JAN 1 5 2025

A BILL FOR AN ACT

RELATING TO TAXATION.

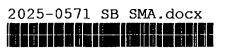
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 The legislature finds that the cost of SECTION 1. 2 interisland transportation is a bottleneck for market access by food producers in Hawaii. This issue is also recognized by the 3 4 United States Department of Agriculture, which administers a reimbursement transportation cost payment program for 5 geographically disadvantaged farmers and ranchers to reimburse 6 producers for a portion of the cost to transport agricultural 7 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 States, including farmers and ranchers in the State and the 11 12 Pacific, offset a portion of the cost of transporting agricultural products or inputs used to produce an agricultural 13 14 commodity over long distances. Payments from the program are 15 calculated based on the costs incurred for transportation of the agricultural commodity or inputs during a twelve month period, 16 subject to an \$8,000 per producer cap per fiscal year. 17

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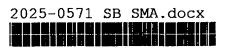
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1	The legislature further finds that providing an income tax
2	credit like the reimbursement transportation cost payment
3	program that similarly reimburses producers for a portion of the
4	cost to transport agricultural goods between the counties 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	" <u>\$235-</u> 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



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1	<u>costs inc</u>	urred by the entity for the taxable year. The costs
2	upon whic	h the tax credit is computed shall be determined at the
3	<u>entity le</u>	vel. Distribution and share of credit shall be
4	determine	d by rule.
5	<u>(b)</u>	The amount of the credit shall be equal to per
6	cent of t	he qualified transportation costs of the qualified
7	taxpayer,	up to a maximum of \$.
8	<u>(c)</u>	The department of agriculture shall:
9	(1)	Maintain records of the total amount of qualified
10		transportation costs for each taxpayer claiming a
11		<u>credit;</u>
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 iss	ue a certificate to the qualified taxpayer verifying
19	the quali	fied transportation costs and the credit amount
20	certified	for each taxable year. For a taxable year, the
21	departmen	t of agriculture may certify a credit for a qualified



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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 a 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



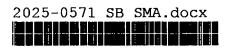
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1	paragraph and notify the department of taxation. In no instance	
2	shall the department of agriculture certify a total amount of	
3	credits exceeding \$ per taxable year. To comply with	
4	this restriction, the department of agriculture shall certify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

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	(2)	Man manufact the malified terms to four ist	
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	<u>(3)</u>	May adopt rules under chapter 91 necessary to	
6		effectuate the purposes of this section.	
7	<u>(g)</u>	For the purposes of this section:	
8	"Bro	ad 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	strengthe	n 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	individua	l, group of individuals, partnership, corporation,	
21	<u>estate, t</u>	rust, association, cooperative, broad line distributor,	



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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	"Qual	ified transportation costs" means costs incurred,
8	including	air freight, ocean freight, and land freight, in
9	transporti	ng the following between counties:
10	(1)	Produce and agricultural goods; and
11	<u>(2)</u>	Inputs used to produce an agricultural commodity,
12		including but not limited to chemicals, feed,
13		fertilizer, fuel, seeds, plants, supplies, equipment
14	j	parts, and other inputs."
15	SECTI	ON 3. New statutory material is underscored.
16	SECTI	ON 4. This Act, upon its approval, shall apply to
17	taxable ye	ars beginning after December 31, 2025.
18		INTRODUCED BY: Alle Halle
		INIRODUCED DI:

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 12/31/2025.

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

