
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



1 for a taxable year and who is not claimed, or is not otherwise
2 eligible to be claimed, as a dependent by another taxpayer for
3 Hawaii state individual income tax purposes may claim a farmers
4 irrigation tax credit against the taxpayer's individual or
5 corporate income tax liability for the taxable year in which the
6 income tax return is being filed; provided that the taxpayer:

- 7 (1) Derives at least fifty per cent of the taxpayer's
8 gross income from farming;
- 9 (2) Purchases water from a county board of water supply;
10 and
- 11 (3) Lacks access to state irrigation projects under
12 chapter 167.

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

- 15 (1) The amount charged for water by state irrigation
16 projects under chapter 167; and
- 17 (2) The amount that should be charged by state irrigation
18 projects under chapter 167 in order to sustain the
19 irrigation projects,

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



1 (c) The tax credit claimed by a taxpayer pursuant to this
2 section shall be deductible from the taxpayer's income tax
3 liability, if any, for the tax year in which the credit is
4 properly claimed. If the tax credit claimed by a taxpayer
5 exceeds the amount of income tax payment due from the taxpayer,
6 the excess of credit over payment due shall be refunded to the
7 taxpayer; provided that:

8 (1) The tax credit properly claimed by a taxpayer who has
9 no income tax liability shall be paid to the taxpayer;
10 and

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

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

20 (e) The director of taxation:



- 1 (1) Shall prepare forms as may be necessary to claim a
- 2 credit under this section;
- 3 (2) May require the taxpayer to furnish reasonable
- 4 information to ascertain the validity of the claim for
- 5 credit made under this section; and
- 6 (3) May adopt rules pursuant to chapter 91 to effectuate
- 7 this section."

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

10 "(b) The irrigation system revolving fund shall be
 11 administered by the department of agriculture. Moneys in the
 12 revolving fund shall be expended for:

- 13 (1) Administrative costs, engineering surveys, economic
- 14 studies, plans, and maps; [~~and~~]
- 15 (2) Other water projects or purposes of the board of
- 16 agriculture[~~-~~]; and
- 17 (3) The farmers irrigation tax credit in section 235-
- 18 provided that:
- 19 (A) Moneys in the fund equal to the total amount of
- 20 farmers irrigation tax credits approved in the



1 previous year shall be paid to the credit of the
2 general fund on an annual basis;

3 (B) The director of taxation shall report annually to
4 the chairperson of the board of agriculture on
5 the total amount of the farmers irrigation tax
6 credits approved in the previous year; and

7 (C) The director of taxation and the chairperson of
8 the board of agriculture each may adopt rules
9 pursuant to chapter 91 to effectuate this
10 paragraph.

11 ~~[In the event]~~ If any moneys are expended from the revolving
12 fund for engineering surveys, economic studies, plans, and other
13 expenses directly attributable to any water project, or for the
14 establishment of any water project, the amount of the
15 expenditures shall be reimbursed to the revolving fund from any
16 funds received by the board for and on account of the project."

17 SECTION 4. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.



H.B. NO. 518

1 SECTION 5. This Act, upon its approval, shall apply to
 2 taxable years beginning after December 31, 2017.

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INTRODUCED BY:

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 JAN 20 2017



H.B. NO. 518

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 12/31/2017.

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