
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. The legislature finds that promoting the use of
2 recycled materials and waste inputs in business operations
3 reduces environmental impacts, conserves natural resources, and
4 supports the circular economy. Providing tax incentives to
5 businesses that incorporate recycled or waste materials into
6 their products or services would encourage sustainable practices
7 and help mitigate the environmental challenges facing the State.

8 Therefore, the purpose of this Act is to establish a tax
9 credit for businesses that use recycled or waste inputs as part
10 of their operations.

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

14 "§235- Recycled or waste inputs tax credit. (a) There
15 shall be allowed to each taxpayer subject to the tax imposed by
16 this chapter, a tax credit for using recycled or waste inputs in
17 the taxpayer's business operations, which shall be deductible



1 from the taxpayer's net income tax liability, if any, imposed by
2 this chapter for the taxable year in which the credit is
3 properly claimed.

4 (b) The amount of the tax credit shall be:

5 (1) Ten per cent of the cost of recycled or waste inputs
6 used by the taxpayer in the taxable year, up to a
7 maximum of \$500,000 per taxpayer per taxable year; or

8 (2) Fifteen per cent of the cost of recycled or waste
9 inputs used by the taxpayer in the taxable year if the
10 taxpayer's principal place of business is located in a
11 rural area, up to a maximum of \$750,000 per taxpayer
12 per taxable year.

13 (c) To qualify for the tax credit, the recycled or waste
14 inputs used by the taxpayer shall meet the following
15 requirements:

16 (1) The inputs shall consist of materials that have been
17 diverted from the waste stream, including post-
18 consumer or post-industrial materials;

19 (2) The inputs shall be used as raw materials in the
20 production of goods or services; and



1 (3) The inputs shall be sourced from certified recycling
2 or waste recovery facilities.

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

12 (e) Every claim, including any amended claims, for a tax
13 credit under this section shall include:

14 (1) Documentation that verifies the recycled or waste
15 inputs used, including invoices, receipts, or other
16 relevant records;

17 (2) Certification from the supplier of the recycled or
18 waste inputs confirming compliance with the
19 requirements of this section; and



1 (3) Any other information required by the department of
2 taxation to determine the taxpayer's eligibility for
3 the tax credit.

4 (f) The director of taxation:

5 (1) Shall prepare any forms necessary for a taxpayer to
6 claim a credit under this section;

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

10 (3) May adopt rules pursuant to chapter 91 to implement
11 this section.

12 (g) As used in this section:

13 "Recycled or waste inputs" means materials that have been
14 diverted from the waste stream and used as raw materials in the
15 production of goods or services. "Recycled or waste inputs"
16 includes post-consumer materials, post-industrial materials, and
17 other recovered materials certified by the department of
18 taxation.

19 "Rural area" means any area outside of a standard
20 metropolitan statistical area as defined by the United States



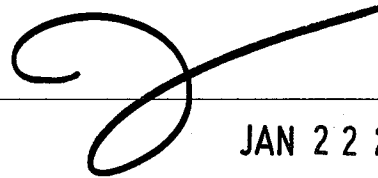
1 Census Bureau or any area designated as rural by the department
2 of business, economic development, and tourism."

3 SECTION 3. New statutory material is underscored.

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

6

INTRODUCED BY: _____



JAN 22 2025



H.B. NO. 1265

Report Title:

Recycled or Waste Inputs Tax Credit

Description:

Establishes a Recycled or Waste Inputs Tax Credit. Applies to taxable years beginning after 12/31/25.

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