
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Through Act 183, Session Laws of Hawaii 2005,
2 the legislature established a process to fulfill its
3 constitutional mandate to identify important agricultural lands.
4 A significant component of the important agricultural lands
5 designation process is to provide incentives for capital
6 investment in agriculture. These types of incentives must now
7 be put in place to assist in the growth of agriculture in the
8 future.

9 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§237- **Important agricultural land capital investment**
13 **tax credit.** (a) There shall be allowed to each taxpayer
14 subject to the taxes imposed by this chapter a general excise
15 tax credit which shall be deductible from the taxpayer's general
16 excise tax liability, if any, imposed by this chapter for the
17 taxable year in which the credit is properly claimed.



1 (b) The amount of the credit shall be one hundred per cent
2 of capital investments made during the taxable year for
3 renovations to or construction of:

4 (1) Agricultural infrastructure located on lands
5 designated as important agricultural lands pursuant to
6 part III of chapter 205; or

7 (2) Agricultural infrastructure that services agricultural
8 businesses located on lands designated as important
9 agricultural lands pursuant to part III of chapter
10 205.

11 (c) The credit allowed under this section shall be claimed
12 only against the general excise tax liability from the important
13 agricultural lands property on which the infrastructure is
14 located, for the taxable year.

15 (d) Tax credits that exceed the taxpayer's general excise
16 tax liability may be used as a credit against the taxpayer's
17 general excise tax liability in subsequent years until
18 exhausted.

19 (e) The director of taxation shall prepare forms to claim
20 a credit under this section. The director, with the assistance
21 of the department of agriculture, may adopt rules pursuant to
22 chapter 91 to effectuate the purposes of this section. The



1 director may require the taxpayer to furnish additional
2 information to ascertain the validity of the claim for credit
3 under this section.

4 (f) The department of agriculture may approve and certify
5 any renovation or construction of agricultural infrastructure
6 claimed under this section and may adopt rules pursuant to
7 chapter 91 to effectuate the purposes of this subsection.

8 (g) As used in this section:

9 "Agricultural infrastructure" means any agricultural
10 processing facilities or irrigation systems, including but not
11 limited to water sources, water transportation systems, water
12 storage facilities, lakes, reservoirs, or dams, and any other
13 associated structures or equipment.

14 "Agriculture processing facilities" means:

15 (1) Warehouse, storage, office, food handling, and other
16 facilities used in conjunction with an agricultural
17 operation on important agricultural lands;

18 (2) Physical security systems that monitor activity or
19 restrict, detect, and verify entry or entry attempts
20 to secure spaces;

1 (3) Environmental systems, which include heating,
2 ventilation, air conditioning, fire detection and
3 suppression, and other lifesaving systems; and

4 (4) Backup and emergency electric power systems.

5 "General excise tax liability" means the amount of general
6 excise tax owed to the State before deducting the amount of the
7 important agricultural land capital investment tax credit.

8 "Important agricultural land" means any land that is
9 designated as important agricultural land pursuant to chapter
10 205.

11 "Renovate or construct" means plan, design, install,
12 construct, or maintain."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act, upon its approval, shall apply to
15 taxable years beginning after December 31, 2006.

16

INTRODUCED BY: Runees Kohb

[Signature]
D. Kannd

[Signature]
J. W. G. G.
[Signature]
Zann Chun Oakland
[Signature]
Ray L. H.
[Signature]
C. J. F.

Report Title:

Important Agricultural Lands; Capital Investments; GE Tax Credit

Description:

Creates a general excise tax credit for capital investments made to renovate or construct agricultural infrastructure supporting IALs.

