
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the cost of
2 interisland transportation is a bottleneck for market access by
3 food producers in Hawaii. This issue is also recognized by the
4 United States Department of Agriculture, which administers a
5 reimbursement transportation cost payment program for
6 geographically disadvantaged farmers and ranchers to reimburse
7 producers for a portion of the cost to transport agricultural
8 commodities or inputs used to produce an agricultural commodity.
9 The reimbursement transportation cost payment program helps
10 eligible farmers and ranchers outside the contiguous United
11 States, including farmers and ranchers in Hawaii and the
12 Pacific, offset a portion of the cost of transporting
13 agricultural products or inputs used to produce an agricultural
14 commodity over long distances. Payments from the program are
15 calculated based on the costs incurred for transportation of the
16 agricultural commodity or inputs during a fiscal year, subject
17 to an \$8,000 per producer cap per fiscal year.



1 The legislature further finds that providing an income tax
2 credit like the reimbursement transportation cost payment
3 program that similarly reimburses producers for a portion of the
4 cost to transport agricultural goods between the counties will
5 reduce cost impacts to farm viability and consumer food price
6 and support progress towards the State's Aloha+ Challenge
7 commitment to increase local food consumption and production.

8 Accordingly, the purpose of this Act is to establish an
9 interisland produce shipping tax credit to alleviate the costs
10 of interisland shipping for farmers and ranchers in the State.

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

14 "§235- Interisland produce shipping tax credit. (a)
15 Each producer that files an individual or corporate net income
16 tax return for a taxable year may claim a tax credit under this
17 section against the Hawaii state individual or corporate net
18 income tax imposed by this chapter for the taxable year in which
19 the credit is properly claimed.

20 (b) The amount of the credit shall be equal to per
21 cent of the input transportation costs for the shipping of



1 produce and agricultural goods between counties, up to a maximum
2 of \$ _____ per producer.

3 (c) The tax credits shall be distributed annually as
4 follows:

5 (1) Up to _____ per cent of the total tax credits
6 available may be claimed by farmers and ranchers;

7 (2) Up to _____ per cent of the total tax credits
8 available may be claimed by food hubs; and

9 (3) Up to _____ per cent of the total tax credits
10 available may be claimed by broad line distributors.

11 The total amount of tax credits allowed under this section shall
12 not exceed \$ _____ for all taxpayers in any taxable year.

13 (d) In the case of a partnership, S corporation, estate,
14 or trust, the tax credit allowable is for transportation costs
15 incurred by the entity for the taxable year. The costs upon
16 which the tax credit is computed shall be determined at the
17 entity level. Distribution and share of credit shall be
18 determined by rule.

19 (e) If the tax credit under this section exceeds the
20 producer's net income tax liability, the excess of the credit
21 over liability may be used as a credit against the producer's



1 net income tax liability in subsequent years until either the
2 credit is exhausted, or for a period of five years, whichever is
3 earlier.

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

10 (f) The director of taxation:

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

13 (2) May require the producer to furnish reasonable
14 information to ascertain the validity of the claim for
15 the tax credit made under this section; and

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

18 (g) All of the provisions relating to assessments and
19 refunds under this chapter and under section 231-23(c) (1) shall
20 apply to the tax credit under this section.

21 (h) As used in this section:



1 "Food hub" means a business or organization that actively
2 manages the aggregation, distribution, and marketing of source-
3 identified food products, primarily from local producers, to
4 strengthen the business or organization's ability to satisfy
5 wholesale, retail, and institutional demand.

6 "Input transportation costs" means transportation costs of
7 inputs used to produce an agricultural commodity, including but
8 not limited to air freight, ocean freight, and land freight of
9 chemicals, feed, fertilizer, fuel, seeds, plants, supplies,
10 equipment parts, and other inputs.

11 "Producer" means any farmer or rancher who is an
12 individual, group of individuals, partnership, corporation,
13 estate, trust, association, cooperative, broad line distributor,
14 food hub, or other business enterprise or other legal entity who
15 shares in the risk of producing an agricultural commodity in
16 substantial commercial quantities and who is entitled to a share
17 of the agricultural commodity from the agricultural operation."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on June 30, 3000.



Report Title:

Producers; Agricultural Goods; Interisland Shipping; Income Tax Credit

Description:

Creates an income tax credit for produce transportation costs incurred by taxpayers who are farmers, or are producers of agricultural commodities, cooperatives, broad line distributors, or food hubs who ship products and agricultural goods between counties. Effective 6/30/3000. (SD1)

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

