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# A BILL FOR AN ACT

RELATING TO DROUGHT MITIGATION TAX CREDIT.

**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 crop and livestock losses  
3 that often require years to recover. Crop and livestock losses  
4 affect not only their income, but also have ancillary economic  
5 repercussions for hired workers, agricultural suppliers, and  
6 state tax revenues. These losses can be minimized by the  
7 construction of water storage facilities to alleviate water  
8 problems during times of drought.

9           The purpose of this Act is to provide an income tax credit  
10 for the construction of drought mitigation water storage  
11 facilities.

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

15           "§235-    Drought mitigation tax credit.   (a) There shall  
16 be allowed to each individual taxpayer who is not claimed or is  
17 not otherwise eligible to be claimed as a dependent by another  
18 taxpayer for federal or state income tax purposes, a drought



1 mitigation tax credit that shall be deductible from the eligible  
2 taxpayer's net income tax liability imposed by this chapter for  
3 the taxable year in which the tax credit is properly claimed.

4 (b) The tax credit shall be an amount equal to ten per  
5 cent of the cost paid by the taxpayer for the construction of a  
6 new water storage facility or repair or reconstruction of an  
7 existing water storage facility necessary for drought mitigation  
8 purposes; provided that the tax credit per taxpayer shall not  
9 exceed \$ . No tax credit shall be allowed for that  
10 portion of the cost for the construction of a new water storage  
11 facility or repair or reconstruction of an existing water  
12 storage facility necessary for drought mitigation purposes for  
13 which a federal or state grant or subsidy was received.

14 (c) As used in this section, "water storage facility"  
15 means a storage facility and associated infrastructure that is  
16 part of a conservation plan approved by the local soil and water  
17 conservation district.

18 (d) To qualify for the tax credit, the taxpayer shall be  
19 in compliance with all applicable federal, state, and county  
20 statutes, rules, and regulations.

21 (e) If the tax credit under this section exceeds the  
22 taxpayer's net income tax liability, the amount of the excess



1 tax credit shall be paid to the eligible taxpayer; provided that  
2 no refund or payment on account of the tax credit allowed by  
3 this section shall be made for amounts less than \$1.

4 (f) Every claim, including amended claims, for the tax  
5 credit under this section shall be filed on or before the end of  
6 the twelfth month following the close of the taxable year for  
7 which the tax credit may be claimed. Failure to meet the filing  
8 requirements of this subsection shall constitute a waiver of the  
9 right to claim the tax credit.

10 (g) If any credit is claimed under this section, then no  
11 taxpayer shall claim a credit under any chapter of the Hawaii  
12 Revised Statutes for the same qualified costs for which a credit  
13 is claimed under this section.

14 (h) The director of taxation:

15 (1) Shall prepare forms as may be necessary to claim a tax  
16 credit under this section;

17 (2) May require proof of the claim for the tax credit; and

18 (3) May adopt rules pursuant to chapter 91 to effectuate  
19 the purposes of this section."

20 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval  
2 and shall apply to taxable years beginning after December 31,  
3 2009 and shall be repealed on December 31, 2015.



**Report Title:**

Tax Credit; Agriculture

**Description:**

Provides a tax credit equal to 10% of the costs for construction of a new drought mitigation water storage facility, or repair or reconstruction of an existing water storage facility. (SD1)

