
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 increasing local
2 food production for local consumption is an issue of statewide
3 interest. Strengthening the local agricultural industry in a
4 way that revitalizes food systems can provide economic, social,
5 ecological, and public health benefits for the lands, waters,
6 and people of Hawaii.

7 The legislature further finds that Hawaii farmers, fishers,
8 and ranchers need support to alleviate the high costs associated
9 with agricultural production in the islands. Ensuring the
10 viability of local food producers is critical to the State's
11 progress toward the goals outlined in the Aloha+ challenge.

12 The purpose of this Act is to establish an income tax
13 credit to alleviate the high costs of production for Hawaii's
14 farmers, ranchers, and fishers and incentivize growth in the
15 agricultural sector.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to part VI to be appropriately
3 designated and to read as follows:

4 "§235- Farming income tax credit. (a) There shall be
5 allowed to each qualified taxpayer subject to the tax imposed
6 under this chapter, an income tax credit that shall be
7 deductible from the taxpayer's net income tax liability, if any,
8 imposed by this chapter for the taxable year in which the credit
9 is properly claimed.

10 In the case of a partnership, S corporation, estate, or
11 trust, the tax credit shall be determined at the entity level.
12 Distribution and share of credit shall be determined by rule.

13 (b) The amount of the tax credit shall be equal to a
14 percentage of the qualified taxpayer's net farm income as
15 follows:

16 (1) Fifteen per cent of net farm income included in
17 federal adjusted gross income for a qualified taxpayer
18 with less than \$250,000 in net farm income; and

19 (2) Ten per cent of net income included in federal
20 adjusted gross income for a qualified taxpayer with



1 net farm income equal to or greater than \$250,000 and
2 less than \$1,000,000.

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

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

13 (d) 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.

21 (e) As used in this section:



1 "Excess federal gross income" means the amount of federal
2 gross income from all sources for the taxable year.

3 "Qualified taxpayer" means a taxpayer who provides proof
4 that at least two-thirds of the taxpayer's excess federal gross
5 income is derived from farming or ranching, as shown by federal
6 Form 1040 Schedule F filings, or from fishing, as shown by
7 federal Form 1040 Schedule C filings."

8 SECTION 3. New statutory material is underscored.

9 SECTION 4. This Act shall take effect on June 30, 3000,
10 and shall apply to taxable years beginning after December 31,
11 2023.



Report Title:

Agriculture; Farmers; Ranchers; Fishers; Income Tax Credit

Description:

Establishes an income tax credit to alleviate the high costs of production for farmers, ranchers, and fishers and incentivize growth in the agricultural sector in the State. Effective 6/30/3000. Applies to taxable years beginning after 12/31/2023. (SD2)

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