

JAN 15 2025

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.



S.B. NO. 369

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: Carol Fukunaga



S.B. NO. 369

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.

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