
A BILL FOR AN ACT

RELATING TO DROUGHT MITIGATING WATER STORAGE FACILITIES.

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

1 SECTION 1. The legislature finds that farmers and ranchers
2 during periods of drought suffer from damage to crops and
3 livestock. This results in losses, including loss of income and
4 jobs for hired workers, loss of business for agricultural
5 suppliers, and loss of tax revenues to the state. These losses
6 often take farmers and ranchers years to recover. However,
7 these losses can be minimized by the construction of water
8 storage facilities to alleviate water problems during times of
9 drought.

10 To promote the construction of water storage facilities,
11 Act 293, Session Laws of Hawaii 2001, established the drought
12 mitigating water storage facility income tax credit. However,
13 unless legislation is passed to amend the tax credit, the tax
14 credit will not be available for 2006. The legislature finds
15 that it is important to continue this incentive program to
16 encourage farmers and ranchers to install drought mitigation
17 facilities to prepare for drought periods. The legislature also
18 finds that the amount of the tax credit should be increased to



1 encourage more farmers and ranchers to take advantage of this
2 incentive.

3 The purpose of this Act is to promote the construction of
4 drought mitigating water storage facilities by:

5 (1) Increasing the amount of the tax credit to twenty per
6 cent;

7 (2) Extending the date for which the tax credit is
8 available; and

9 (3) Including the cost of new equipment related to the
10 construction or repair of ancillary structures as a
11 cost that qualifies for the tax credit.

12 SECTION 2. Section 235-110.92, Hawaii Revised Statutes, is
13 amended as follows:

14 1. By amending subsection (a) to read:

15 "(a) There shall be allowed to each eligible taxpayer
16 subject to the taxes imposed by this chapter, an income tax
17 credit, which shall be deductible from the eligible taxpayer's
18 net income tax liability, if any, imposed by this chapter for
19 the taxable year in which the credit is properly claimed.

20 The amount of the credit shall be [~~four~~] twenty per cent of
21 the qualifying costs incurred and paid by the eligible taxpayer
22 during the taxable year for each qualified water storage



1 facility in the State, and shall not include construction or
2 repair costs for which another credit was claimed under this
3 chapter for the taxable year.

4 In the case of a partnership, S corporation, estate, or
5 trust, the tax credit allowable is for qualifying costs incurred
6 and paid by the entity for the taxable year. The cost upon
7 which the tax credit is computed shall be determined at the
8 entity level. Distribution and share of credit shall be
9 determined pursuant to section 235-110.7(a).

10 If a deduction is taken under section 179 (with respect to
11 election to expense depreciable business assets) of the Internal
12 Revenue Code, no tax credit shall be allowed for that portion of
13 the construction or repair costs for which the deduction is
14 taken.

15 The basis of eligible property for depreciation or
16 accelerated cost recovery system purposes for state income taxes
17 shall be reduced by the amount of credit allowable and claimed.
18 In the alternative, the taxpayer shall treat the amount of the
19 credit allowable and claimed as taxable income for the taxable
20 year in which it is properly recognized under the method of
21 accounting used to compute taxable income."

22 2. By amending subsections (e) and (f) to read:



1 "(e) The credit allowed under this section shall be
2 available for taxable years beginning after December 31, 2000,
3 and shall not be available for taxable years beginning after
4 December 31, [~~2005-~~] 2008.

5 (f) As used in this section:

6 "Eligible taxpayer" means a taxpayer who:

- 7 (1) Is a farmer or rancher; and
- 8 (2) Is not claimed or is not otherwise eligible to be
9 claimed as a dependent by another taxpayer for Hawaii
10 state income tax purposes.

11 "Net income tax liability" means net income tax liability
12 reduced by all other credits allowed under this chapter.

13 "Qualified water storage facility" means a water storage
14 facility that is part of a conservation plan approved by the
15 local soil and water conservation district.

16 "Qualifying costs" means any cost incurred and paid by the
17 taxpayer after December 31, 2000, for the new construction of a
18 qualified water storage facility or the repair or reconstruction
19 of an existing qualified water storage facility, including the
20 costs of new equipment related to the construction or repair of
21 the new or existing qualified water storage facility[~~-~~] and

1 ancillary structures, but does not include amounts received
2 through grant or subsidy from any federal or state government."

3 SECTION 3. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act shall take effect upon its approval.



Report Title:

Drought Mitigating Water Storage Facilities; Tax Credit

Description:

Promotes the construction of drought mitigating water storage facilities by increasing the amount of the drought mitigating water storage facilities tax credit to 20%, extending the date for which the tax credit is available, and including costs for ancillary structures as qualifying costs for the tax credit.
(SD1)

