

JAN 21 2011

S.B. NO. 634

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# A BILL FOR AN ACT

RELATING TO TAXATION.

**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 part I to be appropriately  
3 designated and to read as follows:  
4           "§235- Vermicomposting; income tax credit. (a) Each  
5 individual or corporate taxpayer that files an individual or  
6 corporate net income tax return for a taxable year may claim a  
7 tax credit under this section against the Hawaii state  
8 individual or corporate net income tax. The tax credit may be  
9 claimed for every eligible vermicomposting system that is  
10 installed and placed in service in the State by a taxpayer  
11 during the taxable year. The amount of the tax credit shall be  
12 equal to \_\_\_\_\_ per cent of the actual cost or the cap amount  
13 determined in subsection (b), whichever is less; provided that  
14 multiple owners of a single system shall be entitled to a single  
15 tax credit; and provided further that the tax credit shall be  
16 apportioned between the owners in proportion to their  
17 contribution to the cost of the system.



1       In the case of a partnership, S corporation, estate, or  
2 trust, the tax credit allowable is for every eligible  
3 vermicomposting system that is installed and placed in service  
4 in the State by the entity. The cost upon which the tax credit  
5 is computed shall be determined at the entity level.  
6 Distribution and share of credit shall be determined pursuant to  
7 section 235-110.7(a).

8       (b) The amount of credit allowed for each eligible  
9 vermicomposting system shall not exceed the applicable cap  
10 amount, which is determined as follows:

- 11       (1) \$ \_\_\_\_\_ for single-family residential property;
- 12       (2) \$ \_\_\_\_\_ for multi-family residential property; and
- 13       (3) \$ \_\_\_\_\_ for commercial property.

14       (c) For the purposes of this section:

15       "Actual cost" means costs related to the vermicomposting  
16 systems under subsection (a), including accessories,  
17 installation, and initial wormstock.

18       "Vermicomposting system" means any identifiable facility,  
19 equipment, apparatus, or the like that uses composting worms to  
20 process organic waste or garbage into compost.

21       (d) The director of taxation shall prepare any forms that  
22 may be necessary to claim a tax credit under this section. The



1 director may also require the taxpayer to furnish reasonable  
2 information to ascertain the validity of the claim for credit  
3 made under this section and may adopt rules necessary to  
4 effectuate the purposes of this section pursuant to chapter 91.

5 (e) If the tax credit under this section exceeds the  
6 taxpayer's income tax liability, the excess of the credit over  
7 liability may be used as a credit against the taxpayer's income  
8 tax liability in subsequent years until exhausted. All claims  
9 for the tax credit under this section, including amended claims,  
10 shall be filed on or before the end of the twelfth month  
11 following the close of the taxable year for which the credit may  
12 be claimed. Failure to comply with this subsection shall  
13 constitute a waiver of the right to claim the credit.

14 (f) This section shall apply to eligible vermicomposting  
15 systems that are installed and placed in service on or after  
16 July 1, 2011."

17 SECTION 2. New statutory material is underscored.

18 SECTION 3. This Act, upon its approval, shall apply to  
19 taxable years beginning after December 31, 2010.

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INTRODUCED BY:

Michelle Solari (br)



**Report Title:**

Vermicomposting; Income Tax Credit

**Description:**

Establishes an income tax credit for taxpayers who purchase and install a vermicomposting system.

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