

JAN 27 2021

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# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1           SECTION 1. The legislature finds that the State has a goal  
2 to double local food production by 2030. While the State  
3 currently imports eighty-five to ninety per cent of its food,  
4 fuel, and fiber, agriculture was once Hawaii's number one  
5 industry, creating agricultural abundance, peace, and prosperity  
6 for its people.

7           The legislature further finds that one of the barriers to  
8 growing more food and increasing agricultural production in  
9 Hawaii is the lack of access to capital. There is limited to no  
10 incentive for investors to invest in Hawaii's agricultural  
11 production, which would help support and revitalize Hawaii's  
12 agriculture industry. According to the department of business,  
13 economic development, and tourism, replacing just ten per cent  
14 of the food we currently import would amount to approximately  
15 \$313,000,000. Assuming a thirty per cent farm share,  
16 \$94,000,000 would be realized at the farm-gate, which would  
17 generate an economy-wide impact of an additional \$188,000,000 in



1 sales, \$47,000,000 in earnings, \$6,000,000 in state tax  
2 revenues, and more than two thousand three hundred jobs.

3 The purpose of this Act is to establish a food  
4 manufacturing tax credit to allow Hawaii to become a world  
5 leader in food security, self-sufficiency, and sustainability.

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

9 "§235- Food manufacturing tax credit. (a) There shall  
10 be allowed to each qualified taxpayer subject to the tax imposed  
11 under this chapter an income tax credit that shall be deductible  
12 from the taxpayer's net income tax liability, if any, imposed by  
13 this chapter for the taxable year in which the credit is  
14 properly claimed.

15 (b) The amount of the tax credit shall be equal to the  
16 qualified expenses of the qualified taxpayer, up to a maximum of  
17 \$ \_\_\_\_\_.

18 (c) In the case of a partnership, S corporation, estate,  
19 or trust, the tax credit allowable shall be for qualified  
20 expenses incurred by the entity for the taxable year. The  
21 expenses upon which the tax credit is computed shall be



1 determined at the entity level. Distribution and share of  
2 credit shall be determined by rule.

3 (d) The total amount of tax credits allowed under this  
4 section shall not exceed \$ \_\_\_\_\_ for all qualified taxpayers  
5 in any taxable year; provided that any taxpayer who is not  
6 eligible to claim the credit in a taxable year due to the  
7 \$ \_\_\_\_\_ cap having been exceeded for that taxable year shall  
8 be eligible to claim the credit in the subsequent taxable year.

9 (e) Every qualified taxpayer, before March 31 of each year  
10 in which qualified expenses were incurred by the taxpayer in the  
11 previous taxable year, shall submit a written, certified  
12 statement to the chairperson of the board of agriculture  
13 identifying:

14 (1) Qualified expenses incurred in the previous taxable  
15 year; and

16 (2) The amount of the tax credit claimed by the taxpayer  
17 pursuant to this section, if any, in the previous  
18 taxable year.

19 (f) The board of agriculture shall:

20 (1) Maintain records of the names and addresses of the  
21 qualified taxpayers claiming the credits under this



1 section and the total amount of the qualified expenses  
2 upon which the tax credits are based;

3 (2) Verify the nature and amount of the qualified  
4 expenses;

5 (3) Total all qualified and cumulative expenses that the  
6 board certifies; and

7 (4) Certify the amount of the tax credit for each taxpayer  
8 for each taxable year and the cumulative amount of the  
9 tax credit.

10 Upon each determination made under this subsection, the board of  
11 agriculture shall issue a certificate to the taxpayer verifying  
12 information submitted to the board of agriculture, including  
13 amounts of qualified expenses, the credit amount certified for  
14 the taxpayer for each taxable year, and the cumulative amount of  
15 tax credits certified. The taxpayer shall file the certificate  
16 with the taxpayer's tax return with the department of taxation.  
17 The board of agriculture may assess and collect a fee to offset  
18 the costs of certifying tax credit claims under this section.

19 (g) The director of taxation:

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



1       (2) May require the taxpayer to furnish reasonable  
2           information to ascertain the validity of the claim for  
3           the tax credit made under this section; and

4       (3) May adopt rules under chapter 91 necessary to  
5           effectuate the purposes of this section.

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

10      All claims for the tax credit under this section, including  
11      amended claims, 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      (i) As used in this section:

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

19      "Qualified taxpayer" means food manufacturers that produce  
20      value-added products using local crops."

21      SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2021.

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INTRODUCED BY:                     *Ann D. Witt*                      
**By Request**



# S.B. NO. 1315

**Report Title:**

Food Manufacturer Tax Credit

**Description:**

Establishes a food manufacturer tax credit. Defines qualified taxpayers as manufacturers that produce value-added products using local crops.

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

