
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 five per cent of the qualified expenses incurred by the
15 qualified taxpayer during a taxable year; provided that the tax
16 credit allowed to a qualified taxpayer shall not exceed \$100,000
17 in any taxable year.



1 (c) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable is for qualified expenses
3 incurred by the entity for the taxable year. The expenses upon
4 which the tax credit is computed shall be determined at the
5 entity level. Distribution and share of credit shall be
6 determined pursuant to section 704(b) (with respect to partner's
7 distributive share) of the Internal Revenue Code of 1986, as
8 amended.

9 If a deduction is taken under section 179 (with respect to
10 election to expense certain depreciable business assets) of the
11 Internal Revenue Code of 1986, as amended, no tax credit shall
12 be allowed for those expenses for which the deduction is taken.

13 The basis for eligible property for depreciation or
14 accelerated cost recovery system purposes for state income taxes
15 shall be reduced by the amount of credit allowable and claimed.

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

18 (e) The total amount of tax credits allowed under this
19 section shall not exceed \$1,000,000 for all qualified taxpayers
20 in any taxable year.



1 (f) A qualified taxpayer that intends to claim a tax
2 credit pursuant to this section, before March 31 of each year in
3 which qualified expenses were incurred by the taxpayer in the
4 previous taxable year, shall submit a written, certified
5 statement to the department of business, economic development,
6 and tourism identifying:

7 (1) Qualified expenses incurred in the previous taxable
8 year; and

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

12 (g) The department of business, economic development, and
13 tourism shall:

14 (1) Maintain records of the names and addresses of the
15 qualified taxpayers claiming the credits under this
16 section and the total amount of the qualified expenses
17 upon which the tax credits are based;

18 (2) Verify the nature and amount of the qualified
19 expenses;

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



1 (4) Certify the amount of the tax credit for each taxpayer
2 for each taxable year and the cumulative amount of the
3 tax credit for all years claimed.

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

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

16 (h) The director of taxation:

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

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



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

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

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

13 (k) This section shall not apply to taxable years
14 beginning after December 31, 2023.

15 (l) As used in this section:

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

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

19 "Qualified expenses" means expenses incurred within the
20 State by a qualified taxpayer to manufacture beer. Qualified
21 expenses shall be calculated in accordance with the uniform



1 capitalization rules of section 263A (with respect to
2 capitalization and inclusion in inventory costs of certain
3 expenses) of the Internal Revenue Code of 1986, as amended, and
4 the federal rules and regulations promulgated thereunder.

5 "Qualified taxpayer" means a person that:

- 6 (1) Has a valid class 1 manufacturer license for malt
7 beverages as described in section 281-31(b), class 14
8 brewpub license as described in section 281-31(n), or
9 class 18 small craft producer pub license as described
10 in section 281-31(r);
- 11 (2) Complies with any manufacturing limitations
12 established in section 281-31(r) (1); and
- 13 (3) Produces one hundred per cent of its beer products in
14 the State."

15 SECTION 3. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$1,000,000 or so much
17 thereof as may be necessary for fiscal year 2019-2020 for the
18 monitoring, verification, and certification of tax credit claims
19 by the department of business, economic development, and
20 tourism.



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1 The sum appropriated shall be expended by the department of
 2 business, economic development, and tourism for the purposes of
 3 this Act.

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect on July 1, 2019, and
 6 shall apply to taxable years beginning after December 31, 2019.

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H.B. NO. 343

Report Title:

Tax Credit; Beer; Small Craft Beer Producer

Description:

Establishes a small craft beer producer income tax credit.

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