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## 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 twenty per cent of  
21 the input transportation costs for the shipping of produce and



1 agricultural goods between counties, up to a maximum of \$20,000  
2 per producer.

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

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

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

9 (3) Up to twenty 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 \$5,000,000 for all taxpayers in any taxable year.

13 (d) In the case of a partnership, S corporation, estate,  
14 trust, or any developer of a commercial building, the tax credit  
15 allowable is for renovation costs incurred by the entity for the  
16 taxable year. The cost upon which the tax credit is computed  
17 shall be determined at the entity level. Distribution and share  
18 of credit shall be 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. All claims for the tax credit under this section,  
4 including amended claims, shall be filed on or before the end of  
5 the twelfth month following the close of the taxable year for  
6 which the credit may be claimed. Failure to comply with the  
7 foregoing provision shall constitute a waiver of the right to  
8 claim the credit.

9 (f) The director of taxation:

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

12 (2) May require the producer to furnish reasonable  
13 information and verifiable records to ascertain the  
14 validity of the claim for the tax credit made under  
15 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 in the State who is  
12 an 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       "Verifiable records" means evidence that is used to  
19 substantiate the amount of eligible credits per producer that  
20 can be verified by the director of taxation through an  
21 independent source."



1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act, upon its approval, shall apply to  
3 taxable years beginning after December 31, 2022.

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INTRODUCED BY:

A handwritten signature in black ink, appearing to be 'C. E. O.' with a flourish at the end, written over a horizontal line.

JAN 20 2023



# H.B. NO. 607

**Report Title:**

Producers; Agricultural Goods; Interisland Shipping; Income Tax Credit

**Description:**

Creates an income tax credit for 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.

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

