RELATING TO AGRICULTURE.

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

SECTION 1. The Hawaii Constitution mandates that the State "conserve and protect agricultural lands." Act 183, Session Laws of Hawaii 2005, which provided for the designation of important agricultural lands, directed the department of agriculture to develop a program of incentives to promote agricultural viability.

The incentives program developed for important agricultural lands included a tax credit for "qualified agricultural costs," such as costs incurred for feasibility studies, plans, and design of facilities and infrastructure, equipment for agricultural purposes, and regulatory processing and consulting services. It did not include any incentive for the conservation and protection of agricultural lands.

The purpose of this Act is to amend the important agricultural land qualified agricultural cost tax credit to include as "qualified agricultural costs," measures to improve,
enhance, and restore former plantation lands for agricultural use.

SECTION 2. Section 235-110.93, Hawaii Revised Statutes, is amended by amending subsections (k) and (l) to read as follows:

"(k) As used in this section:

"Agricultural business" means any person with a commercial agricultural, silvicultural, or aquacultural facility or operation, including:

(1) The care and production of livestock and livestock products, poultry and poultry products, apiary products, and plant and animal production for nonfood uses;

(2) The planting, cultivating, harvesting, and processing of crops; and

(3) The farming or ranching of any plant or animal species in a controlled salt, brackish, or freshwater environment;

provided that the principal place of the agricultural business is maintained in the State and more than fifty per cent of the land the agricultural business owns or leases, excluding land classified as conservation land, is important agricultural land.
"Important agricultural lands" means lands identified and designated as important agricultural lands pursuant to part III of chapter 205.

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

"Qualified agricultural costs" means expenditures for:

(1) The plans, design, engineering, construction, renovation, repair, maintenance, and equipment for:

(A) Roads or utilities, primarily for agricultural purposes, where the majority of the lands serviced by the roads or utilities, excluding lands classified as conservation lands, are important agricultural lands;

(B) Agricultural processing facilities in the State, primarily for agricultural purposes, where the majority of the crops or livestock processed, harvested, treated, washed, handled, or packaged are from agricultural businesses;

(C) Water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems in the State, primarily for
agricultural purposes, providing water for lands, the majority of which, excluding lands classified as conservation lands, are important agricultural lands; and

(D) Agricultural housing in the State, exclusively for agricultural purposes; provided that:

(i) The housing units are occupied solely by farmers or employees for agricultural businesses and their immediate family members;

(ii) The housing units are owned by the agricultural business;

(iii) The housing units are in the general vicinity, as determined by the department of agriculture, of agricultural lands owned or leased by the agricultural business; and

(iv) The housing units conform to any other conditions that may be required by the department of agriculture;
(2) Feasibility studies, regulatory processing, and legal and accounting services related to the items under paragraph (1);

(3) Equipment, primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business; [and]

(4) Regulatory processing, studies, and legal and other consultant services related to obtaining or retaining sufficient water for agricultural activities and retaining the right to farm on lands identified as important agricultural lands[→]; and

(5) The clearing of, removal of trees and debris from, and soil restoration to correct any nutrient deficiency that is present on, former sugar and pineapple plantation lands that have been out of agricultural use for more than five years and are to be used primarily for agricultural purposes.

(1) The department of agriculture shall cease certifying credits pursuant to this section for taxable years beginning after December 31, [2021→] 2029; provided that a taxpayer with accumulated, but unclaimed, certified credits may continue
claiming the credits in subsequent taxable years until
exhausted."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2150, and
shall apply to taxable years beginning after December 31, 2019.
Report Title:
Important Agricultural Land Qualified Agricultural Cost Tax Credit; Extension

Description:
Authorizes claims for Important Agricultural Lands Qualified Agricultural Cost tax credit based on costs of rehabilitating former sugar or pineapple plantation lands. Extends sunset on certification of credits to 2029. (HB261 HD1)

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