
A BILL FOR AN ACT

RELATING TO IRRIGATION.

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

1 SECTION 1. The legislature finds that the rates for water
2 supplied to farmers by state irrigation systems are
3 substantially lower than the rates that should be charged by the
4 State in order to sustain the irrigation systems. As such,
5 farmers who pay state irrigation system rates are, in effect,
6 being subsidized by the State. This disparity results in the
7 inequitable treatment of farmers who pay more for water from
8 county water systems, as opposed to farmers who buy water from
9 state irrigation projects.

10 The purpose of this Act is to ensure parity between users
11 of state and county irrigation systems by establishing an income
12 tax credit for users of county irrigation systems.

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

16 "§235- Farmers irrigation tax credit. (a) Every
17 taxpayer who files an individual or corporate income tax return
18 for a taxable year and who is not claimed, or is not otherwise



1 eligible to be claimed, as a dependent by another taxpayer for
2 Hawaii state individual income tax purposes may claim a farmers
3 irrigation tax credit against the taxpayer's individual or
4 corporate income tax liability for the taxable year in which the
5 income tax return is being filed; provided that the taxpayer:

6 (1) Derives at least fifty per cent of the taxpayer's
7 gross income from farming;

8 (2) Purchases water from a county board of water supply;
9 and

10 (3) Lacks access to state irrigation projects under
11 chapter 167.

12 (b) The amount of the credit shall be equal to the
13 difference between:

14 (1) The amount charged for water by state irrigation
15 projects under chapter 167; and

16 (2) The amount that should be charged by state irrigation
17 projects under chapter 167 in order to sustain the
18 irrigation projects,

19 for the taxable year in which the tax return is being filed.

20 (c) The tax credit claimed by a taxpayer pursuant to this
21 section shall be deductible from the taxpayer's income tax
22 liability, if any, for the tax year in which the credit is



1 properly claimed. If the tax credit claimed by a taxpayer
2 exceeds the amount of income tax payment due from the taxpayer,
3 the excess of credit over payment due shall be refunded to the
4 taxpayer; provided that:

5 (1) The tax credit properly claimed by a taxpayer who has
6 no income tax liability shall be paid to the taxpayer;
7 and

8 (2) No refunds or payment on account of the tax credit
9 allowed by this section shall be made for amounts less
10 than \$1.

11 (d) All claims for tax credits under this section,
12 including any amended claims, shall be filed on or before the
13 end of the twelfth month following the close of the taxable year
14 in which the credits may be claimed. Failure to comply with the
15 foregoing provision shall constitute a waiver of the right to
16 claim the credit.

17 (e) The director of taxation:

18 (1) Shall prepare forms as may be necessary to claim a
19 credit under this section;

20 (2) May require the taxpayer to furnish reasonable
21 information to ascertain the validity of the claim for
22 credit made under this section; and



1 (3) May adopt rules pursuant to chapter 91 to effectuate
2 this section."

3 SECTION 3. Section 167-22, Hawaii Revised Statutes, is
4 amended by amending subsection (b) to read as follows:

5 "(b) The irrigation system revolving fund shall be
6 administered by the department of agriculture. Moneys in the
7 revolving fund shall be expended for:

8 (1) Administrative costs, engineering surveys, economic
9 studies, plans, and maps; ~~and~~

10 (2) Other water projects or purposes of the board of
11 agriculture~~[-]~~; and

12 (3) The farmers irrigation tax credit in section 235- ;
13 provided that:

14 (A) Moneys in the fund equal to the total amount of
15 farmers irrigation tax credits approved in the
16 previous year shall be paid to the credit of the
17 general fund on an annual basis;

18 (B) The director of taxation shall report annually to
19 the chairperson of the board of agriculture on
20 the total amount of the farmers irrigation tax
21 credits approved in the previous year; and



1 (C) The director of taxation and the chairperson of
 2 the board of agriculture each may adopt rules
 3 pursuant to chapter 91 to effectuate this
 4 paragraph.

5 [~~In the event~~] If any moneys are expended from the
 6 revolving fund for engineering surveys, economic studies, plans,
 7 and other expenses directly attributable to any water project,
 8 or for the establishment of any water project, the amount of the
 9 expenditures shall be reimbursed to the revolving fund from any
 10 funds received by the board for and on account of the project."

11 SECTION 4. Statutory material to be repealed is bracketed
 12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act, upon its approval, shall apply to
 14 taxable years beginning after December 31, 2013.

15 INTRODUCED BY:

[Handwritten signatures and names]
 Linda Chizama
 [Other illegible signatures]



H.B. NO. 1029

Report Title:

Irrigation; Irrigation System Revolving Fund; Income Tax Credit

Description:

Establishes an income tax credit for farmers who purchase water at higher rates from county water boards rather than at lower state irrigation system rates. Establishes the amount of the credit as the difference between the amount charged by state irrigation systems and the amount the state irrigation systems should charge in order to sustain operations. Deducts the cost of the tax credit from the irrigation system revolving fund. Applies to taxable years beginning after 12/31/2013.

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