
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 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 first prequalify the agricultural, silvicultural,
20 or 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 ninety days 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 activity;

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 taxable year; provided that any taxpayer who is not eligible to
17 claim the credit in a taxable year due to the \$ cap
18 having been exceeded for that taxable year shall be eligible to
19 claim the credit in the subsequent taxable 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 not 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 not less than \$, on
21 not 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, 2050;
12 provided that this Act shall apply to taxable years beginning
13 after December 31, 2025, 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. Sunsets 1/1/2031. Effective 7/1/2050. (SD2)

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