

---

---

# 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  
3 shall be for qualified agricultural investment costs incurred by  
4 the entity for the taxable year. The cost upon which the tax  
5 credit 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 department of agriculture and biosecurity, in  
8 consultation with the department of taxation, shall certify the  
9 tax credit. No tax credit shall be claimed unless the taxpayer  
10 has been certified from the department of agriculture and  
11 biosecurity as having met the certification requirements  
12 established by the department of agriculture and biosecurity.

13       (h) The director of taxation and department of agriculture  
14 and biosecurity, in consultation with the department of Hawaiian  
15 home lands, shall adopt rules pursuant to chapter 91 necessary  
16 to effectuate the purposes of this section.

17       (i) As used in this section:

18       "Agricultural business" means any person with a commercial  
19 agricultural, silvicultural, or aquacultural facility or  
20 operation, including:



1       (1) The care and production of livestock and livestock  
2           products, poultry and poultry products, apiary  
3           products, and plant and animal production for nonfood  
4           uses;

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

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

11       "Eligible taxpayer" means any person engaged in an  
12       agricultural business who holds a valid lease, license, or  
13       right-of-entry issued by the department of Hawaiian home lands  
14       and conducts activities, including agricultural, pastoral,  
15       aquacultural, and commercial activities on Hawaiian home lands  
16       pursuant to the Hawaiian Homes Commission Act of 1920, as  
17       amended.

18       "Qualified agricultural investment costs" means  
19       expenditures incurred by an eligible taxpayer for agricultural  
20       purposes on Hawaiian home lands, including:



- 1       (1) The plans, design, engineering, construction,  
2       renovation, repair, maintenance, and equipment for  
3       agricultural infrastructure, including roads,  
4       utilities, irrigation systems, water storage  
5       facilities, water pipelines, ditches, reservoirs, and  
6       agricultural processing facilities used primarily for  
7       agricultural purposes;
- 8       (2) Equipment used primarily to cultivate, grow, harvest,  
9       or process agricultural products;
- 10      (3) Regulatory processing, feasibility studies, and legal,  
11      engineering, accounting, and other consultant services  
12      directly related to agricultural development or water  
13      access for agricultural activities;
- 14      (4) The planting and establishment of orchard or fruit-  
15      bearing crops, including the purchase of planting  
16      materials, soil preparation, planting, fertilization,  
17      irrigation, weed control, and pest management; and
- 18      (5) The clearing of former sugar or pineapple plantation  
19      lands that have been out of agricultural use for more  
20      than five years, including the removal of trees and



1           debris, and soil restoration necessary to return the  
2           land to productive agricultural use."

3           SECTION 3. New statutory material is underscored.

4           SECTION 4. This Act shall take effect on July 1, 3000, and  
5 shall apply to costs incurred 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 costs incurred after 12/31/2026. Effective 7/1/3000. (SD1)

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

