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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 qualified taxpayer's  
16 net income tax liability, if any, imposed by this chapter for  
17 the taxable year in which the credit is properly claimed.



1        (b) The amount of the tax credit shall be equal  
2        to \_\_\_\_\_ per cent of the qualified expenses of the  
3        qualified taxpayer, up to a maximum of \$25,000 per taxable year.

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 \$1,000,000 for all qualified taxpayers  
12       in any taxable year; provided that any qualified taxpayer who is  
13       not eligible to claim the credit in a taxable year due to the  
14       \$1,000,000 cap having been exceeded for that taxable year shall  
15       be eligible to claim the credit in the subsequent taxable year  
16       until exhausted within five consecutive taxable years of the  
17       filing of the initial claim for the credit under this section.

18       (e) Every qualified taxpayer, before March 31 of each year  
19       in which qualified expenses were incurred by the qualified  
20       taxpayer in the previous taxable year, shall submit a written,



1 certified statement to the chairperson of the board of  
2 agriculture identifying:

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

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

8 (f) The board of agriculture, in consultation with the  
9 department of taxation, shall establish clear standards for  
10 certifying qualified expenses and eligible farming practices.  
11 These standards may be incorporated into administrative rules or  
12 codified within this section to ensure uniformity and efficiency  
13 in administering the tax credit.

14 (g) The director of taxation:

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

17 (2) May require the qualified taxpayer to furnish  
18 reasonable information to ascertain the validity of  
19 the claim for the tax credit made under this section;  
20 and



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

3       (h) If the tax credit under this section exceeds the  
4 qualified taxpayer's net income tax liability, the excess of the  
5 credit over liability may be used as a credit against the  
6 qualified taxpayer's net income tax liability in subsequent  
7 years until exhausted within five consecutive taxable years of  
8 the filing of the initial claim for the credit under this  
9 section. All claims for the tax credit under this section,  
10 including amended claims, shall be filed on or before the end of  
11 the twelfth month following the close of the taxable year for  
12 which the credit may be claimed. Failure to comply with the  
13 foregoing provision shall constitute a waiver of the right to  
14 claim the credit.

15       (i) For the purposes of this section:

16       "Agroecological and climate-smart farming practices" means  
17 sustainable farming practices that promote soil quality and  
18 health; fertility management for organic and conventional  
19 farming systems; preventative and biological pest management;  
20 crop rotation, cover cropping, and polycultures; and the  
21 conservation or restoration of native and Polynesian-introduced



1 plants to agricultural landscapes. These practices shall  
2 include but not be limited to Native Hawaiian agricultural  
3 systems, such as loi kalo wetland cultivation, dryland field  
4 systems, agroforestry, and loko ia fishponds.

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

7 "Qualified expenses" means expenses incurred in the  
8 practice or adoption of agroecological and climate-smart farming  
9 practices.

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

12 SECTION 3. New statutory material is underscored.

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



**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. (SD1)

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

