
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 food insecurity has
2 been a problem for many households in the State and was further
3 exacerbated by the coronavirus disease 2019 pandemic. The State
4 experienced a fifty-one per cent increase in the number of
5 households dealing with food insecurity. According to Feeding
6 America, one in ten people in the State face hunger, including
7 one in six children. In 2021, the State had the second highest
8 rate of child food insecurity in the country. The legislature
9 further finds that one in five families in the State rely on
10 food banks and food pantries to supplement their nutritional
11 needs. However, supply chain issues, shipping delays, and
12 inflation, coupled with increased rates of program
13 participation, affected the ability of these programs to provide
14 necessary nutritional support to Hawaii's families.

15 Many food banks and food pantries rely on donations to
16 continue providing the necessary services to those in need.
17 While these programs do receive some donations of extra produce



1 from grocery stores and other donors, access to fresh healthy
2 foods remains limited for families in need throughout the State,
3 making it difficult for these households to maintain consistent,
4 well-balanced, and nutritious diets. The legislature believes
5 that farms in the State can help to tackle the issues of hunger
6 and nutritional disparities for many families in Hawaii by
7 donating excess produce to food banks and food pantries. This
8 will not only help families in need, but will also reduce food
9 waste at the agricultural production, processing, or
10 distribution level; create partnerships between farms and local
11 organizations serving families in need; and increase access to
12 and consumption of healthy, locally produced food products while
13 reducing dependence on imported produce. However, the
14 legislature recognizes that without the support of the
15 government, farmers may not be able to sustain donating excess
16 produce to food banks and food pantries.

17 Accordingly, the purpose of this Act is to establish a tax
18 credit for eligible farms that donate certain food products or
19 prepared foods to food banks and food pantries located in the
20 State.



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- Qualified farm food donation tax credit. (a)

5 There shall be allowed to each qualified farm subject to the
6 taxes imposed by this chapter that donates an eligible food
7 product or prepared food to food banks or food pantries located
8 in the State, a qualified farm food donation tax credit that
9 shall be deductible from the taxpayer's net income tax
10 liability, if any, imposed by this chapter for the taxable year
11 in which the tax credit is properly claimed.

12 (b) The tax credit shall be equal to per cent of the
13 wholesale value of the eligible food product or prepared food.

14 (c) The total amount of tax credits claimed per qualified
15 farm shall not exceed \$. The total amount of tax
16 credits allowed under this section in any particular year shall
17 not exceed \$ for each county.

18 (d) If the tax credit under this section exceeds the
19 taxpayer's income tax liability, the excess of the credit over
20 liability may be used as credit against the taxpayer's income
21 tax liability in subsequent years until the credit is exhausted.



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

7 (f) The department of taxation:

8 (1) Shall prepare any forms that may be necessary to claim
9 a credit under this section;

10 (2) May require the taxpayer to furnish information to
11 ascertain the validity of the claim for the credit
12 made under this section; and

13 (3) May adopt rules pursuant to chapter 91 to effectuate
14 this section.

15 (g) The department of agriculture shall:

16 (1) Establish standards and criteria to determine the
17 value of the eligible food product or prepared food
18 donated;

19 (2) Maintain records of the total amount of donations made
20 by each taxpayer claiming the credit;

21 (3) Verify the amount of donations made;



- 1 (4) Total all donations made;
- 2 (5) Verify that the receiving food bank or food pantry is
3 equipped to hold and distribute donated eligible food
4 products or prepared food;
- 5 (6) Certify the total amount of the tax credit for each
6 taxable year; and
- 7 (7) Adopt rules pursuant to chapter 91 to effectuate this
8 section.

9 (h) Upon each determination, the department of agriculture
10 shall issue a certificate to the taxpayer verifying the
11 donations made and the credit amount certified for each taxable
12 year. For a taxable year, the department of agriculture may
13 certify a credit for a taxpayer who could have claimed the
14 credit in a previous taxable year but chose not to because the
15 maximum annual credit amount under subsection (c) was reached in
16 that taxable year.

17 The taxpayer shall file the certificate with the taxpayer's
18 tax return with the department of taxation. Notwithstanding the
19 department of agriculture's certification authority under this
20 section, the director of taxation may audit and adjust
21 certification to conform to the facts.



1 (i) If in any taxable year, the annual amount of certified
2 credits reaches \$600,000 in the aggregate, the department of
3 agriculture shall immediately discontinue certifying credits and
4 notify the department of taxation. In no instance shall the
5 department of agriculture certify a total amount of credits
6 exceeding \$600,000 per taxable year. To comply with this
7 restriction, the department of agriculture shall certify credits
8 on a first come, first served basis.

9 The department of taxation shall not allow the aggregate
10 amount of credits claimed to exceed \$600,000 per taxable year.

11 (j) For the purposes of this section:

12 "Eligible food product" means fresh, farmed plant products
13 for human consumption, including farmed plant products that are
14 recognized as indigenous to native Hawaiian culture.

15 "Prepared food" means a value-added eligible food product
16 that consists of no more than two ingredients, with the primary
17 ingredient being a farmed plant product that is recognized as
18 indigenous to native Hawaiian culture. "Prepared food" includes
19 but is not limited to poi and cooked kalo corms, kalo leaves, or
20 breadfruit.



1 "Qualified farm" means a farm business that has a valid
2 employer identification number and general excise tax license."

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2023-2024 and
6 the same sum or so much thereof as may be necessary for fiscal
7 year 2024-2025 for the administration of the certification
8 process for the qualified farm food donation tax credit.

9 The sums appropriated shall be expended by the department
10 of agriculture for the purposes of this Act.

11 SECTION 4. New statutory material is underscored.

12 SECTION 5. This Act shall take effect on June 30, 3000,
13 and shall:

14 (1) Apply to taxable years beginning after December 31,
15 2022; and

16 (2) Be repealed on June 30, 2026.



Report Title:

Qualified Farms; Donations; Tax Credit; Appropriation

Description:

Establishes an income tax credit for qualified farms that donate eligible food products or prepared food to food banks or food pantries located in the State. Appropriates funds. Sunsets 6/30/2026. Effective 6/30/3000. (HD2)

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