
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. Chapter 205, Hawaii Revised Statutes, is
2 amended by adding two new sections in part I to be appropriately
3 designated and to read as follows:

4 "§205-A Eligibility of qualified agricultural processing
5 facilities. (a) Any business firm may be eligible to be
6 designated a qualified agricultural processing facility for
7 purposes of section 205-B if the business:

8 (1) Begins the operation of a trade or business in
9 agricultural processing on a parcel of land within an
10 agricultural district;

11 (2) During each taxable year has at least fifty per cent
12 of the agricultural processing facility's gross
13 receipts attributable to the processing of
14 agricultural products grown on a parcel of land within
15 an agricultural district located within the same
16 county; and

17 (3) Either:



1 (A) Increases its average annual number of full-time
2 employees employed at the agricultural processing
3 facility located on a parcel of land within an
4 agricultural district within the same county by
5 at least ten per cent by the end of its first
6 taxable year of participation, and during each
7 subsequent taxable year at least maintains that
8 higher level of employment; or

9 (B) Increases its gross sales of agricultural
10 products processed on a parcel of land within an
11 agricultural district within the same county by
12 not less than two per cent each year.

13 Receipts from value-added products made from crops grown on a
14 parcel of land within an agricultural district located within
15 the same county and sold at retail pursuant to the limits of
16 subsection (e) shall count toward the gross receipts requirement
17 under paragraph (2).

18 (b) A business firm may also be eligible to be designated
19 a qualified agricultural processing facility for purposes of
20 this chapter if the business:



- 1 (1) Is actively engaged in agricultural processing in an
- 2 area immediately prior to the area being designated an
- 3 agricultural district;
- 4 (2) Meets the requirements of subsection (a) (2); and
- 5 (3) Either:
- 6 (A) Increases its average annual number of full-time
- 7 employees employed at the business' agricultural
- 8 processing facility or facilities on a parcel of
- 9 land within an agricultural district located
- 10 within the same county by at least ten per cent
- 11 by the end of the first year of operation, and by
- 12 at least fifteen per cent by the end of each of
- 13 the fourth, fifth, sixth, and seventh years of
- 14 operation, and for businesses eligible for tax
- 15 credits extending past the seventh year, at least
- 16 maintains that higher level of employment during
- 17 each subsequent taxable year; provided that the
- 18 percentage increase shall be based upon the
- 19 employee count at the beginning of the initial
- 20 year of operation within the agricultural
- 21 district; or



1 (B) Increases its gross sales of agricultural
2 products processed on a parcel of land within an
3 agricultural district located within the same
4 county by not less than two per cent each year.

5 (c) A business firm shall submit annually to the
6 department of business, economic development, and tourism an
7 approved form supplied by the commission that provides the
8 information necessary for the department to determine if it may
9 certify the applicability of the tax credits and exemptions
10 provided in this chapter for qualified agricultural processing
11 facilities. The commission shall certify to the department of
12 business, economic development, and tourism that the
13 agricultural processing facility of the business firm is located
14 on a parcel of land within an agricultural district. The
15 department of business, economic development, and tourism,
16 shall, in turn, certify to the commission and the department of
17 taxation that a business firm meets the qualifications of a
18 qualified agricultural processing facility.

19 (d) The form referred to in subsection (c) shall be prima
20 facie evidence of the eligibility of a business for the purposes
21 of this section.



1 (e) For the purposes of this section, "agricultural
2 processing" means the processing of crops or livestock produced
3 by an agribusiness, as defined in section 205-46.5, into food
4 products or energy, and includes biofuel processing facilities
5 and agricultural-energy facilities as described in section 205-
6 4.5.

7 §205-B Qualified agricultural processing facilities; tax
8 credit. (a) The commission shall certify annually to the
9 department of taxation the applicability of the tax credit
10 provided in this section for a qualified agricultural processing
11 facility against any taxes due the State. Except for the
12 general excise tax, the credit shall be eighty per cent of the
13 tax due for the first tax year, seventy per cent of the tax due
14 for the second tax year, sixty per cent of the tax due for the
15 third year, fifty per cent of the tax due the fourth year, forty
16 per cent of the tax due the fifth year, thirty per cent of the
17 tax due the sixth year, and twenty per cent of the tax due the
18 seventh year. The credit shall continue after the seventh year
19 at the rate of twenty per cent of the tax due for each of the
20 subsequent three tax years. Any tax credit not usable shall not
21 be applied to future tax years.



1 (b) When a partnership is eligible for a tax credit under
2 this section, each partner shall be eligible for the tax credit
3 provided for in this section on the partner's income tax return
4 in proportion to the amount of income received by the partner
5 from the partnership. Any qualified agricultural processing
6 facility having taxable income from agricultural processing
7 activity, both within and without the agricultural district,
8 shall allocate and apportion its taxable income attributable to
9 the conduct of business. Tax credits provided for in this
10 section shall only apply to taxable income of a qualified
11 agricultural processing facility attributable to agricultural
12 processing that takes place within an agricultural district
13 located within the same county.

14 (c) In addition to any tax credit authorized under this
15 section, any qualified agricultural processing facility shall be
16 entitled to a tax credit against any taxes due the State in an
17 amount equal to a percentage of unemployment insurance taxes
18 paid. The amount of the credit shall be equal to eighty per
19 cent of the unemployment insurance taxes paid during the first
20 year, seventy per cent of the unemployment insurance taxes paid
21 during the second year, sixty per cent of the unemployment
22 insurance taxes paid during the third year, fifty per cent of



1 the unemployment insurance taxes paid during the fourth year,
2 forty per cent of the unemployment insurance taxes paid during
3 the fifth year, thirty per cent of the unemployment insurance
4 taxes paid during the sixth year, and twenty per cent of the
5 unemployment insurance taxes paid during the seventh year. The
6 credit shall continue after the seventh year in an amount equal
7 to twenty per cent of the unemployment insurance taxes paid
8 during each of the subsequent three tax years.

9 (d) Tax credits provided for in subsection (c) shall only
10 apply to the unemployment insurance tax paid on employees
11 employed at the qualified agricultural processing facility's
12 establishment or establishments on a parcel of land within an
13 agricultural district located within the same county. Any tax
14 credit not usable shall not be applied to future tax years."

15 SECTION 2. In codifying the new sections added by section
16 1 of this Act, the revisor of statutes shall substitute
17 appropriate section numbers for the letters used in designating
18 the new sections in this Act.

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act shall take effect on July 1, 2020.



Report Title:

Qualified Agricultural Processing Facilities; Agricultural District

Description:

Establishes tax credits for qualified agricultural processing facilities that process agricultural products grown within the agricultural district. Effective July 1, 2020. (HB627 HD1)

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

