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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 purpose of this Act is to establish a farm  
2 workforce retention tax credit for farm employers or owners of  
3 farm employers.

4           SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
5 amended by adding a new section to part VI to be appropriately  
6 designated and to read as follows:

7           "§235-    Farm workforce retention tax credit.   (a) There  
8 shall be allowed to each qualified taxpayer subject to the tax  
9 imposed by this chapter a farm workforce retention tax credit  
10 that shall be applied to the qualified taxpayer's net income tax  
11 liability, if any, imposed by this chapter for the taxable year  
12 in which the credit is properly claimed.

13           (b) The tax credit amount shall be as follows:

14           (1) For the taxable year beginning after December 31,  
15                 2023: \$                           per eligible farm employee employed  
16                 by the qualified taxpayer;



1        (2) For the taxable year beginning after December 31,  
2            2024: \$ \_\_\_\_\_ per eligible farm employee employed  
3            by the qualified taxpayer;

4        (3) For the taxable year beginning after December 31,  
5            2025: \$ \_\_\_\_\_ per eligible farm employee employed  
6            by the qualified taxpayer;

7        (4) For the taxable year beginning after December 31,  
8            2026: \$ \_\_\_\_\_ per eligible farm employee employed  
9            by the qualified taxpayer; and

10       (5) For the taxable year beginning after December 31,  
11           2027, and ending on December 31, 2028:  
12           \$ \_\_\_\_\_ per eligible farm employee employed by the  
13           qualified taxpayer.

14       (c) If a farm employee employed by the qualified taxpayer  
15 becomes unable to work due to a documented illness or  
16 disability, the qualified taxpayer may combine the hours the  
17 farm employee was employed during the taxable year with the  
18 hours of another farm employee hired to replace the ill or  
19 disabled farm employee in the same taxable year when determining  
20 whether the farm employee meets the minimum requirement for the  
21 number of hours worked per taxable year to meet the definition

1 of "eligible farm employee" for the purposes of this section.  
2 The qualified taxpayer shall obtain proof of illness or  
3 disability for the ill or disabled farm employee in the form of  
4 a written statement from a health care provider licensed,  
5 certified, or otherwise permitted by law to diagnose or treat  
6 the physical or mental condition that led to the claimed illness  
7 or disability. The statement shall include:

8 (1) The name and a description of the farm employee's  
9 illness or disability;

10 (2) The health care provider's medical opinion that the  
11 illness or disability prevented the farm employee from  
12 working;

13 (3) The specific time period during which the farm  
14 employee is or was unable to work due to illness or  
15 disability, to the best of the health care provider's  
16 knowledge; and

17 (4) The following certification signed by the health care  
18 provider: "I hereby certify that, to the best of my  
19 knowledge and belief, the above representations are  
20 true, correct, and complete."



1 The qualified taxpayer shall retain documentation of the hours  
2 worked and proof of illness or disability for all eligible farm  
3 employees and shall make the documentation and proof available  
4 to the department upon request. Workers who are part of the H-  
5 2A Temporary Agricultural Program that meet the definition of  
6 "eligible farm employee" may be included in the computation of  
7 this tax credit.

8 (d) In the case of a partnership, S corporation, estate,  
9 or trust, the tax credit allowable shall be for each eligible  
10 farm employee employed by the qualified taxpayer. The cost upon  
11 which the credit is computed shall be determined at the entity  
12 level, and the distribution and share of the tax credit shall be  
13 determined pursuant to section 704(b) of the Internal Revenue  
14 Code.

15 (e) The credit under this section shall be claimed against  
16 the net income tax liability for the taxable year. If the tax  
17 credit claimed by the qualified taxpayer under this section  
18 exceeds the amount of the income tax payments due from the  
19 qualified taxpayer, the excess of credit over payments due shall  
20 be refunded to the qualified taxpayer; provided that the tax  
21 credit properly claimed by a qualified taxpayer who has no



1 income tax liability shall be paid to the qualified taxpayer;  
2 provided further that no refunds or payments on account of the  
3 tax credit allowed by this section shall be made for amounts  
4 less than \$1.

5 (f) The director of taxation:

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

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

11 (3) May adopt rules pursuant to chapter 91 to effectuate  
12 the purposes of this section.

13 (g) For the purposes of this section:

14 "Eligible farm employee" means an individual who is  
15 employed for five hundred hours or more per taxable year by a  
16 farm employer in the State. "Eligible farm employee" does not  
17 include general executive officers of the farm employer.

18 "Excess federal gross income" means the amount of federal  
19 gross income from all sources for the taxable year in excess of  
20 \$30,000.

21 "Farm employer" means a person:



1       (1) Who is a corporation, including an S corporation, sole  
2           proprietorship, limited liability company, or a  
3           partnership; and

4       (2) Whose federal gross income from farming for the  
5           taxable year is at least two-thirds of excess federal  
6           gross income.

7       "Farming" means the operation or management of livestock,  
8       dairy, poultry, fish, fruit, furbearing animals, vegetable  
9       farms, plantations, ranches, ranges, or orchards.

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

12       "Owner of a farm employer" includes shareholders of a  
13       Hawaii S corporation, partners in a partnership, members of a  
14       limited liability company, or beneficiaries of an estate or  
15       trust.

16       "Qualified taxpayer" means a farm employer or an owner of a  
17       farm employer."

18       SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on June 30, 3000,  
2 and shall apply to taxable years beginning after December 31,  
3 2023.



**Report Title:**

Farm Workforce Retention Tax Credit; Farm Employment

**Description:**

Establishes the farm workforce retention tax credit for farm employers or owners of farm employers who employ eligible farm employees. Effective 6/30/3000. (HD2)

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

