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# A BILL FOR AN ACT

RELATING TO A SMALL CRAFT BEER PRODUCER TAX CREDIT.

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

1       SECTION 1. The purpose of this Act is to establish a tax  
2 credit for small craft beer producers to encourage and expand  
3 the growth of a local industry.

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

7       "§235-       Small craft beer producers; income tax credit.

8       (a) There shall be allowed to each qualified taxpayer subject  
9 to the taxes imposed by this chapter a small craft beer producer  
10 tax credit that shall be deductible from the taxpayer's net  
11 income tax liability, if any, imposed by this chapter for the  
12 taxable year in which the credit is properly claimed.

13       (b) The amount of the tax credit shall be equal to twenty  
14 per cent of the qualified expenses incurred by the qualified  
15 taxpayer during a taxable year.

16       (c) In the case of a partnership, S corporation, estate,  
17 or trust, the tax credit allowable is for qualified expenses



1 incurred by the entity for the taxable year. The cost upon  
2 which the tax credit is computed shall be determined at the  
3 entity level. Distribution and share of credit shall be  
4 determined by rule.

5 If a deduction is taken under section 179 (with respect to  
6 election to expense depreciable business assets) of the Internal  
7 Revenue Code of 1986, as amended, no tax credit shall be allowed  
8 for those costs for which the deduction is taken.

9 The basis for eligible property for depreciation of  
10 accelerated cost recovery system purposes for state income taxes  
11 shall be reduced by the amount of credit allowable and claimed.

12 (d) The credit allowed under this section shall be claimed  
13 against the net income tax liability for the taxable year.

14 (e) The total amount of tax credits allowed under this  
15 section shall not exceed \$300,000 for all qualified taxpayers in  
16 any taxable year.

17 (f) A qualified taxpayer that intends to claim a tax  
18 credit pursuant to this section, before March 31 of each year in  
19 which qualified expenses were incurred by the taxpayer in the  
20 previous taxable year, shall submit a written, certified



1 statement to the director of business, economic development, and  
2 tourism identifying:

3 (1) Qualified expenses incurred in the previous taxable  
4 year; and

5 (2) The amount of the tax credit claimed by the taxpayer  
6 pursuant to this section, if any, in the previous  
7 taxable year.

8 (g) The department of business, economic development, and  
9 tourism shall:

10 (1) Maintain records of the names and addresses of the  
11 qualified taxpayers claiming the credits under this  
12 section and the total amount of the qualified expenses  
13 upon which the tax credits are based;

14 (2) Verify the nature and amount of the qualified  
15 expenses;

16 (3) Calculate the total amount of all qualified and  
17 cumulative expenses that the department certifies; and

18 (4) Certify the amount of the tax credit for each taxpayer  
19 for each taxable year and the cumulative amount of the  
20 tax credit.



1        Upon each determination made under this subsection, the  
2        department of business, economic development, and tourism shall  
3        issue a certificate to the taxpayer verifying information  
4        submitted to the department of business, economic development,  
5        and tourism including amounts of qualified expenses, the credit  
6        amount certified for the taxpayer for each taxable year, and the  
7        cumulative amount of tax credits certified. The taxpayer shall  
8        file the certificate with the taxpayer's tax return with the  
9        department of taxation.

10       The director of business, economic development, and tourism  
11       may assess and collect a fee to offset the costs of certifying  
12       tax credit claims under this section.

13       (h) The director of taxation:

14       (1) Shall prepare any forms that may be necessary to claim  
15       a tax credit under this section;

16       (2) May require the taxpayer to furnish reasonable  
17       information to ascertain the validity of the claim for  
18       the tax credit made under this section; and

19       (3) May adopt rules under chapter 91 necessary to  
20       effectuate the purposes of this section.



1        (i) If the tax credit under this section exceeds the  
2        taxpayer's net income tax liability, the excess of the credit  
3        over liability may be used as a credit against the taxpayer's  
4        net income tax liability in subsequent years until exhausted.

5        (j) All claims for the tax credit under this section,  
6        including amended claims, shall be filed on or before the end of  
7        the twelfth month following the close of the taxable year for  
8        which the credit may be claimed. Failure to comply with the  
9        foregoing provision shall constitute a waiver of the right to  
10       claim the credit.

11       (k) The annual tax credit allowed to any individual  
12       qualified producer shall not exceed \$50,000.

13       (l) As used in this section:

14       "Beer" shall have the same meaning as in section 281-1.

15       "Net income tax liability" means net income tax liability  
16       reduced by all other credits allowed under this chapter.

17       "Qualified expenses" means expenses incurred within the  
18       State by a qualified taxpayer to manufacture beer. Qualified  
19       expenses shall be calculated in accordance with the uniform  
20       capitalization rules of section 263A of the Internal Revenue



1 Code of 1986, as amended, and the federal rules and regulations  
2 adopted pursuant thereto.

3 "Qualified taxpayer" means a person that:

4 (1) Has a valid class 18 small craft producer pub license  
5 as described in section 281-31(r); and

6 (2) Complies with any manufacturing limitations  
7 established in section 281-31(r)(1).

8 "Qualified producer" means a corporation producing one  
9 hundred per cent of its beer products in the State."

10 SECTION 3. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2018-2019 for  
13 the monitoring, verification, and certification of tax credit  
14 claims by the department of business, economic development, and  
15 tourism.

16 The sum appropriated shall be expended by the department of  
17 business, economic development, and tourism for the purposes of  
18 this Act.

19 SECTION 4. New statutory material is underscored.



1           SECTION 5. This Act shall take effect on July 1, 2112, and  
2 shall apply to taxable years beginning after December 31, 2018,  
3 and ending on December 31, 2023.

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**Report Title:**

Liquor; Tax Credit; Beer; Small Craft Producer Pub Licensees;  
Appropriation

**Description:**

Establishes a small craft beer producer income tax credit.  
Appropriates funds. Takes effect on 7/1/2112. Applies to  
taxable years beginning after 12/31/2018, and ending on  
12/31/2023. (SD1)

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

