to be 3.6 per cent
9 and is projected to decrease to 3.5 per cent in 2023, 3.2 per
10 cent in 2024, and 2.9 per cent in 2025. These rates remain
11 higher than Hawaii's average unemployment rate of 2.5 per cent
12 from 2017 to 2019.

13 Despite signs of recovery, the legislature also finds that
14 Hawaii's consumer inflation rate, as measured by the Honolulu
15 consumer price index for all urban consumers, is estimated to
16 increase 6.5 per cent in 2022, with a projected increase of 3.1



1 per cent in 2023, 2.3 per cent in 2024, and 2.1 per cent in
2 2025.

3 The legislature further finds that the food manufacturing
4 industry in Hawaii can help the State's food security by
5 strengthening the link between farmers and other agricultural
6 producers and Hawaii's small business people who process raw
7 fruits, vegetables, grains, meats, and dairy products into
8 finished goods ready for the grocer or wholesaler to sell to
9 households, restaurants, or institutional food services. Act
10 215, Session Laws of Hawaii 2015, created the manufacturing
11 development program that provides assistance to manufacturing
12 businesses in the State through grants. The further development
13 of the food manufacturing industry in the State will prevent
14 food waste and broaden and diversify the economy away from its
15 heavy reliance on tourism.

16 The purpose of this Act is to establish an income tax
17 credit to incentivize the development of the food manufacturing
18 industry in the State.

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



1 "§235- Manufacturing development tax credit. (a) There
2 shall be allowed to each qualified taxpayer subject to the tax
3 imposed under this chapter, an income tax credit that shall be
4 deductible from the qualified taxpayer's net income tax
5 liability, if any, imposed by this chapter for the taxable year
6 in which the credit is properly claimed.

7 (b) The amount of the tax credit shall be fifty per cent
8 of the qualified expenses of the qualified taxpayer, up to a
9 maximum of \$ _____ in any taxable year.

10 (c) In the case of a partnership, S corporation, estate,
11 or trust, the tax credit allowable is for qualified expenses
12 incurred by the entity for the taxable year. The expenses upon
13 which the tax credit is computed shall be determined at the
14 entity level. Distribution and share of credit shall be
15 determined pursuant to section 704(b) of the Internal Revenue
16 Code.

17 (d) The amount of the tax credits allowed under this
18 section shall not exceed \$ _____ for all qualified taxpayers
19 in any taxable year; provided that any qualified taxpayer who is
20 not eligible to claim the credit in a taxable year due to the
21 \$ _____ tax credit cap being reached for that taxable year



1 shall be eligible to claim the credit in the subsequent taxable
2 year.

3 (e) By March 31 of each year, each qualified taxpayer
4 claiming the tax credit for the previous taxable year, shall
5 submit a written, certified statement to the chairperson of the
6 board of agriculture identifying:

7 (1) Qualified expenses incurred in the previous year; and
8 (2) The amount of the tax credit claimed by the qualified
9 taxpayer pursuant to this section, if any, in the
10 previous taxable year.

11 (f) If the tax credit under this section exceeds the
12 qualified taxpayer's net income tax liability, the excess of the
13 credit over liability may be used as a credit against the
14 qualified taxpayer's net income tax liability in subsequent
15 years until exhausted. All claims for the tax credit under this
16 section, including amended claims, shall be filed on or before
17 the end of the twelfth month following the close of the taxable
18 year for which the credit may be claimed. Failure to comply
19 with the foregoing provision shall constitute a waiver of the
20 right to claim the credit.

21 (g) The department of agriculture shall:



- 1 (1) Maintain records of the names and addresses of the
2 qualified taxpayers claiming the credits under this
3 section and the total amount of the qualified expenses
4 upon which the tax credits are based;
- 5 (2) Verify the nature and amount of the qualified
6 expenses;
- 7 (3) Verify that each applicant for the tax credit under
8 this section is a qualified taxpayer as defined in
9 subsection (i);
- 10 (4) Total all qualified and cumulative expenses that the
11 department certifies; and
- 12 (5) Certify the amount of the tax credit for each
13 qualified taxpayer of each taxable year and the
14 cumulative amount of the tax credit.

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



1 qualified taxpayer shall file the certificate with the qualified
2 taxpayer's tax return with the department of taxation.

3 The department of agriculture may assess and collect a fee
4 to offset the costs of certifying tax credit claims under this
5 section.

6 (h) The director of taxation:

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

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

12 and

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

15 (i) As used in this section:

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

18 "Qualified expenses" means expenses incurred by a qualified
19 taxpayer for:

20 (1) The purchasing of food manufacturing equipment;



1 (2) Training of employees on the use of food manufacturing
2 equipment;

3 (3) Improving existing energy efficiency manufacturing
4 equipment or the purchase of improved energy
5 efficiency equipment in the food manufacturing
6 process; or

7 (4) Studying or planning the implementation of a new food
8 manufacturing facility.

9 "Qualified taxpayer" means any person or business entity
10 that is engaged in the food manufacturing industry in the State
11 and manufactures food that has had at least fifty-one per cent
12 of its wholesale value added by manufacture, assembly,
13 fabrication, or production within the State."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on June 30, 3000.



Report Title:

Food Manufacturing Development; Income Tax Credit

Description:

Creates an income tax credit to incentivize the food manufacturing industry in the State. Effective 6/30/3000.
(SD1)

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

