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# A BILL FOR AN ACT

RELATING TO RESILIENCY.

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

1           SECTION 1. The legislature finds that Hawai'i's geographic  
2 isolation and reliance on centralized supply chains make the  
3 State uniquely vulnerable to disruptions caused by natural  
4 disasters. Any damage to the State's harbors during hurricanes,  
5 tsunamis, or other emergencies could leave residents with  
6 limited access to food and essential supplies for extended  
7 periods.

8           This risk underscores the need to expand local food  
9 production, processing, and storage capacity to ensure the State  
10 is prepared for potential disasters. Strengthening the State's  
11 food supply chain will not only enhance resilience but also  
12 reduce food insecurity, which affects one in three Hawai'i  
13 residents, and alleviate the high costs of food that  
14 disproportionately impact low-income families.

15           The legislature further finds that despite the State's goal  
16 of doubling local food production by 2030, small businesses  
17 engaged in food and beverage production, distribution, and



1 retailing face significant challenges. Regulatory hurdles,  
2 permitting delays, and an onerous tax environment hinder their  
3 ability to scale and meet local demand. Many businesses  
4 relocate operations to the continental United States or overseas  
5 to remain viable, leaving Hawai'i without the necessary  
6 infrastructure to build food resilience.

7       The legislature believes that to achieve food security and  
8 resilience, the State must provide incentives for improving food  
9 and beverage supply chain activities, streamlining permitting  
10 processes, and creating an environment where local businesses  
11 can expand and succeed. To ensure access to affordable and  
12 nutritious food and to prepare Hawai'i for emergencies, it is  
13 essential that the State support local producers, processors,  
14 distributors, and retailers in building a robust and self-  
15 sustaining food system.

16       Accordingly, the purpose of this Act is to:

17       (1) Establish a refundable income tax credit for qualified  
18 taxpayers that incur qualified expenses in connection  
19 with activities that enhance the resiliency of the  
20 food and beverage supply chain; and



1           (2) Require the department of business, economic  
 2           development, and tourism to establish expedited  
 3           permitting processes for certain food and beverage  
 4           supply chain projects.

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

8           "§235-           Food and beverage supply chain resiliency income

9           tax credit. (a) There shall be allowed to each qualified  
 10          taxpayer subject to the tax imposed under this chapter, a food  
 11          and beverage supply chain resiliency income tax credit that  
 12          shall be deductible from the qualified taxpayer's net income tax  
 13          liability, if any, imposed by this chapter for the taxable year  
 14          in which the credit is properly claimed.

15          (b) The food and beverage supply chain resiliency income  
 16          tax credit shall be equal to forty per cent of qualified food  
 17          and beverage supply chain costs of the qualified taxpayer, up to  
 18          a maximum of \$ \_\_\_\_\_, whichever is less.

19          (c) The total amount of tax credits allowed under this  
 20          section shall not exceed \$2,000,000 for all qualified taxpayers  
 21          in any taxable year; provided that any qualified taxpayer who is



1 not eligible to claim the credit in a taxable year due to the  
2 \$2,000,000 cap having been exceeded for that taxable year shall  
3 be eligible to claim the credit in the subsequent taxable year;  
4 provided further that at least twenty-five per cent of the total  
5 amount of tax credits allowed in any taxable year shall be  
6 reserved for small-scale producers and community-based  
7 organizations.

8 (d) Each taxpayer claiming a tax credit under this section  
9 shall register with the department of business, economic  
10 development, and tourism and submit a written, certified  
11 statement to the department that identifies:

12 (1) Qualified food and beverage supply chain costs, if  
13 any, incurred in the previous taxable year;

14 (2) The amount of tax credits claimed pursuant to this  
15 section, if any, in the previous taxable year; and

16 (3) Proof of compliance with all federal, state, and  
17 county laws.

18 (e) The department of business, economic development, and  
19 tourism:



- 1        (1) May, in consultation with the director of taxation,  
2                prepare any forms that may be necessary to certify  
3                costs to claim a tax credit under this section;
- 4        (2) Shall maintain records of the names of the taxpayers  
5                claiming the tax credit under this section;
- 6        (3) Shall obtain and total the aggregate amounts of all  
7                qualified food and beverage supply chain costs per  
8                qualified taxpayer per taxable year;
- 9        (4) Shall certify the amount of qualified food and  
10               beverage supply chain costs eligible to claim a tax  
11               credit made under this section;
- 12       (5) Shall provide a letter to the director of taxation  
13               specifying the amount of the tax credit per qualified  
14               taxpayer for each taxable year that a tax credit is  
15               claimed;
- 16       (6) Shall establish annual performance metrics, including  
17               but not limited to the number of new businesses  
18               supported, percentage increase in local food  
19               production, and volume of food donations facilitated,  
20               to evaluate the impact of the tax credit on food  
21               system resiliency; and



1       (7) Shall adopt rules under chapter 91 as necessary to  
2       effectuate the purposes of this section.

