
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 the State 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.

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 qualified taxpayer that files an individual or corporate
16 net income tax return for a taxable year may claim a tax credit
17 under this section against the Hawaii state individual or
18 corporate net income tax imposed by this chapter for the taxable
19 year in which the credit is properly claimed.

20 In the case of a partnership, S corporation, estate, or
21 trust, the tax credit allowable is for qualified transportation



1 costs incurred by the entity for the taxable year. The costs
2 upon which the tax credit is computed shall be determined at the
3 entity level. Distribution and share of credit shall be
4 determined by rule.

5 (b) The amount of the credit shall be equal to _____ per
6 cent of the qualified transportation costs of the qualified
7 taxpayer, up to a maximum of \$ _____.

8 (c) The department of agriculture shall:

9 (1) Maintain records of the total amount of qualified
10 transportation costs for each taxpayer claiming a
11 credit;

12 (2) Verify the amount of the qualified transportation
13 costs claimed;

14 (3) Total all qualified transportation costs claimed; and

15 (4) Certify the total amount of the tax credit for each
16 taxable year.

17 Upon each determination, the department of agriculture
18 shall issue a certificate to the qualified taxpayer verifying
19 the qualified transportation costs and the credit amount
20 certified for each taxable year. For a taxable year, the
21 department of agriculture may certify a credit for a qualified



1 taxpayer who could have claimed the credit in a previous taxable
2 year, but chose not to because the maximum annual credit amount
3 under subsection (d) was reached in that taxable year.

4 The qualified taxpayer shall file the certificate with the
5 taxpayer's tax return with the department of taxation.

6 Notwithstanding the department of agriculture's certification
7 authority under this section, the director of taxation may audit
8 and adjust certification to conform to the facts.

9 (d) The total amount of tax credits allowed under this
10 section shall not exceed \$ _____ for all taxpayers in any
11 taxable year; provided that of the \$ _____ :

12 (1) \$ _____ may be certified for qualified taxpayers
13 who are farmers or ranchers;

14 (2) \$ _____ may be certified for qualified taxpayers
15 who operate food hubs; and

16 (3) \$ _____ may be certified for qualified taxpayers
17 who are broad line distributors.

18 If in any taxable year the annual amount of certified credits
19 reaches the amount specified in paragraph (1), (2), or (3), the
20 department of agriculture shall immediately discontinue
21 certifying credits for the qualified taxpayers described in that



1 paragraph and notify the department of taxation. In no instance
2 shall the department of agriculture certify a total amount of
3 credits exceeding \$ _____ per taxable year. To comply with
4 this restriction, the department of agriculture shall certify
5 credits on a first come, first served basis.

6 (e) If the tax credit under this section exceeds the
7 qualified taxpayer's net income tax liability, the excess of the
8 credit over liability may be used as a credit against the
9 qualified taxpayer's net income tax liability in subsequent
10 years until either the credit is exhausted, or for a period of
11 five years, whichever is earlier.

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

18 (f) The director of taxation:

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



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

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

7 (g) For purposes of this section:

8 "Broad line distributor" means a food service company that
9 purchases a wide range of food products from manufacturers and
10 stocks these goods in one of their distribution centers. A
11 "broad line distributor" may also offer value-added services
12 designed to meet the needs of single-store restaurants and small
13 chain restaurants.

14 "Food hub" means a business or organization that actively
15 manages the aggregation, distribution, and marketing of source-
16 identified food products, primarily from local producers, to
17 strengthen the business or organization's ability to satisfy
18 wholesale, retail, and institutional demand.

19 "Qualified taxpayer" means any farmer or rancher who is an
20 individual, group of individuals, partnership, corporation,
21 estate, trust, association, cooperative, broad line distributor,



1 food hub, or other business enterprise or other legal entity

2 who:

3 (1) Shares in the risk of producing an agricultural
4 commodity in substantial commercial quantities; and

5 (2) Is entitled to a share of the agricultural commodity
6 from the agricultural operation.

7 "Qualified transportation costs" means costs incurred,
8 including air freight, ocean freight, and land freight, in
9 transporting the following between counties:

10 (1) Produce and agricultural goods; and

11 (2) Inputs used to produce an agricultural commodity,
12 including but not limited to chemicals, feed,
13 fertilizer, fuel, seeds, plants, supplies, equipment
14 parts, and other inputs."

15 SECTION 3. New statutory material is underscored.

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



Report Title:

Department of Agriculture; Department of Taxation; Income Tax Credit; Interisland Shipping; Agricultural Products and Inputs

Description:

Creates an income tax credit for transportation costs incurred by certain taxpayers who ship agricultural products and inputs between counties. Applies to taxable years beginning after 12/31/2024. (SD1)

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