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## A BILL FOR AN ACT

RELATING TO RESILIENCY.

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

1       SECTION 1. The legislature finds that Hawai'i's geographic  
2       isolation and reliance on centralized supply chains make the  
3       State uniquely vulnerable to disruptions caused by natural  
4       disasters. Any damage to the State's harbors during hurricanes,  
5       tsunamis, or other emergencies could leave residents with  
6       limited access to food and essential supplies for extended  
7       periods.

8       This risk underscores the need to expand local food  
9       production, processing, and storage capacity to ensure the State  
10      is prepared for potential disasters. Strengthening the State's  
11      food supply chain will not only enhance resilience but also  
12      reduce food insecurity, which affects one in three Hawai'i  
13      residents, and alleviate the high costs of food that  
14      disproportionately impact low-income families.

15      The legislature further finds that despite the State's goal  
16      of doubling local food production by 2030, small businesses  
17      engaged in food and beverage production, distribution, and



1   retailing face significant challenges. Regulatory hurdles,  
2   permitting delays, and an onerous tax environment hinder their  
3   ability to scale and meet local demand. Many businesses  
4   relocate operations to the continental United States or overseas  
5   to remain viable, leaving Hawai'i without the necessary  
6   infrastructure to build food resilience.

7       The legislature believes that to achieve food security and  
8   resilience, the State must provide incentives for improving food  
9   and beverage supply chain activities, streamlining permitting  
10  processes, and creating an environment where local businesses  
11  can expand and succeed. To ensure access to affordable and  
12  nutritious food and to prepare Hawai'i for emergencies, it is  
13  essential that the State support local producers, processors,  
14  distributors, and retailers in building a robust and self-  
15  sustaining food system.

16       Accordingly, the purpose of this Act is to:

17       (1) Establish a refundable income tax credit for qualified  
18           taxpayers that incur qualified expenses in connection  
19           with activities that enhance the resiliency of the  
20           food and beverage supply chain; and



1           (2) Require the department of business, economic  
2           development, and tourism to establish expedited  
3           permitting processes for certain food and beverage  
4           supply chain projects.

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

8           "§235-     Food and beverage supply chain resiliency income

9           tax credit.   (a) There shall be allowed to each qualified  
10          taxpayer subject to the tax imposed under this chapter, a food  
11          and beverage supply chain resiliency income tax credit that  
12          shall be deductible from the qualified taxpayer's net income tax  
13          liability, if any, imposed by this chapter for the taxable year  
14          in which the credit is properly claimed.

15          (b) The food and beverage supply chain resiliency income  
16          tax credit shall be equal to forty per cent of qualified food  
17          and beverage supply chain costs of the qualified taxpayer, up to  
18          a maximum of \$ \_\_\_\_\_, whichever is less.

19          (c) The total amount of tax credits allowed under this  
20          section shall not exceed \$2,000,000 for all qualified taxpayers  
21          in any taxable year; provided that any qualified taxpayer who is



1 not eligible to claim the credit in a taxable year due to the  
2 \$2,000,000 cap having been exceeded for that taxable year shall  
3 be eligible to claim the credit in the subsequent taxable year.

4 (d) Each taxpayer claiming a tax credit under this section  
5 shall register with the department of business, economic  
6 development, and tourism and submit a written, certified  
7 statement to the department that identifies:

8 (1) Qualified food and beverage supply chain costs, if  
9 any, incurred in the previous taxable year;

10 (2) The amount of tax credits claimed pursuant to this  
11 section, if any, in the previous taxable year; and

12 (3) Proof of compliance with all federal, state, and  
13 county laws.

14 (e) The department of business, economic development, and  
15 tourism:

16 (1) May, in consultation with the director of taxation,  
17 prepare any forms that may be necessary to certify  
18 costs to claim a tax credit under this section;

19 (2) Shall maintain records of the names of the taxpayers  
20 claiming the tax credit under this section;



- 1        (3) Shall obtain and total the aggregate amounts of all  
2        qualified food and beverage supply chain costs per  
3        qualified taxpayer per taxable year;
- 4        (4) Shall certify the amount of qualified food and  
5        beverage supply chain costs eligible to claim a tax  
6        credit made under this section;
- 7        (5) Shall provide a letter to the director of taxation  
8        specifying the amount of the tax credit per qualified  
9        taxpayer for each taxable year that a tax credit is  
10       claimed; and
- 11       (6) May adopt rules under chapter 91 as necessary to  
12       effectuate the purposes of this section.
- 13       (f) Upon each determination made under subsection (d), the  
14       department of business, economic development, and tourism shall  
15       issue a certificate to the taxpayer verifying information  
16       submitted to the department, including the qualified food and  
17       beverage supply chain costs, the credit amount certified for  
18       each taxable year, and the cumulative amount of the tax credit  
19       during the credit period. The taxpayer shall file the  
20       certificate with the taxpayer's tax return with the department  
21       of taxation. Notwithstanding the authority of the department of



1 business, economic development, and tourism under this section,  
2 the director of taxation may audit and adjust the tax credit  
3 amount to conform to the information filed by the taxpayer.

