
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 production
5 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 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 (b) The amount of the credit shall be _____ per cent of
13 the qualified agricultural costs incurred by a qualified
14 taxpayer, up to a maximum of \$ _____.

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

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

19 (f) For the purposes of this section:

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



- 1 "Qualified agricultural costs" means expenditures for:
- 2 (1) The plans, design, engineering, construction,
- 3 renovation, repair, maintenance, and equipment for:
- 4 (A) Roads or utilities, primarily for agricultural
- 5 purposes;
- 6 (B) Agricultural processing facilities where the
- 7 majority of the crops or livestock processed,
- 8 harvested, treated, washed, handled, or packaged
- 9 are from agricultural businesses; and
- 10 (C) Water wells, reservoirs, dams, water storage
- 11 facilities, water pipelines, ditches, or
- 12 irrigation systems in the State, primarily for
- 13 agricultural purposes;
- 14 (2) Feasibility studies, regulatory processing, and legal
- 15 and accounting services related to the items under
- 16 paragraph (1);
- 17 (3) Equipment, primarily for agricultural purposes, used
- 18 to cultivate, grow, harvest, or process agricultural
- 19 products by an agricultural business;

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

4 (5) The costs relating to the planting of orchard or
5 fruit-bearing crops on not less than acres,
6 including:

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

9 (B) The clearing of and removal of trees and debris;
10 and

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

15 "Qualified taxpayer" means any person with a commercial
16 agricultural, silvicultural, or aquacultural project with
17 qualified agricultural costs of not less than \$, on
18 not less than acres, including:

19 (1) The care and production of livestock and livestock
20 products, poultry and poultry products, apiary



1 products, and plant and animal production for nonfood
2 uses;

3 (2) The planting, cultivating, harvesting, and processing
4 of crops; and

5 (3) The farming or ranching of any plant or animal species
6 in a controlled salt, brackish, or freshwater
7 environment."

8 SECTION 3. New statutory material is underscored.

9 SECTION 4. This Act shall take effect on July 1, 2050;
10 provided that this Act shall apply to taxable years beginning
11 after December 31, 2025, and shall be repealed on January 1,
12 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. Sunsets 1/1/2031. Effective 7/1/2050. (SD1)

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