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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

4           "§235-     Income tax credit for qualified cigar producers.

5           (a) There shall be allowed to each taxpayer subject to the  
6 taxes imposed by this chapter, an income tax credit that shall  
7 be deductible from the taxpayer's net income tax liability, if  
8 any, imposed by this chapter for the taxable year in which the  
9 credit is properly claimed.

10           (b) The amount of the credit shall be     per cent of the  
11 qualifying costs incurred during the taxable year.

12           (c) In the case of a partnership, S corporation, estate,  
13 or trust, the tax credit allowable is for qualified production  
14 costs incurred by the entity for the taxable year. The cost  
15 upon which the tax credit is computed shall be determined at the  
16 entity level. Distribution and share of credit shall be  
17 determined by rule.



1       If a deduction is taken under section 179 (with respect to  
2 election to expense depreciable business assets) of the Internal  
3 Revenue Code of 1986, as amended, no tax credit shall be allowed  
4 for those costs for which the deduction is taken.

5       The basis for eligible property for depreciation or  
6 accelerated cost recovery system purposes for state income taxes  
7 shall be reduced by the amount of credit allowable and claimed.

8       (d) The credit allowed under this section shall be claimed  
9 against the net income tax liability for the taxable year. For  
10 the purposes of this section, "net income tax liability" means  
11 net income tax liability reduced by all other credits allowed  
12 under this chapter. A taxpayer eligible to claim a tax credit  
13 under this section may assign all or a portion of a tax credit  
14 under this section to any assignee. An assignee may  
15 subsequently assign a tax credit or any portion of a tax credit  
16 assigned under this subsection to one or more assignees. A  
17 taxpayer may claim a portion of a tax credit and assign the  
18 remaining tax credit amount. A tax credit assignment made  
19 pursuant to this subsection shall be irrevocable and shall be  
20 made on a form prescribed by the department of taxation. A  
21 taxpayer claiming a tax credit under this section shall submit a



1 copy of the completed assignment form to the department in the  
2 tax year in which the assignment is made and shall attach a copy  
3 of the form to the tax return on which the tax credit is  
4 claimed.

5 (e) If the tax credit under this section exceeds the  
6 taxpayer's income tax liability, the excess of credits over  
7 liability shall be refunded to the taxpayer; provided that no  
8 refunds or payment on account of the tax credits allowed by this  
9 section shall be made for amounts less than \$1.

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

16 (f) To qualify for this tax credit, a taxpayer shall have  
17 filed income tax returns in this State for a period of not less  
18 than five consecutive years immediately prior to making a claim  
19 for credit under this section.

20 (g) The director of taxation shall prepare forms as may be  
21 necessary to claim a credit under this section. The director



1 may also require the taxpayer to furnish information to  
2 ascertain the validity of the claim for credit made under this  
3 section and may adopt rules necessary to effectuate the purposes  
4 of this section pursuant to chapter 91.

5 (h) For the purposes of this section:

6 "Cigar" means a large or little cigar, as those terms are  
7 defined pursuant to section 245-1.

8 "Qualifying cigar producer" means a taxpayer that:

9 (1) Fulfills the requirements of subsection (f); and

10 (2) Produces, in the State, cigars for sale.

11 "Qualifying costs" means costs incurred by a qualified  
12 cigar producer pursuant to the operation of a business that  
13 produces, in the State, cigars for sale."

14 SECTION 2. New statutory material is underscored.

15 SECTION 3. This Act, upon its approval, shall apply to  
16 taxable years beginning after December 31, 2112.



**Report Title:**

Income Tax Credit; Qualified Cigar Producers

**Description:**

Establishes a refundable income tax credit for qualified cigar producers. Applies to taxable years beginning after 12/31/2112.  
(SB401 HD1)

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

