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# A BILL FOR AN ACT

RELATING TO MANUFACTURING.

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

1           SECTION 1. The legislature finds that Hawaii's economy has  
2           been greatly impacted by the COVID-19 pandemic. However, during  
3           the first nine months of 2022, roughly 6,800,000 visitors  
4           arrived in Hawaii, representing eighty-eight per cent recovery  
5           from the same period in 2019. International visitors arriving  
6           by air recovered 36.7 per cent.

7           The legislature further finds that overall for 2022, the  
8           average annual unemployment rate is estimated to be 3.6 per cent  
9           and is projected to decrease to 3.5 per cent in 2023, 3.2 per  
10          cent in 2024, and 2.9 per cent in 2025. These rates remain  
11          higher than Hawaii's average unemployment rate of 2.5 per cent  
12          from 2017 to 2019.

13          Despite signs of recovery, the legislature also finds that  
14          Hawaii's consumer inflation rate, as measured by the Honolulu  
15          consumer price index for all urban consumers, is estimated to  
16          increase 6.5 per cent in 2022, with a projected increase of 3.1



1 per cent in 2023, 2.3 per cent in 2024, and 2.1 per cent in  
2 2025.

3       The legislature further finds that the food manufacturing  
4 industry in Hawaii can help the State's food security by  
5 strengthening the link between farmers and other agricultural  
6 producers and Hawaii's small business people who process raw  
7 fruits, vegetables, grains, meats, and dairy products into  
8 finished goods ready for the grocer or wholesaler to sell to  
9 households, restaurants, or institutional food services. Act  
10 215, Session Laws of Hawaii 2015, created the manufacturing  
11 development program that provides assistance to manufacturing  
12 businesses in the State through grants. The further development  
13 of the food manufacturing industry in the State will prevent  
14 food waste and broaden and diversify the economy away from its  
15 heavy reliance on tourism.

16       The purpose of this Act is to establish an income tax  
17 credit to incentivize the development of the food manufacturing  
18 industry in the State.

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



1           "§235-        Manufacturing development tax credit.    (a)

2    There shall be allowed to each qualified taxpayer subject to the  
3    tax imposed under this chapter, an income tax credit that shall  
4    be deductible from the qualified taxpayer's net income tax  
5    liability, if any, imposed by this chapter for the taxable year  
6    in which the credit is properly claimed.

7           (b)    The amount of the tax credit shall be equal to the  
8    qualified expenses of the qualified taxpayer, up to a maximum of  
9    \$                    in any taxable year.

10           (c)    In the case of a partnership, S corporation, estate,  
11    or trust, the tax credit allowable is for qualified expenses  
12    incurred by the entity for the taxable year. The expenses upon  
13    which the tax credit is computed shall be determined at the  
14    entity level. Distribution and share of credit shall be  
15    determined pursuant to section 704(b) of the Internal Revenue  
16    Code.

17           (d)    The amount of the tax credits allowed under this  
18    section shall not exceed \$                    for all qualified taxpayers  
19    in any taxable year; provided that any qualified taxpayer who is  
20    not eligible to claim the credit in a taxable year due to the  
21    \$                    tax credit cap being reached for that taxable year



1 shall be eligible to claim the credit in the subsequent taxable  
2 year.

3 (e) By March 31 of each year, each qualified taxpayer  
4 claiming the tax credit for the previous taxable year, shall  
5 submit a written, certified statement to the chairperson of the  
6 board of agriculture identifying:

7 (1) Qualified expenses incurred in the previous year; and  
8 (2) The amount of the tax credit claimed by the qualified  
9 taxpayer pursuant to this section, if any, in the  
10 previous taxable year.

11 (f) If the tax credit under this section exceeds the  
12 qualified taxpayer's net income tax liability, the excess of the  
13 credit over liability may be used as a credit against the  
14 qualified taxpayer's net income tax liability in subsequent  
15 years until exhausted. All claims for the tax credit under this  
16 section, including amended claims, shall be filed on or before  
17 the end of the twelfth month following the close of the taxable  
18 year for which the credit may be claimed. Failure to comply  
19 with the foregoing provision shall constitute a waiver of the  
20 right to claim the credit.

21 (g) The department of agriculture shall:



1       (1) Maintain records of the names and addresses of the  
2           qualified taxpayers claiming the credits under this  
3           section and the total amount of the qualified expenses  
4           upon which the tax credits are based;

5       (2) Verify the nature and amount of the qualified  
6           expenses;

7       (3) Total all qualified and cumulative expenses that the  
8           department certifies; and

9       (4) Certify the amount of the tax credit for each  
10          qualified taxpayer of each taxable year and the  
11          cumulative amount of the tax credit.

12       Upon each determination made under this subsection, the  
13       department of agriculture shall issue a certificate to the  
14       qualified taxpayer verifying information submitted to the  
15       department, including amounts of qualified expenses, the credit  
16       amount certified for the qualified taxpayer for each taxable  
17       year, and the cumulative amount of tax credits certified. The  
18       qualified taxpayer shall file the certificate with the qualified  
19       taxpayer's tax return with the department of taxation.



1       The department of agriculture may assess and collect a fee  
2 to offset the costs of certifying tax credit claims under this  
3 section.

4       (h) The director of taxation:

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

7       (2) May require the qualified taxpayer to furnish  
8 reasonable information to ascertain the validity of  
9 the claim for the tax credit made under this section;

10       and

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

13       (i) As used in this section:

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

16       "Qualified expenses" means expenses incurred by a qualified  
17 taxpayer for:

18       (1) The purchasing of food manufacturing equipment;

19       (2) Training of employees on the use of food manufacturing  
20 equipment;



1       (3) Improving existing energy efficiency manufacturing  
2       equipment or the purchase of improved energy  
3       efficiency equipment in the food manufacturing  
4       process; or

5       (4) Studying or planning the implementation of a new food  
6       manufacturing facility.

7       "Qualified taxpayer" means any person or business entity  
8       that is engaged in the food manufacturing industry in the State  
9       and manufactures food that has had at least fifty-one per cent  
10      of its wholesale value added by manufacture, assembly,  
11      fabrication, or production within the State."

12       SECTION 3. New statutory material is underscored.

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



**Report Title:**

Food Manufacturing Development; Income Tax Credit

**Description:**

Creates an income tax credit to incentivize the food manufacturing industry in the State. Effective 6/30/3000.  
(HD1)

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

