
A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

1 SECTION 1. The legislature finds that state irrigation
2 systems do not provide water to all farmers throughout the
3 State. The rates for these state irrigation systems are
4 substantially lower than the rates charged by the county boards
5 of water supply. This disparity results in the inequitable
6 treatment of farmers who pay less for their water within state
7 irrigation project areas and farmers who purchase water from the
8 county.

9 The State has an obligation to promote diversified
10 agriculture and provide equitable treatment to all farmers. The
11 legislature finds that this equity can only be reached by
12 offering a tax credit to farmers who must purchase water from
13 the counties at higher rates.

14 The purpose of this Act is to provide equitable treatment
15 to all farmers by offering a tax credit to farmers who do not
16 have access to a state irrigation project and are forced to
17 purchase water from the county at higher rates.



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

4 "§235- Farmers irrigation tax credit. (a) Every
5 taxpayer who files an individual or corporate income tax return
6 for a taxable year, and who is not claimed or is not otherwise
7 eligible to be claimed as a dependent by another taxpayer for
8 Hawaii state individual income tax purposes, may claim a farmers
9 irrigation tax credit against the taxpayer's individual or
10 corporate income tax liability for the taxable year in which the
11 income tax return is being filed; provided that the taxpayer:

12 (1) Derives at least fifty per cent of the taxpayer's
13 gross income from farming;

14 (2) Purchases water from a county board of water supply;
15 and

16 (3) Lacks access to state irrigation projects under
17 chapter 167.

18 (b) The amount of the tax credit shall be equal to the
19 difference between:

20 (1) The amount paid during the tax year by the taxpayer
21 for water purchased from the county; and



1 (2) The amount the taxpayer would have paid during the tax
2 year for water had the taxpayer had access to a state
3 irrigation system,
4 for the taxable year in which the tax return is being filed;
5 provided that the amount of the tax credit shall not exceed
6 \$ _____ for each taxpayer in a given taxable year.

7 (c) The tax credit claimed by a taxpayer pursuant to this
8 section shall be deductible from the taxpayer's income tax
9 liability, if any, for the tax year in which the credit is
10 properly claimed. If the tax credit claimed by a taxpayer
11 exceeds the amount of income tax payment due from the taxpayer,
12 the excess of credit over payment due shall be refunded to the
13 taxpayer; provided that no refund or payment on account of the
14 tax credit allowed by this section shall be made for an amount
15 less than \$1.

16 (d) In the case of a partnership, S corporation, estate,
17 or trust, the tax credit allowable is for water costs incurred
18 by the entity for the taxable year. The cost upon which the tax
19 credit is computed shall be determined at the entity level.
20 Distribution and share of credit shall be determined pursuant to
21 section 235-110.7(a).



1 (e) The director of taxation shall prepare forms as may be
2 necessary to claim a credit under this section. The director
3 may also require the taxpayer to furnish reasonable information
4 to ascertain the validity of the claim for credit made under
5 this section.

6 (f) All claims for tax credits under this section,
7 including any amended claims, shall be filed on or before the
8 end of the twelfth month following the close of the taxable year
9 in which the credits may be claimed. Failure to comply with the
10 foregoing provision shall constitute a waiver of the right to
11 claim the credit.

12 (g) The director may adopt rules pursuant to chapter 91
13 necessary for the purposes of this section."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2050, and
16 shall apply to taxable years beginning after December 31, 2005.



Report Title:

Income Tax Credit; Irrigation

Description:

Establishes an income tax credit for farmers who are forced to purchase water at higher rates from county water boards rather than at lower state irrigation system rates. Defines "farmer" as one who derives at least 50% of gross income from farming.
(SD2)

