

JAN 23 2026

# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

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

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

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

"§235- Agricultural investment tax credit. (a) There shall be allowed to each qualified taxpayer subject to the taxes imposed by this chapter an agricultural investment tax credit 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.



"Qualified agricultural costs" means expenditures for:

(1) The plans, design, engineering, construction, renovation, repair, maintenance, and equipment for:

(A) Roads or utilities, primarily for agricultural purposes;

(B) Agricultural processing facilities where the majority of the crops or livestock processed, harvested, treated, washed, handled, or packaged are from agricultural businesses; and

(C) Water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems in the State, primarily for agricultural purposes;

(2) Feasibility studies, regulatory processing, and legal and accounting services related to the items under paragraph (1);

(3) Equipment, primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business;



1        (4) Regulatory processing, studies, and legal and other  
2        consultant services related to obtaining or retaining  
3        sufficient water for agricultural activities; and

4        (5) The costs relating to the planting of orchard or  
5        fruit-bearing crops on not less than                    acres,  
6        including:

7        (A) The purchase of planting materials, including  
8        seeds, transplants, cuttings, and grafted plants;

9        (B) The clearing of and removal of trees and debris;  
10       and

11       (C) Tillage, including the preparation and  
12       restoration of the soil to correct any nutrient  
13       deficiency, planting, weed control, fertilizing,  
14       irrigation, and pest management.

15       "Qualified taxpayer" means any person with a commercial  
16       agricultural, silvicultural, or aquacultural project with  
17       qualified agricultural costs of not less than \$                    , on  
18       not less than                    acres, including:

19       (1) The care and production of livestock and livestock  
20       products, poultry and poultry products, apiary



products, and plant and animal production for nonfood  
uses;

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

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

SECTION 3. New statutory material is underscored.

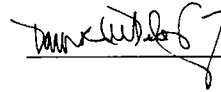
SECTION 4. This Act shall take effect upon its approval;

provided that:

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

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

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





# 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.

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

