

JAN 23 2026

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The legislature finds that the Hawaii State
2 Constitution mandates that the State "conserve and protect
3 agricultural lands[.]" The legislature also finds that the best
4 way to protect agricultural lands is to increase the production
5 and profitability of those lands.

6 Accordingly, the purpose of this Act is to incentivize
7 significant investment in agricultural production and support
8 the expansion of agricultural crops that take longer to become
9 productive, such as orchard and fruit crops, by providing an
10 agricultural investment tax credit.

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- Agricultural investment tax credit. (a) There
15 shall be allowed to each qualified taxpayer subject to the taxes
16 imposed by this chapter an agricultural investment tax credit
17 that shall be deductible from the taxpayer's net income tax



1 liability, if any, imposed by this chapter for the taxable year
2 in which the investment was made; provided the credit is
3 properly claimed.

4 In the case of a partnership, S corporation, estate, or
5 trust, the tax credit allowable is for costs incurred by the
6 entity for the taxable year. The costs upon which the tax
7 credit is computed shall be determined at the entity level.

8 Distribution and share of credit shall be determined by rule.

9 If a deduction is taken under section 179 of the Internal
10 Revenue Code of 1986, as amended, no tax credit shall be allowed
11 for those costs for which the deduction is taken.

12 (b) The amount of the credit shall be _____ per cent of
13 the qualified agricultural costs incurred by a qualified
14 taxpayer, up to a maximum of \$ _____.

15 (c) The total amount of tax credits allowed under this
16 section shall not exceed \$ _____ for all taxpayers in any
17 taxable year; provided that any taxpayer who is not eligible to
18 claim the credit in a taxable year due to the \$ _____ cap
19 having been exceeded for that taxable year shall be eligible to
20 claim the credit in the subsequent taxable year.

21 (d) The director of taxation:



- 1 (1) Shall prepare any forms that may be necessary to claim
- 2 a tax credit under this section;
- 3 (2) May require the taxpayer to furnish reasonable
- 4 information to ascertain the validity of the claim for
- 5 the tax credit made under this section; and
- 6 (3) May adopt rules under chapter 91 necessary to
- 7 effectuate the purposes of this section.
- 8 (e) The credit allowed under this section shall be claimed
- 9 against the net income tax liability for the taxable year. If
- 10 the tax credit under this section exceeds the taxpayer's income
- 11 tax liability, the excess of the credit over liability may be
- 12 used as a credit against the taxpayer's income tax liability in
- 13 subsequent years until exhausted. All claims for the tax credit
- 14 under this section, including amended claims, shall be filed on
- 15 or before the end of the twelfth month following the close of
- 16 the taxable year for which the credit may be claimed. Failure
- 17 to comply with the foregoing provision shall constitute a waiver
- 18 of the right to claim the credit.
- 19 (f) As used in this section:
- 20 "Net income tax liability" means income tax liability
- 21 reduced by all other credits allowed under this chapter.



1 "Qualified agricultural costs" means expenditures for:

2 (1) The plans, design, engineering, construction,
3 renovation, repair, maintenance, and equipment for:
4 (A) Roads or utilities, primarily for agricultural
5 purposes;
6 (B) Agricultural processing facilities where the
7 majority of the crops or livestock processed,
8 harvested, treated, washed, handled, or packaged
9 are from agricultural businesses; and
10 (C) Water wells, reservoirs, dams, water storage
11 facilities, water pipelines, ditches, or
12 irrigation systems in the State, primarily for
13 agricultural purposes;
14 (2) Feasibility studies, regulatory processing, and legal
15 and accounting services related to the items under
16 paragraph (1);
17 (3) Equipment, primarily for agricultural purposes, used
18 to cultivate, grow, harvest, or process agricultural
19 products by an agricultural business;





1 products, and plant and animal production for nonfood
2 uses;

3 (2) The planting, cultivating, harvesting, and processing
4 of crops; and

5 (3) The farming or ranching of any plant or animal species
6 in a controlled salt, brackish, or freshwater
7 environment."

8 SECTION 3. New statutory material is underscored.

9 SECTION 4. This Act shall take effect upon its approval;
10 provided that:

11 (1) This Act shall apply to taxable years beginning after
12 December 31, 2025; and

13 (2) This Act shall be repealed on January 1, 2031.

14

INTRODUCED BY: Mark W. Johnson



S.B. NO. 2805

Report Title:

Agricultural Investment Tax Credit

Description:

Establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive. Sunsets 1/1/2031.

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