JAN 1 5 2025

A BILL FOR AN ACT

RELATING TO RESILIENCY.

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

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

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

7 The legislature believes that to achieve food security and resilience, the State must provide incentives for improving food 8 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.

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

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| 1 | (2) Require the department of business, economic |
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| 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 | " <u>\$235-</u> 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 |

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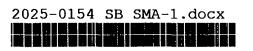
| 1 | not eligi | ble to claim the credit in a taxable year due to the |
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| 2 | \$2,000,00 | 0 cap having been exceeded for that taxable year shall |
| 3 | be eligib | le to claim the credit in the subsequent taxable year. |
| 4 | <u>(d)</u> | Each taxpayer claiming a tax credit under this section |
| 5 | shall reg | ister with the department of business, economic |
| 6 | developme | nt, and tourism and submit a written, certified |
| 7 | statement | to the department that identifies: |
| 8 | <u>(1)</u> | 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 | <u>(e)</u> | The department of business, economic development, and |
| 15 | tourism: | |
| 16 | <u>(1)</u> | 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; |

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| 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 | <u>(6)</u> | May adopt rules under chapter 91 as necessary to |
| 12 | | effectuate the purposes of this section. |
| 13 | <u>(f)</u> | Upon each determination made under subsection (d), the |
| 14 | departmen | t of business, economic development, and tourism shall |
| 15 | <u>issue a c</u> | ertificate 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 taxa | ble year, and the cumulative amount of the tax credit |
| 19 | during th | e credit period. The taxpayer shall file the |
| 20 | <u>certifica</u> | te with the taxpayer's tax return with the department |
| 21 | of taxati | on. Notwithstanding the authority of the department of |

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| 1 | business, | economic development, and tourism under this section, |
|----|------------------|---|
| 2 | the direc | tor of taxation may audit and adjust the tax credit |
| 3 | <u>amount to</u> | conform to the information filed by the taxpayer. |
| 4 | The | department of business economic development and tourism |
| 5 | may asses | s and collect a fee to offset the costs of certifying |
| 6 | tax credi | t claims under this section. |
| 7 | <u>(g)</u> | 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 | <u>(3)</u> | May adopt rules under chapter 91 as necessary to |
| 14 | | effectuate the purposes of this section. |
| 15 | <u>(h)</u> | If the tax credit claimed by the qualified taxpayer |
| 16 | under thi | s 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 paymen | ts 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 | <u>credit un</u> | der 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 | <u>Failure t</u> | o comply with the foregoing provision shall constitute |
| 6 | <u>a waiver</u> | of the right to claim the credit. |
| 7 | <u>(i)</u> | As used in this section: |
| 8 | "Foo | d 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 | <u>State, in</u> | cluding: |
| 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 | <u>(6)</u> | Food banks and organizations that provide food |
| 19 | | assistance. |

| 1 | <u>"Qua</u> | lified food and beverage supply chain costs" means | |
|----|--|--|--|
| 2 | operation | al costs relevant to food and beverage supply chain | |
| 3 | activities in the State, including but not limited to: | | |
| 4 | <u>(1)</u> | 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 | <u>(3)</u> | 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 | "Qua | lified taxpayer" means a taxpayer subject to tax under | |
| 19 | this chap | ter who is engaged in activities that strengthen the | |
| 20 | <u>State's f</u> | ood and beverage supply chain." | |

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SECTION 3. (a) The department of business, economic 1 2 development, and tourism shall establish expedited permitting processes for: 3 Building food and beverage storage and processing 4 (1) facilities; 5 Expanding retail operations for local food and 6 (2) beverage businesses; and 7 (3) Establishing agricultural production or processing 8 infrastructure. 9 Permits for food and beverage supply chain projects 10 (b) 11 shall be reviewed and approved within one hundred eighty days of 12 submission; provided that the requests for permits are submitted with approval of licensed contractors. 13 14 The department of taxation, in consultation SECTION 4. with the department of business, economic development, and 15 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.

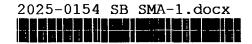
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S.B. NO. 369

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

INTRODUCED BY: Omd Johnap



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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