
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The purpose of this Act is to establish a
2 nonrefundable income tax credit for certain agricultural
3 investment costs incurred for agricultural activities conducted
4 on Hawaiian home lands.

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

8 "§235- Hawaiian home lands; agricultural investment tax
9 credit. (a) There shall be allowed to each eligible taxpayer a
10 nonrefundable tax credit against the taxpayer's net income tax
11 liability for qualified agricultural investment costs incurred
12 during the taxable year for agricultural activities conducted on
13 Hawaiian home lands.

14 (b) The amount of the tax credit allowed under this
15 section shall be equal to per cent of the qualified
16 agricultural investment costs incurred during the taxable year;



1 provided that the total credit claimed by any taxpayer in a
2 taxable year shall not exceed \$ _____ .

3 (c) The tax credit allowed under this section shall not
4 reduce the taxpayer's net income tax liability below zero. Any
5 excess credit may be carried forward to subsequent taxable years
6 until exhausted or for a maximum of five taxable years,
7 whichever occurs first.

8 (d) No other credit may be claimed under this chapter for
9 qualified agricultural investment costs for which a credit is
10 claimed under this section for the taxable year.

11 (e) The cost upon which the tax credit is computed shall
12 be determined at the entity level. In the case of a
13 partnership, S corporation, estate, trust, or other pass through
14 entity, distribution and share of the credit shall be determined
15 by rule.

16 (f) All claims for a tax credit under this section,
17 including amended claims, shall be filed on or before the end of
18 the twelfth month following the close of the taxable year for
19 which the credit is claimed. Failure to comply with the
20 foregoing provision shall constitute a waiver of the right to
21 claim the credit.



1 (g) The department of taxation, in consultation with the
2 department of Hawaiian home lands, shall adopt rules pursuant to
3 chapter 91 necessary to carry out the purposes of this section.

4 (h) As used in this section:

5 "Agricultural business" means any person with a commercial
6 agricultural, silvicultural, or aquacultural facility or
7 operation, including:

8 (1) The care and production of livestock and livestock
9 products, poultry and poultry products, apiary
10 products, and plant and animal production for nonfood
11 uses;

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

14 (3) The farming or ranching of any plant or animal species
15 in a controlled salt, brackish, or freshwater
16 environment; provided that the principal place of the
17 agricultural business is maintained in the State.

18 "Eligible taxpayer" means any person engaged in an
19 agricultural business who holds a valid lease, license, or
20 right-of-entry issued by the department of Hawaiian home lands
21 and conducts activities, including agricultural, pastoral,



1 aquacultural, and commercial activities on Hawaiian home lands
2 pursuant to the Hawaiian Homes Commission Act of 1920, as
3 amended.

4 "Qualified agricultural investment costs" means
5 expenditures incurred by an eligible taxpayer for agricultural
6 purposes on Hawaiian home lands, including:

- 7 (1) The plans, design, engineering, construction,
8 renovation, repair, maintenance, and equipment for
9 agricultural infrastructure, including roads,
10 utilities, irrigation systems, water storage
11 facilities, water pipelines, ditches, reservoirs, and
12 agricultural processing facilities used primarily for
13 agricultural purposes;
- 14 (2) Equipment used primarily to cultivate, grow, harvest,
15 or process agricultural products;
- 16 (3) Regulatory processing, feasibility studies, and legal,
17 engineering, accounting, and other consultant services
18 directly related to agricultural development or water
19 access for agricultural activities;
- 20 (4) The planting and establishment of orchard or fruit-
21 bearing crops, including the purchase of planting



1 materials, soil preparation, planting, fertilization,
2 irrigation, weed control, and pest management; and
3 (5) The clearing of former sugar or pineapple plantation
4 lands that have been out of agricultural use for more
5 than five years, including the removal of trees and
6 debris, and soil restoration necessary to return the
7 land to productive agricultural use."

8 SECTION 3. New statutory material is underscored.

9 SECTION 4. This Act shall take effect on July 1, 3000, and
10 shall apply to taxable years beginning after December 31, 2026.



Report Title:

Income Tax Credit; Hawaiian Home Lands; Agricultural Investment Costs

Description:

For taxable years beginning 1/1/2027, establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian home lands. Effective 7/1/3000. (HD2)

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