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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 legislature finds that the cost of  
2       interisland transportation is a bottleneck for market access by  
3       food producers in Hawaii. This issue is also recognized by the  
4       United States Department of Agriculture, which administers a  
5       reimbursement transportation cost payment program for  
6       geographically disadvantaged farmers and ranchers to reimburse  
7       producers for a portion of the cost to transport agricultural  
8       commodities or inputs used to produce an agricultural commodity.  
9       The reimbursement transportation cost payment program helps  
10      eligible farmers and ranchers outside the contiguous United  
11      States, including farmers and ranchers in the State and the  
12      Pacific, offset a portion of the cost of transporting  
13      agricultural products or inputs used to produce an agricultural  
14      commodity over long distances. Payments from the program are  
15      calculated based on the costs incurred for transportation of the  
16      agricultural commodity or inputs during a twelve month period,  
17      subject to an \$8,000 per producer cap per fiscal year.



1       The legislature further finds that providing an income tax  
2   credit like the reimbursement transportation cost payment  
3   program that similarly reimburses producers for a portion of the  
4   cost to transport agricultural goods between the counties will  
5   reduce cost impacts to farm viability and consumer food price  
6   and support progress towards the State's Aloha+ Challenge  
7   commitment to increase local food consumption and production.

8       Accordingly, the purpose of this Act is to establish an  
9   interisland produce shipping tax credit to alleviate the costs  
10  of interisland shipping for farmers and ranchers.

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-     Interisland produce shipping tax credit.   (a)  
15  Each qualified taxpayer that files an individual or corporate  
16  net income tax return for a taxable year may claim a tax credit  
17  under this section against the Hawaii state individual or  
18  corporate net income tax imposed by this chapter for the taxable  
19  year in which the credit is properly claimed.

20       In the case of a partnership, S corporation, estate, or  
21  trust, the tax credit allowable is for qualified transportation



costs incurred by the entity for the taxable year. The costs upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

(b) The amount of the credit shall be equal to per cent of the qualified transportation costs of the qualified taxpayer, up to a maximum of \$ .

(c) The department of agriculture shall:

(1) Maintain records of the total amount of qualified transportation costs for each taxpayer claiming a credit;

(2) Verify the amount of the qualified transportation costs claimed;

(3) Total all qualified transportation costs claimed; and

(4) Certify the total amount of the tax credit for each taxable year.

Upon each determination, the department of agriculture shall issue a certificate to the qualified taxpayer verifying the qualified transportation costs and the credit amount certified for each taxable year.



1        The qualified taxpayer shall file the certificate with the  
2        taxpayer's tax return with the department of taxation.

3        Notwithstanding the department of agriculture's certification  
4        authority under this section, the director of taxation may audit  
5        and adjust a certification to conform to the facts.

6        (d) The total amount of tax credits allowed under this  
7        section shall not exceed \$                      for all taxpayers in any  
8        taxable year; provided that of the \$                      :

9        (1) \$                      may be certified for qualified taxpayers  
10       who are farmers or ranchers;

11       (2) \$                      may be certified for qualified taxpayers  
12       who operate food hubs; and

13       (3) \$                      may be certified for qualified taxpayers  
14       who are broad line distributors.

15       If in any taxable year the annual amount of certified credits  
16       reaches the amount specified in paragraph (1), (2), or (3), the  
17       department of agriculture shall immediately discontinue  
18       certifying credits for the qualified taxpayers described in that  
19       paragraph and notify the department of taxation. In no instance  
20       shall the department of agriculture certify a total amount of  
21       credits exceeding \$                      per taxable year. To comply with



1 this restriction, the department of agriculture shall certify  
2 credits on a first come, first served basis.

3 (e) 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 either the credit is exhausted, or for a period of  
8 five years, whichever is earlier.

9 All claims for the tax credit under this section, including  
10 amended claims, shall be filed on or before the end of the  
11 twelfth month following the close of the taxable year for which  
12 the credit may be claimed. Failure to comply with the foregoing  
13 provision shall constitute a waiver of the right to claim the  
14 credit.

15 (f) No other tax credit or deduction shall be claimed  
16 under this chapter for qualified transportation costs for the  
17 taxable year.

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 qualified taxpayer to furnish  
2           reasonable information to ascertain the validity of  
3           the claim for the tax credit made under this section;  
4           and

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

7       (h) For the purposes of this section:

8       "Broad line distributor" means a food service company that  
9       purchases a wide range of food products from manufacturers and  
10       stocks these goods in one of their distribution centers. A  
11       "broad line distributor" may also offer value-added services  
12       designed to meet the needs of single-store restaurants and small  
13       chain restaurants.

14       "Food hub" means a business or organization that actively  
15       manages the aggregation, distribution, and marketing of  
16       source-identified food products, primarily from local producers,  
17       to strengthen the business or organization's ability to satisfy  
18       wholesale, retail, and institutional demand.

19       "Qualified taxpayer" means any farmer or rancher who is an  
20       individual, group of individuals, partnership, corporation,  
21       estate, trust, association, cooperative, broad line distributor,



1 food hub, or other business enterprise or other legal entity

2 who:

3 (1) Shares in the risk of producing an agricultural  
4 commodity in substantial commercial quantities; and

5 (2) Is entitled to a share of the agricultural commodity  
6 from the agricultural operation.

7 "Qualified transportation costs" means costs incurred,  
8 including air freight, ocean freight, and land freight, in  
9 transporting the following between counties:

10 (1) Produce and agricultural goods; and

11 (2) Inputs used to produce an agricultural commodity,  
12 including but not limited to chemicals, feed,  
13 fertilizer, fuel, seeds, plants, supplies, equipment  
14 parts, and other inputs."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2050, and  
17 shall apply to taxable years beginning after December 31, 2025.



**Report Title:**

Department of Agriculture; Department of Taxation; Income Tax Credit; Interisland Shipping; Agricultural Products and Inputs

**Description:**

Creates an income tax credit for qualified transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties. Applies to taxable years beginning after 12/31/2025. Effective 7/1/2050. (SD1)

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

