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# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

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

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

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

14           "§235-           Agricultural investment tax credit. (a) There  
15 shall be allowed to each qualified taxpayer subject to the taxes  
16 imposed by this chapter an agricultural investment tax credit  
17 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 that 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 No other tax credit or deduction may be claimed under this  
13 chapter for qualified agricultural costs for which a credit is  
14 claimed under this section for the taxable year.

15 (b) The amount of the credit shall be \_\_\_\_\_ per cent of  
16 the qualified agricultural costs incurred by a qualified  
17 taxpayer, up to a maximum of \$ \_\_\_\_\_.

18 (c) To receive the tax credit under this section, the  
19 taxpayer shall prequalify the agricultural, silvicultural, or  
20 aquacultural project with the agribusiness development  
21 corporation prior to incurring qualified agricultural costs.



1        (d) Every taxpayer claiming a tax credit under this  
2 section, no later than March 31 following the end of each  
3 taxable year in which qualified agricultural costs were  
4 incurred, shall submit a written, sworn statement to the  
5 agribusiness development corporation that identifies:

6        (1) All qualified agricultural costs, if any, incurred in  
7 the previous taxable year;

8        (2) The nature and location of the agricultural,  
9 silvicultural, or aquacultural project;

10       (3) The amount of tax credits claimed pursuant to this  
11 section, if any, in the previous taxable year; and

12       (4) Any other information required by the agribusiness  
13 development corporation to determine eligibility for  
14 the credit.

15       (e) The agribusiness development corporation shall:

16       (1) Maintain records of the names of the qualified  
17 taxpayers and agricultural, silvicultural, or  
18 aquacultural projects thereof claiming the tax credit;

19       (2) Maintain records of the total amount of qualified  
20 agricultural costs for each taxpayer claiming a  
21 credit;



1       (3) Verify the amount of the qualified agricultural costs  
2       claimed;

3       (4) Total all qualified agricultural costs claimed; and

4       (5) Certify the total amount of the tax credit for each  
5       taxable year.

6       Upon each determination, the agribusiness development  
7       corporation shall issue a certificate to the taxpayer verifying  
8       the qualified agricultural costs and the credit amount certified  
9       for each taxable year. The taxpayer shall file the certificate  
10      with the taxpayer's tax return to the department of taxation.

11      Notwithstanding the authority of the agribusiness development  
12      corporation under this section, the director of taxation may  
13      audit and adjust the tax credit amount to conform to the facts.

14      (f) The total amount of tax credits allowed under this  
15      section shall not exceed \$                    for all taxpayers in any  
16      calendar year; provided that any taxpayer who is not eligible to  
17      claim the credit in a calendar year due to the \$                    cap  
18      having been exceeded for that calendar year shall be eligible to  
19      claim the credit in the subsequent calendar year.

20      (g) 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        (h) 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; provided that no credit  
14       carried forward under this subsection shall be used as a credit  
15       more than five years after the taxable year in which qualified  
16       agricultural costs are incurred. All claims for the tax credit  
17       under this section, including amended claims, shall be filed on  
18       or before the end of the twelfth month following the close of  
19       the taxable year for which the credit may be claimed. Failure  
20       to comply with the foregoing provision shall constitute a waiver  
21       of the right to claim the credit.



1        (i) For the purposes of this section:

2        "Net income tax liability" means income tax liability  
3 reduced by all other credits allowed under this chapter.

4        "Qualified agricultural costs" means expenditures for:

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

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

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

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

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



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

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

7       (5) The costs relating to the planting of orchard or  
8       fruit-bearing crops on no less than            acres,  
9       including:

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

12       (B) The clearing of and removal of trees and debris;  
13       and

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

18       "Qualified taxpayer" means any person with a commercial  
19       agricultural, silvicultural, or aquacultural project with  
20       qualified agricultural costs of no less than \$            , on no  
21       less than            acres, 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."

10       SECTION 3. New statutory material is underscored.

11       SECTION 4. This Act shall take effect on July 1, 3000;  
12 provided that this Act shall apply to taxable years beginning  
13 after December 31, 2026, and shall be repealed on January 1,  
14 2031.



**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. Applies to taxable years beginning after 12/31/2026. Sunsets 1/1/2031. Effective 7/1/3000. (HD1)

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

