

JAN 23 2025

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# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1           SECTION 1. The purpose of this Act is to establish an  
2 agroecological and climate-smart farming practices tax credit to  
3 promote: soil quality and health; fertility management for  
4 organic and conventional farming systems; preventative and  
5 biological pest management; crop rotation, cover cropping, and  
6 poly-cultures; and the conservation or restoration of native and  
7 Polynesian-introduced plants into agricultural landscapes.

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

11           "§235-    Agroecological and climate-smart farming  
12 practices tax credit. (a) There shall be allowed to each  
13 qualified taxpayer subject to the tax imposed under this chapter  
14 an agroecological and climate-smart farming practices income tax  
15 credit that shall be deductible from the taxpayer's net income  
16 tax liability, if any, imposed by this chapter for the taxable  
17 year in which the credit is properly claimed.



1        (b) The amount of the tax credit shall be equal to the  
2 qualified expenses of the qualified taxpayer, up to a maximum of  
3 \$ \_\_\_\_\_.

4        (c) In the case of a partnership, S corporation, estate,  
5 or trust, the tax credit allowable shall be for qualified  
6 expenses incurred by the entity for the taxable year. The  
7 expenses upon which the tax credit is computed shall be  
8 determined at the entity level. Distribution and share of  
9 credit shall be determined by rule.

10       (d) The total amount of tax credits allowed under this  
11 section shall not exceed \$ \_\_\_\_\_ for all qualified taxpayers  
12 in any taxable year; provided that any taxpayer who is not  
13 eligible to claim the credit in a taxable year due to the  
14 \$ \_\_\_\_\_ cap having been exceeded for that taxable year shall  
15 be eligible to claim the credit in the subsequent taxable year.

16       (e) Every qualified taxpayer, before March 31 of each year  
17 in which qualified expenses were incurred by the taxpayer in the  
18 previous taxable year, shall submit a written, certified  
19 statement to the chairperson of the board of agriculture  
20 identifying:



1       (1) Qualified expenses incurred in the previous taxable  
2       year; and

3       (2) The amount of the tax credit claimed by the taxpayer  
4       pursuant to this section, if any, in the previous  
5       taxable year.

6       (f) The board of agriculture shall:

7       (1) Maintain records of the names and addresses of the  
8       qualified taxpayers claiming the credits under this  
9       section and the total amount of the qualified expenses  
10       upon which the tax credits are based;

11       (2) Verify the nature and amount of the qualified  
12       expenses;

13       (3) Total all qualified and cumulative expenses that the  
14       board certifies; and

15       (4) Certify the amount of the tax credit for each taxpayer  
16       for each taxable year and the cumulative amount of the  
17       tax credit.

18       Upon each determination made under this subsection, the board of  
19       agriculture shall issue a certificate to the taxpayer verifying  
20       information submitted to the board of agriculture, including  
21       amounts of qualified expenses, the credit amount certified for



1 the taxpayer for each taxable year, and the cumulative amount of  
2 tax credits certified. The taxpayer shall file the certificate  
3 with the taxpayer's tax return with the department of taxation.  
4 The board of agriculture may assess and collect a fee to offset  
5 the costs of certifying tax credit claims under this section.

6 (g) 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 taxpayer to furnish reasonable  
10 information to ascertain the validity of the claim for  
11 the tax credit made under this section; and

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

14 (h) If the tax credit under this section exceeds the  
15 taxpayer's net income tax liability, the excess of the credit  
16 over liability may be used as a credit against the taxpayer's  
17 net income tax liability in subsequent years until exhausted.

18 All claims for the tax credit under this section, including  
19 amended claims, shall be filed on or before the end of the  
20 twelfth month following the close of the taxable year for which  
21 the credit may be claimed. Failure to comply with the foregoing



1 provision shall constitute a waiver of the right to claim the  
2 credit.

3 (i) For the purposes of this section:

4 "Agroecological and climate-smart farming practices" means  
5 sustainable farming practices that promote soil quality and  
6 health; fertility management for organic and conventional  
7 farming systems; preventative and biological pest management;  
8 crop rotation, cover cropping, and polycultures; and the  
9 conservation or restoration of native and Polynesian-introduced  
10 plants to agricultural landscapes.

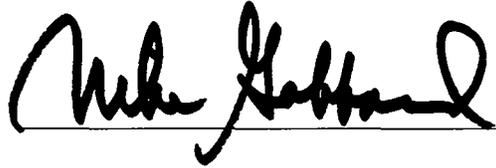
11 "Net income tax liability" means income tax liability  
12 reduced by all other credits allowed under this chapter.

13 "Qualified taxpayer" means a farmer that adopts  
14 agroecological and climate-smart farming practices."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act, upon its approval, shall apply to  
17 taxable years beginning after December 31, 2025.

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INTRODUCED BY: 



# S.B. NO. 1260

**Report Title:**

Agroecological and Climate-Smart Farming Practices Tax Credit

**Description:**

Establishes an agroecological and climate-smart farming practices tax credit. Applies to taxable years beginning after 12/31/2025.

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

