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# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1           SECTION 1. The legislature finds that the State currently  
2 imports eighty-five to ninety per cent of its food, fuel, and  
3 fiber but envisions a thriving and self-sufficient agricultural  
4 sector in Hawaii that readily provides for its people an  
5 abundance of affordable foods and lucrative food-related jobs.

6           The legislature further finds that the State has set the  
7 goal to double food production by 2030 and that one of the more  
8 significant barriers to achieving this goal is a lack of access  
9 to capital. The legislature also recognizes that there is no,  
10 or only a limited, incentive for private investors to invest in  
11 agriculture in Hawaii. However, according to the department of  
12 business, economic development, and tourism, replacing just ten  
13 per cent of the food products currently imported into the State  
14 would amount to approximately \$313,000,000 in new revenues for  
15 Hawaii's agricultural sector. Assuming a thirty per cent farm  
16 share, \$94,000,000 would be realized at the farm-gate, which  
17 would generate an economy-wide impact of an additional



1 \$188,000,000 in sales; \$47,000,000 in profit earnings;  
2 \$6,000,000 in state tax revenues; and more than two thousand  
3 three hundred jobs.

4 The purpose of this Act is to establish a tax credit that  
5 will support the development of agricultural self-sufficiency  
6 and food security in Hawaii.

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

10 "§235- Food manufacturer tax credit. (a) There shall  
11 be allowed to each qualified taxpayer subject to the tax imposed  
12 under this chapter an income tax credit that shall be deductible  
13 from the taxpayer's net income tax liability, if any, imposed by  
14 this chapter for the taxable year in which the credit is  
15 properly claimed.

16 (b) The amount of the tax credit shall be equal to the  
17 qualified expenses of the qualified taxpayer, up to a maximum of  
18 \$\_\_\_\_\_.

19 (c) In the case of a partnership, S corporation, estate,  
20 or trust, the tax credit allowable shall be for qualified  
21 expenses incurred by the entity for the taxable year. The



1 expenses upon which the tax credit is computed shall be  
2 determined at the entity level. Distribution and share of  
3 credit shall be determined by rule.

4 (d) The total amount of tax credits allowed under this  
5 section shall not exceed \$ \_\_\_\_\_ for all qualified taxpayers  
6 in any taxable year; provided that any taxpayer who is not  
7 eligible to claim the credit in a taxable year due to the  
8 \$ \_\_\_\_\_ cap having been exceeded for that taxable year shall  
9 be eligible to claim the credit in the subsequent taxable year.

10 (e) Every qualified taxpayer, before March 31 of each year  
11 in which qualified expenses were incurred by the taxpayer in the  
12 previous taxable year, shall submit a written, certified  
13 statement to the chairperson of the board of agriculture  
14 identifying:

15 (1) Qualified expenses incurred in the previous taxable  
16 year; and

17 (2) The amount of the tax credit claimed by the taxpayer  
18 pursuant to this section, if any, in the previous  
19 taxable year.

20 (f) The board 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                    board certifies; and
- 9        (4) Certify the amount of the tax credit for each taxpayer  
10                   for each taxable year and the cumulative amount of the  
11                   tax credit.

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

21        (g) The director of taxation:



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

3       (2) May require the taxpayer to furnish reasonable  
4       information to ascertain the validity of the claim for  
5       the tax credit made under this section; and

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

8       (h) No taxpayer that claims a credit under this section  
9       shall qualify for a grant under the manufacturing development  
10      program under section 206M-15.1 for the same expenses.

11      (i) If the tax credit under this section exceeds the  
12      taxpayer's net income tax liability, the excess of the credit  
13      over liability may be used as a credit against the taxpayer's  
14      net income tax liability in subsequent years until exhausted.

15      All claims for the tax credit under this section, including  
16      amended claims, shall be filed on or before the end of the  
17      twelfth month following the close of the taxable year for which  
18      the credit may be claimed. Failure to comply with the foregoing  
19      provision shall constitute a waiver of the right to claim the  
20      credit.

21      (j) For purposes of this section:



# S.B. NO. 2432

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

3        "Qualified expenses" means the costs directly incurred by  
4 the taxpayer for the purchase, maintenance, or improvement of  
5 food manufacturing equipment and facilities.

6        "Qualified taxpayer" means a food manufacturer that  
7 produces value-added processed, agricultural, or food products."

8        SECTION 3. New statutory material is underscored.

9        SECTION 4. This Act, upon its approval, shall apply to  
10 taxable years beginning after December 31, 2024.

11

INTRODUCED BY:





# S.B. NO. 2432

**Report Title:**

Income Tax; Agriculture; Investors; Food Manufacturer Tax Credit

**Description:**

Establishes a food manufacturer tax credit. Defines "qualified taxpayer" as a manufacturer that produces value-added processed, agricultural, or food products. Applies to taxable years beginning after 12/31/2024.

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

