
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 tax credit that shall be deductible from the taxpayer's net
11 income tax liability, if any, imposed by this chapter for the
12 taxable year in which the credit is properly claimed.

13 (b) The amount of the tax credit allowed under this
14 section shall be equal to per cent of the qualified
15 agricultural investment costs incurred by the taxpayer during
16 the taxable year, up to a maximum of \$.



1 (c) In the case of a partnership, S corporation, estate,
2 trust, or other pass-through entity, the tax credit allowable is
3 for qualified agricultural investment costs incurred by the
4 entity for the taxable year. The cost upon which the tax credit
5 is computed shall be determined at the entity level.

6 Distribution and share of the credit shall be determined by
7 rule.

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) If a deduction is taken under section 179 (with
12 respect to election to expense depreciable business assets) of
13 the Internal Revenue Code, no tax credit shall be allowed for
14 that portion of the qualified agricultural investment costs for
15 which the deduction is taken.

16 (f) If the tax credit under this section exceeds the
17 taxpayer's income tax liability, the excess of the credit over
18 liability may be used as a credit against the taxpayer's income
19 tax liability in subsequent years until exhausted or for a
20 maximum of five taxable years, whichever occurs first.



1 All claims for a tax credit under this section, including
2 amended claims, shall be filed on or before the end of the
3 twelfth month following the close of the taxable year for which
4 the credit is claimed. Failure to comply with the foregoing
5 provision shall constitute a waiver of the right to claim the
6 credit.

7 (g) The director of taxation, in consultation with the
8 department of Hawaiian home lands, shall adopt rules pursuant to
9 chapter 91 necessary to effectuate the purposes of this section.

10 (h) As used in this section:

11 "Agricultural business" means any person with a commercial
12 agricultural, silvicultural, or aquacultural facility or
13 operation, including:

14 (1) The care and production of livestock and livestock
15 products, poultry and poultry products, apiary
16 products, and plant and animal production for nonfood
17 uses;

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

20 (3) The farming or ranching of any plant or animal species
21 in a controlled salt, brackish, or freshwater



1 environment; provided that the principal place of the
2 agricultural business is maintained in the State.

3 "Eligible taxpayer" means any person engaged in an
4 agricultural business who holds a valid lease, license, or
5 right-of-entry issued by the department of Hawaiian home lands
6 and conducts activities, including agricultural, pastoral,
7 aquacultural, and commercial activities on Hawaiian home lands
8 pursuant to the Hawaiian Homes Commission Act of 1920, as
9 amended.

10 "Qualified agricultural investment costs" means
11 expenditures incurred by an eligible taxpayer for agricultural
12 purposes on Hawaiian home lands, including:

13 (1) The plans, design, engineering, construction,
14 renovation, repair, maintenance, and equipment for
15 agricultural infrastructure, including roads,
16 utilities, irrigation systems, water storage
17 facilities, water pipelines, ditches, reservoirs, and
18 agricultural processing facilities used primarily for
19 agricultural purposes;

20 (2) Equipment used primarily to cultivate, grow, harvest,
21 or process agricultural products;



1 (3) Regulatory processing, feasibility studies, and legal,
2 engineering, accounting, and other consultant services
3 directly related to agricultural development or water
4 access for agricultural activities;

5 (4) The planting and establishment of orchard or fruit-
6 bearing crops, including the purchase of planting
7 materials, soil preparation, planting, fertilization,
8 irrigation, weed control, and pest management; and

9 (5) The clearing of former sugar or pineapple plantation
10 lands that have been out of agricultural use for more
11 than five years, including the removal of trees and
12 debris, and soil restoration necessary to return the
13 land to productive agricultural use."

14 SECTION 3. New statutory material is underscored.

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



Report Title:

Income Tax Credit; Hawaiian Home Lands; Agricultural Investment Costs

Description:

Establishes a nonrefundable income tax credit for certain agricultural investment costs incurred for agricultural activities conducted on Hawaiian home lands. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (HD3)

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