
A BILL FOR AN ACT

RELATING TO AGRICULTURAL LANDS TAX CREDITS.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§235-A Agricultural land; real property tax credit. (a)

5 There shall be allowed to each taxpayer subject to the taxes
6 imposed by this chapter a tax credit for the cost of real
7 property taxes paid for agricultural land. The tax credit shall
8 be applied to the taxpayer's net income tax liability, if any,
9 imposed by this chapter for the taxable year in which the credit
10 is properly claimed; provided that the taxpayer has not taken a
11 tax deduction for the same real property taxes subject to this
12 section.

13 The tax credit shall be:

14 (1) An amount equal to the real property taxes paid by a
15 taxpayer farming on important agricultural lands
16 designated under chapter 105, part III; or

17 (2) One-half of the amount of real property taxes paid by
18 a taxpayer who earns at least fifty per cent of the



1 taxpayer's income from farming; provided that the real
2 property tax is paid for land that produces that
3 income.

4 (b) For the purposes of this section:

5 "Net income tax liability" means net income tax liability
6 reduced by all other credits allowed under this chapter.

7 "Taxpayer" includes a lessee who pays real property taxes
8 as part of a agricultural lease agreement.

9 (c) If the tax credit under this section exceeds the
10 taxpayer's income tax liability, the excess of the tax credit
11 over liability may be used as a credit against the taxpayer's
12 income tax liability in subsequent years until exhausted.

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

19 (d) The director of taxation:

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



1 (2) May require the taxpayer to furnish reasonable
 2 information to ascertain the validity of the tax
 3 credit; and

4 (3) May adopt rules pursuant to chapter 91 to effectuate
 5 the purpose of this section.

6 **§235-B Agricultural land; infrastructure improvement tax**

7 **credit.** (a) There shall be allowed to each taxpayer subject to
 8 the taxes imposed by this chapter an agricultural infrastructure
 9 improvement tax credit for agricultural infrastructure
 10 improvements made on agricultural land. The tax credit shall be
 11 deductible from the taxpayer's net income tax liability, if any,
 12 imposed by this chapter for the taxable year in which the credit
 13 is properly claimed.

14 (b) The tax credit shall be an amount equal to either:

15 (1) The cost of agricultural infrastructure improvements
 16 made by a taxpayer:

17 (A) Who farms on important agricultural land
 18 designated under chapter 205, part II; and

19 (B) For the taxable year in which the improvements
 20 were made; or

21 (2) One-half of the cost of agricultural infrastructure
 22 improvements made by a taxpayer:



1 (A) Who earns at least fifty per cent of the
2 taxpayer's income from farming; provided that the
3 agricultural infrastructure improvements are made
4 on land that produces that income; and

5 (B) For the taxable year in which the improvements
6 were made.

7 (c) If the tax credit under this section exceeds the
8 taxpayer's income tax liability, the excess of the tax credit
9 over liability may be used as a credit against the taxpayer's
10 income tax liability in subsequent years until exhausted.

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

17 (d) For the purposes of this section:

18 "Agricultural infrastructure improvement" means the
19 planning, design, construction, reconstruction, improvement,
20 alteration, or repair of supporting infrastructure used or
21 formerly used by a plantation system or other large agricultural



1 operation, including irrigation systems, roads, or drainage
2 systems.

3 "Drainage system" means an agricultural system of channels,
4 ditches, pipes, pumps, and accessory facilities established for
5 the purpose of drawing off water from a land area larger than
6 twenty acres.

7 "Irrigation system" means an agricultural system of
8 intakes, diversions, wells, ditches, siphons, pipes, reservoirs,
9 and accessory facilities established for the purpose of
10 providing water for agricultural production.

11 "Net income tax liability" means net income tax liability
12 reduced by all other tax credits allowed under this chapter.

13 "Roads" means an agricultural system of cane haul roads or
14 ways established to transport agricultural products from the
15 fields to processing facilities without using the public
16 highways.

17 (e) The director of taxation:

18 (1) Shall prepare any forms as may be necessary to claim a
19 credit under this section;

20 (2) May require the taxpayer to furnish reasonable
21 information to ascertain the validity of the claim for
22 the tax credit; and



1 (3) May adopt rules pursuant to chapter 91 to effectuate
2 the purposes of this section."

3 SECTION 2. In codifying the new sections added by section
4 1 of this Act, the revisor of statutes shall substitute
5 appropriate section numbers for the letters used in designating
6 the new sections in this Act.

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval
9 and shall apply to taxable years beginning after December 31,
10 2007; provided that section 235-B of section 1 of this Act shall
11 be repealed on June 30, 2013.

12

INTRODUCED BY:



JAN 22 2008



Report Title:

Agriculture; Important Agricultural Lands; Tax Credit

Description:

Provides an income tax credit for the cost of real property taxes for, or improvements made on agricultural land.