4 The department of business economic development and tourism  
5 may assess and collect a fee to offset the costs of certifying  
6 tax credit claims under this section.

7 (g) The director of taxation:

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

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

13 (3) May adopt rules under chapter 91 as necessary to  
14 effectuate the purposes of this section.

15 (h) If the tax credit claimed by the qualified taxpayer  
16 under this section exceeds the amount of the income tax payments  
17 due from the taxpayer, the excess of credit over payments due  
18 shall be refunded to the taxpayer; provided that the tax credit  
19 properly claimed by the taxpayer who has no income tax liability  
20 shall be paid to the taxpayer; provided further that no refunds  
21 or payments on account of the tax credit allowed by this section



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

7 (i) As used in this section:

8 "Food and beverage supply chain" means all entities  
9 involved in the production, processing, distribution, storage,  
10 retailing, and donation of food and beverage products in the  
11 State, including:

- 12 (1) Farmers and ranchers;  
13 (2) Food and beverage hubs and cooperatives;  
14 (3) Food and beverage processors and manufacturers;  
15 (4) Distributors and logistics companies;  
16 (5) Grocery stores, markets, and other food and beverage  
17 retailers; and  
18 (6) Food banks and organizations that provide food  
19 assistance.



1       "Qualified food and beverage supply chain costs" means  
2       operational costs relevant to food and beverage supply chain  
3       activities in the State, including but not limited to:

4       (1) Salaries, wages, and other labor costs for employees  
5       directly involved in food and beverage supply chain  
6       activities;

7       (2) Expenses for establishing, upgrading, or maintaining  
8       infrastructure for food and beverage processing,  
9       distribution, storage, or retailing;

10      (3) Costs for purchasing agricultural equipment, vehicles,  
11      or renewable energy systems used in food and beverage  
12      supply chain operations;

13      (4) Utilities and energy costs necessary for food and  
14      beverage supply chain operations; and

15      (5) Costs for developing or implementing food donation and  
16      recovery programs to reduce food waste and improve  
17      access to food for underserved communities.

18      "Qualified taxpayer" means a taxpayer subject to tax under  
19      this chapter who is engaged in activities that strengthen the  
20      State's food and beverage supply chain."





1       SECTION 3. (a) The department of business, economic  
2 development, and tourism shall establish expedited permitting  
3 processes for:

4       (1) Building food and beverage storage and processing  
5 facilities;

6       (2) Expanding retail operations for local food and  
7 beverage businesses; and

8       (3) Establishing agricultural production or processing  
9 infrastructure.

10       (b) Permits for food and beverage supply chain projects  
11 shall be reviewed and approved within one hundred eighty days of  
12 submission; provided that the requests for permits are submitted  
13 with approval of licensed contractors.

14       SECTION 4. The department of taxation, in consultation  
15 with the department of business, economic development, and  
16 tourism, shall adopt rules under chapter 91, Hawaii Revised  
17 Statutes, to effectuate the purposes of this Act, including  
18 procedures for claiming the food and beverage supply chain  
19 resiliency income tax credit and enforcing compliance.

20       SECTION 5. New statutory material is underscored.

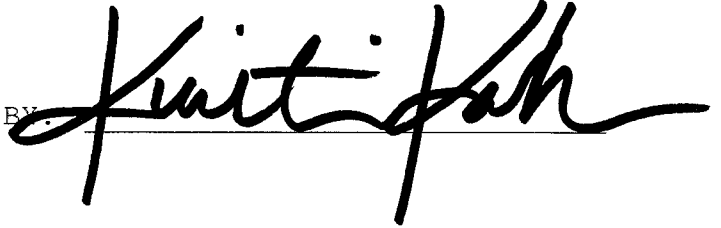


H.B. NO. 499

1       SECTION 6. This Act shall take effect on July 1, 2025;  
2       provided that section 2 shall apply to taxable years beginning  
3       after December 31, 2025.

4

INTRODUCED BY

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JAN 17 2025



# H.B. NO. 499

**Report Title:**

DBEDT; DOTAX; Food and Beverage Supply Chain; Resiliency; Tax Credit; Permits

**Description:**

Establishes the Food and Beverage Supply Chain Resiliency Income Tax Credit to be administered by the Department of Business, Economic Development, and Tourism and Department of Taxation. Requires DBEDT to establish expedited permitting processes for food and beverage supply chain activities.

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

