
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The purpose of this Act is to establish an
2 income tax exclusion for small farmers.

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

6 "§235- Exclusion for small farmers. (a) For the
7 purpose of this section:

8 "Agricultural product" has the same meaning as used in
9 section 237-5.

10 "Small farmer" means a sole proprietor, corporation,
11 partnership, S corporation, estate, or trust that:

12 (1) Engages in the production of agricultural products on
13 land owned or leased by the sole proprietor,
14 corporation, partnership, S corporation, estate, or
15 trust; and

16 (2) Earns in a taxable year not more than:

17 (A) \$500,000 from the sale of agricultural products
18 produced on the land owned or leased by the



1 taxpayer or from tours of the agricultural
2 operation conducted on that land; and
3 (B) \$250,000 in gross income from activities other
4 than those described in subparagraph (A).

5 (b) There shall be excluded from a small farmer's gross
6 income, adjusted gross income, and taxable income in a taxable
7 year the lesser of the following:

8 (1) The amount earned in that taxable year by the small
9 farmer from the sale of agricultural products produced
10 on land owned or leased by the small farmer or from
11 tours of the agricultural operation conducted on that
12 land; or

13 (2) \$50,000.

14 (c) If a small farmer is a partnership, S corporation,
15 estate, or trust, the exclusion shall be distributed among the
16 partners, shareholders, or beneficiaries, as applicable, by
17 agreement of the partnership, S corporation, estate, or trust.

18 If a spouse files a separate return, each spouse shall be
19 entitled to the exclusion that would have applied had the
20 spouses filed a joint return.

21 In no instance shall the total excluded amount distributed
22 to or claimed in a taxable year by all taxpayers that comprise a



1 "small farmer" exceed the lesser of the amounts under subsection
2 (b) (1) or (b) (2) .

3 (d) A small farmer and any taxpayer that comprises the
4 small farmer shall not be entitled to the exclusion if, in that
5 taxable year, the small farmer receives an important
6 agricultural land qualified agricultural cost tax credit under
7 section 235-110.93 for qualified costs incurred on the small
8 farmer's land.

9 (e) The director of taxation shall prepare any forms
10 necessary to implement and administer this section and may
11 require a taxpayer to furnish necessary information to justify
12 the validity of the exclusion under this section that is claimed
13 by the taxpayer.

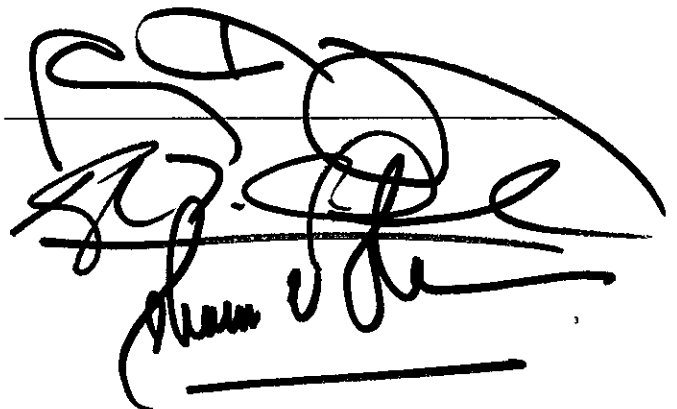
14 The director may adopt rules in accordance with chapter 91
15 for the purpose of this section."

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act, upon its approval, shall apply to
18 taxable years beginning after December 31, 2010.

19

INTRODUCED BY:



Kelly

Commissioner

by

Karen Lubana

[Signature]

JAN 21 2011



Report Title:

Small Farmer; Income Tax Exclusion

Description:

Establishes an exclusion from the gross income, adjusted gross income, and taxable income of a small farmer. Specifies that the exclusion is the lesser of (1) the amount earned from the sale of agricultural products produced on land of the small farmer or tours of the agricultural operation on the land or (2) \$50,000.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