3       (f) Upon each determination made under subsection (d), the  
4       department of business, economic development, and tourism shall  
5       issue a certificate to the taxpayer verifying information  
6       submitted to the department, including the qualified food and  
7       beverage supply chain costs, the credit amount certified for  
8       each taxable year, and the cumulative amount of the tax credit  
9       during the credit period. The taxpayer shall file the  
10       certificate with the taxpayer's tax return with the department  
11       of taxation. Notwithstanding the authority of the department of  
12       business, economic development, and tourism under this section,  
13       the director of taxation may audit and adjust the tax credit  
14       amount to conform to the information filed by the taxpayer.

15       The department of business, economic development, and  
16       tourism may assess and collect a fee to offset the costs of  
17       certifying tax credit claims under this section.

18       (g) 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 as necessary to  
5       effectuate the purposes of this section.

6       (h) If the tax credit claimed by the qualified taxpayer  
7       under this section exceeds the amount of the income tax payments  
8       due from the taxpayer, the excess of credit over payments due  
9       shall be refunded to the taxpayer; provided that the tax credit  
10      properly claimed by the taxpayer who has no income tax liability  
11      shall be paid to the taxpayer; provided further that no refunds  
12      or payments on account of the tax credit allowed by this section  
13      shall be made for amounts less than \$1. All claims for the tax  
14      credit under this section, including amended claims, shall be  
15      filed on or before the end of the twelfth month following the  
16      close of the taxable year for which the credit may be claimed.  
17      Failure to comply with the foregoing provision shall constitute  
18      a waiver of the right to claim the credit.

19      (i) As used in this section:

20      "Food and beverage supply chain" means all entities  
21      involved in the production, processing, distribution, storage,



1 retailing, and donation of food and beverage products in the  
2 State, including:

- 3       (1) Farmers and ranchers;
- 4       (2) Food and beverage hubs and cooperatives;
- 5       (3) Food and beverage processors and manufacturers;
- 6       (4) Distributors and logistics companies;
- 7       (5) Grocery stores, markets, and other food and beverage  
8           retailers; and
- 9       (6) Food banks and organizations that provide food  
10           assistance.

11       "Qualified food and beverage supply chain costs" means  
12 operational costs relevant to food and beverage supply chain  
13 activities in the State, including but not limited to:

- 14       (1) Salaries, wages, and other labor costs for employees  
15           directly involved in food and beverage supply chain  
16           activities;
- 17       (2) Expenses for establishing, upgrading, or maintaining  
18           infrastructure for food and beverage processing,  
19           distribution, storage, or retailing;



1       (3) Costs for purchasing agricultural equipment, vehicles,  
2       or renewable energy systems used in food and beverage  
3       supply chain operations;

4       (4) Utilities and energy costs necessary for food and  
5       beverage supply chain operations; and

6       (5) Costs for developing or implementing food donation and  
7       recovery programs to reduce food waste and improve  
8       access to food for underserved communities.

9       "Qualified taxpayer" means a taxpayer subject to tax under  
10      this chapter involved in the production, processing,  
11      distribution, storage, retailing, and donation of food and  
12      beverage products in the State, including:

13       (1) Farmers and ranchers;

14       (2) Food and beverage hubs and cooperatives;

15       (3) Food and beverage processors and manufacturers;

16       (4) Distributors and logistics companies;

17       (5) Grocery stores, markets, and other food and beverage  
18       retailers; and

19       (6) Food banks and organizations that provide food  
20       assistance."



1 SECTION 3. (a) The department of business, economic  
2 development, and tourism shall establish expedited permitting  
3 processes for:

4 (1) Building food and beverage storage and processing  
5 facilities;

6 (2) Expanding retail operations for local food and  
7 beverage businesses; and

8 (3) Establishing agricultural production or processing  
9 infrastructure.

10 (b) Permits for food and beverage supply chain projects  
11 shall be reviewed and approved within one hundred eighty days of  
12 submission; provided that the requests for permits are submitted  
13 with the approval of licensed contractors.

14 SECTION 4. The department of business, economic  
15 development, and tourism, in consultation with the department of  
16 taxation, shall adopt rules under chapter 91, Hawaii Revised  
17 Statutes, to effectuate the purposes of this Act, including  
18 procedures for claiming the food and beverage supply chain  
19 resiliency income tax credit and enforcing compliance.

20 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act shall take effect on July 1, 3000;  
2 provided that section 2 shall apply to taxable years beginning  
3 after December 31, 2025.



**Report Title:**

DBEDT; DOTAX; Food and Beverage Supply Chain; Resiliency; Tax Credit; Permits

**Description:**

Establishes the Food and Beverage Supply Chain Resiliency Income Tax Credit to be administered by the Department of Business, Economic Development, and Tourism and Department of Taxation. Requires DBEDT to establish expedited permitting processes for food and beverage supply chain activities. Applicable to taxable years beginning after 12/31/2025. Effective 7/1/3000. (HD1)

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

