THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 328 S.D. 1

A BILL FOR AN ACT

RELATING TO TAXATION.

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 be appropriately designated and to read as follows:

"§235- **Dairy farm retrofit income tax credit.** (a) There shall be allowed to each taxpayer subject to the tax imposed under this chapter, a dairy farm retrofit income 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 credit is properly claimed.

(b) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for capital infrastructure 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.

(c) The dairy farm retrofit income tax credit shall be equal to fifty per cent of the capital infrastructure costs incurred by a taxpayer, up to a maximum of $1,000,000.

(d) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

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

(e) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(f) For the purposes of this section:

"Capital infrastructure costs" means capital expenditures, as used in section 263 of the Internal Revenue Code and regulations promulgated thereunder; provided that the capital expenditures for real property and fixtures are paid or incurred in connection with the conversion of a dairy farm to a qualified farm; provided further that

the capital infrastructure costs shall not include costs for which another credit is claimed under this chapter.

"Qualified farm" means a business:

(1) That currently owns capital or property or operates a hog farm at former dairy farm facilities; and

(2) Whose principal business is animal husbandry."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050, and shall apply to taxable years beginning after December 31, 2024.

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Report Title:
Income Tax; Dairy Farm Retrofit; Tax Credit

Description:
Establishes an income tax credit for capital infrastructure costs incurred in the conversion of a dairy farm to a hog farm. Effective 7/1/2050. (SD1)

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