

JAN 23 2026

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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

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

4       "§235-       Dairy farm retrofit income tax credit.   (a)

5       There shall be allowed to each taxpayer subject to the tax  
6       imposed under this chapter, a dairy farm retrofit income tax  
7       credit that shall be deductible from the taxpayer's net income  
8       tax liability, if any, imposed by this chapter for the taxable  
9       year in which the credit is properly claimed.

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



1        (c) The dairy farm retrofit income tax credit shall be  
2 equal to fifty per cent of the capital infrastructure costs  
3 incurred by a taxpayer, up to a maximum of \$ .

4        (d) The director of taxation:

5        (1) Shall prepare any forms that may be necessary to claim  
6 a tax 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 under chapter 91 necessary to  
11 effectuate the purposes of this section.

12       (e) If the tax credit under this section exceeds the  
13 taxpayer's income tax liability, the excess of the credit over  
14 liability may be used as a credit against the taxpayer's income  
15 tax liability in subsequent years until exhausted; provided that  
16 no credit shall be used more than five years after the taxable  
17 year in which the capital infrastructure costs are incurred.

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 (f) For the purposes of this section:

4 "Capital infrastructure costs" means capital expenditures,  
5 as used in section 263 of the Internal Revenue Code and  
6 regulations promulgated thereunder; provided that the capital  
7 expenditures for real property and fixtures are paid or incurred  
8 in connection with the conversion of a dairy farm to a qualified  
9 farm; provided further that the capital infrastructure costs  
10 shall not include costs for which another credit is claimed  
11 under this chapter.

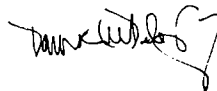
12 "Qualified farm" means a business:

- 13 (1) That currently owns capital or property or operates a  
14 hog farm at former dairy farm facilities; and  
15 (2) Whose principal business is animal husbandry."

16 SECTION 2. New statutory material is underscored.

17 SECTION 3. This Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2025.

19  
INTRODUCED BY: \_\_\_\_\_



# S.B. NO. 2597

**Report Title:**

Income Tax; Dairy Farm Retrofit; Hog Farm Conversion; Tax Credit

**Description:**

Establishes an income tax credit for capital infrastructure costs incurred in the conversion of a dairy farm to a hog farm.

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

