
A BILL FOR AN ACT

RELATING TO IMPORTANT AGRICULTURAL LAND.

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

1 SECTION 1. 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- Important agricultural land tax credit. (a)

5 There shall be allowed to each eligible taxpayer subject to the
6 taxes imposed by this chapter an important agricultural land tax
7 credit that shall be deductible from the eligible taxpayer's net
8 income tax liability, if any, imposed by this chapter for the
9 taxable year in which the credit is properly claimed.

10 (b) The amount of the tax credit shall be equal to the
11 amount of county property taxes paid by the eligible taxpayer
12 for the taxable year in which the tax credit is claimed.

13 (c) In the case of an eligible taxpayer that is a
14 partnership, limited liability company, S corporation, estate,
15 or trust, the tax credit allowable shall be for the amount of
16 county property tax paid by the entity. The costs upon which
17 the tax credit is computed shall be determined at the entity



1 level. Distribution and share of credit shall be determined by
2 rule.

3 (d) If the tax credit under this section exceeds the
4 eligible taxpayer's net income tax liability for any year, the
5 excess of the tax credit may be used as a credit against the
6 eligible taxpayer's net income tax liability in subsequent years
7 until exhausted.

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

14 (f) The director of taxation shall prepare any forms that
15 may be necessary to claim a credit under this section. The
16 director may also require the eligible taxpayer to furnish
17 information to determine the validity of the claims for credits
18 made under this section and may adopt rules pursuant to chapter
19 91 necessary to implement the purposes of this section.

20 (g) As used in this section:

21 "Eligible taxpayer" means a taxpayer who uses the
22 taxpayer's important agricultural land for commercial



1 agricultural purposes and incurs county property tax liability
2 on that property.

3 "Important agricultural land" means those lands that are
4 identified and designated pursuant to part III of chapter 205."

5 SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is
6 amended by amending subsections (b) and (c) to read as follows:

7 "(b) Revenues collected under this chapter shall be
8 distributed as follows:

- 9 (1) 17.3 per cent of the revenues collected under this
10 chapter shall be deposited into the convention center
11 enterprise special fund established under section
12 201B-8; provided that beginning January 1, 2002, if
13 the amount of the revenue collected under this
14 paragraph exceeds \$31,000,000 in any calendar year,
15 revenues collected in excess of \$31,000,000 shall be
16 deposited into the general fund;
- 17 (2) 32.6 per cent of the revenues collected under this
18 chapter shall be deposited into the tourism special
19 fund established under section 201B-11 for tourism
20 promotion and visitor industry research; provided that
21 beginning on July 1, 2002:



- 1 (A) If the amount of revenues deposited into the
2 tourism special fund exceeds \$62,292,000 in any
3 fiscal year, of the first \$1,000,000 in revenues
4 deposited in excess of \$62,292,000:
- 5 (i) Ninety per cent shall be deposited into the
6 state parks special fund established in
7 section 184-3.4; and
- 8 (ii) Ten per cent shall be deposited into the
9 special land and development fund
10 established in section 171-19 for the Hawaii
11 statewide trail and access program;
- 12 provided that the total amount deposited into the
13 state parks special fund and to the special land
14 and development fund for the Hawaii statewide
15 trail and access program shall not exceed
16 \$1,000,000 in any fiscal year;
- 17 (3) 44.8 per cent of the revenues collected under this
18 chapter shall be transferred as follows: Kauai county
19 shall receive 14.5 per cent, Hawaii county shall
20 receive 18.6 per cent, city and county of Honolulu
21 shall receive 44.1 per cent, and Maui county shall

1 receive 22.8 per cent; provided that this amount shall
2 be reduced as provided in subsection (c); and
3 (4) 5.3 per cent of the revenues collected under this
4 chapter shall be deposited into the transient
5 accommodations tax trust fund established under
6 section 237D-5.5.

7 All transient accommodations taxes shall be paid into the
8 state treasury each month within ten days after collection, and
9 shall be kept by the state director of finance in special
10 accounts for distribution as provided in this subsection.

11 (c) On or before January or July 1 of each year or after
12 the disposition of any tax appeal with respect to an assessment
13 for periods after June 30, 1990, the state director of finance
14 shall compute and pay the amount due as provided in subsection
15 (b) to the director of finance of each county to become a
16 general realization of the county expendable as such, except as
17 otherwise provided by law[-]; provided that the amount paid to
18 each county shall be reduced by the aggregate amount of tax
19 credits claimed, pursuant to chapter 235- , against each
20 county's property tax assessments and the sums reduced shall
21 revert to the general fund."



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

3 SECTION 4. This Act shall take effect on July 1, 2050;
4 provided that:

5 (1) On July 1, 2050, section 237D-6.5(b) and (c) shall be
6 amended to include the changes made in section 2 of
7 this Act; and

8 (2) This Act shall apply to taxable years beginning after
9 December 31, 2050.

Report Title:

Tax Credit; Property Tax; Important Agricultural Lands

Description:

Establishes an important agricultural land (IAL) tax credit equal to the amount of county property tax paid by taxpayers who use their IAL for commercial agricultural purposes. Reduces each county's portion of the transient accommodations tax revenue by the amount of credits claimed against each county's property tax assessments. (SD1)

