

JAN 21 2026

A BILL FOR AN ACT

RELATING TO THE AQUACULTURE INVESTMENT TAX CREDIT.

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

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to part VI to be appropriately designated and to read as follows:

"§235- Aquaculture investment tax credit. (a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter an aquaculture investment tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the investment was made and the following four years; provided that the credit is properly claimed. The tax credit shall be as follows:

(1) In the year the investment was made, per cent or \$, whichever is less;

(2) In the first year following the year in which the investment was made, per cent or \$, whichever is less;



1 (3) In the second year following the year in which the
2 investment was made, per cent or \$,
3 whichever is less;

4 (4) In the third year following the year in which the
5 investment was made, per cent or \$,
6 whichever is less; and

7 (5) In the fourth year following the year in which the
8 investment was made, per cent or \$,
9 whichever is less,

10 of the qualified investment costs incurred by the taxpayer in
11 each qualified aquaculture business.

12 (b) In the case of a partnership, S corporation, estate,
13 or trust, the tax credit allowable is for qualified investment
14 costs incurred by the entity for the taxable year. The
15 qualified investment costs upon which the tax credit is computed
16 shall be determined at the entity level. Distribution and share
17 of credit shall be determined by rule.

18 (c) The credit allowed under this section shall be claimed
19 against the net income tax liability for the taxable year.

20 (d) Every claim, including amended claims, for a tax
21 credit under this section shall be filed on or before the end of



1 the twelfth month following the close of the taxable year for
2 which the credit may be claimed. Failure to comply with the
3 foregoing provision shall constitute a waiver of the right to
4 claim the credit.

5 (e) If at the close of any taxable year in the five-year
6 period in subsection (a):

7 (1) The business no longer qualifies as a qualified
8 aquaculture business;

9 (2) The business or an interest in the business has been
10 sold by the taxpayer that invested in the qualified
11 aquaculture business; or

12 (3) The taxpayer has withdrawn the taxpayer's investment
13 wholly or partially from the qualified aquaculture
14 business,

15 the credit claimed under this section shall be recaptured. The
16 recapture shall be equal to per cent of the amount of the
17 total tax credit claimed under this section in the preceding two
18 taxable years. The amount of the credit recaptured shall apply
19 only to the investment in the particular qualified aquaculture
20 business that meets the requirements of paragraph (1), (2), or
21 (3). The recapture provisions of this subsection shall not



1 apply to a tax credit claimed for a qualified aquaculture
2 business that does not fall within the provisions of
3 paragraph (1), (2), or (3). The amount of the recaptured tax
4 credit determined under this subsection shall be added to the
5 taxpayer's tax liability for the taxable year in which the
6 recapture occurs under this subsection.

7 (f) Every taxpayer, before March 31 of each year in which
8 an investment in a qualified aquaculture business was made in
9 the previous taxable year, shall submit a written, certified
10 statement to the director of taxation identifying:

11 (1) Qualified investment costs, if any, expended in the
12 previous taxable year; and

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

15 (g) The department shall:

16 (1) Maintain records of the names and addresses of the
17 taxpayers claiming the credits under this section and
18 the total amount of the qualified investment costs
19 upon which the tax credit is based;

20 (2) Verify the nature and amount of the qualifying
21 investment costs;



1 (3) Total all qualifying and cumulative investment costs
2 that the department certifies; and

3 (4) Certify the amount of the tax credit for each taxable
4 year and cumulative amount of the tax credit.

5 Upon each determination made under this subsection, the
6 department shall issue a certificate to the taxpayer verifying
7 information submitted to the department, including qualifying
8 investment costs, the credit amount certified for each taxable
9 year, and the cumulative amount of the tax credit during the
10 credit period. The taxpayer shall file the certificate with the
11 taxpayer's tax return with the department.

12 The director of taxation may assess and collect a fee to
13 offset the costs of certifying tax credits claims under this
14 section. All fees collected under this section shall be
15 deposited into the tax administration special fund established
16 under section 235-20.5.

17 (h) No other tax credit or deduction shall be claimed
18 under this chapter for qualifying investments for the taxable
19 year.

20 (i) As used in this section:



1 "Net income tax liability" means net income tax liability
2 reduced by all other credits allowed under this chapter.

3 "Qualified aquaculture business" means a business in the
4 State that is engaged in the propagation, cultivation, or
5 farming of aquatic plants and animals in controlled or selected
6 environments for research, commercial, or stocking purposes,
7 including aquaponics or any growing of plants or animals with
8 aquaculture effluent.

9 "Qualified investment costs" means costs, beyond the
10 research and development phase, associated with capital
11 improvements, including the acquisition and development of land,
12 design and construction of new facilities, and making of
13 renovations or additions to the existing facilities of a
14 qualified aquaculture business."

15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act, upon its approval, shall apply to
17 taxable years beginning after December 31, 2026.

18
INTRODUCED BY

Amari R. Murray



S.B. NO. 2028

Report Title:

Aquaculture Investment Tax Credit

Description:

For taxable years beginning after 12/31/2026, establishes a 5-year aquaculture investment tax credit for taxpayers that incur qualifying investment costs relating to qualified aquaculture businesses.

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