

Honolulu, Hawaii

, 2024

**FEB 16**

RE: H.B. No. 1788  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committee on Higher Education & Technology, to which was referred H.B. No. 1788 entitled:

"A BILL FOR AN ACT RELATING TO THE TAX CREDIT FOR RESEARCH ACTIVITIES,"

begs leave to report as follows:

The purpose of this measure is to amend the tax credit for research activities by specifically:

- (1) Adding a cap for the amount of tax credits for research activities that an eligible taxpayer and the taxpayer's related entities may receive per taxable year;
- (2) Consolidating the survey and certification requirements for tax credits for research activities;
- (3) Amending the annual aggregate cap on tax credits for research activities that the Department of Business, Economic Development, and Tourism may certify;
- (4) Requiring certification of the tax credits for research activities on a first-come, first-served basis to be based on the date that a complete application is received, subject to certain conditions; and



- (5) Extending the sunset date for tax credits for research activities from December 31, 2024, to December 31, 2029.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hawaii Technology Development Corporation; Makai Ocean Engineering; PacMar Technologies; and Oceanit. Your Committee received comments on this measure from the Department of the Attorney General; Department of Taxation; and Tax Foundation of Hawaii.

Your Committee finds that this measure will support research activities that have been shown to be effective in stimulating regional or state technology, research, and development sectors.

Your Committee has amended this measure by:

- (1) Clarifying the types of activities that constitute qualified research expenses;
- (2) Reverting to the existing annual aggregate cap on tax credits for research activities that the Department of Business, Economic Development, and Tourism may certify;
- (3) Clarifying how pro rata certifications will be determined;
- (4) Clarifying that the tax credits for research activities shall not apply to taxable years beginning after December 31, 2029;
- (5) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Higher Education & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1788, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1788, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Higher Education &  
Technology,

  
\_\_\_\_\_  
AMY A. PERRUSO, Chair



Record of Votes of the Committee on Higher Education & Technology

Bill/Resolution No.: <b>HB 1788</b>	Committee Referral: <b>HET, FIN</b>	Date: <b>14</b> <b>2/17/24</b>
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The committee is reconsidering its previous decision on the measure.

The recommendation is to:  Pass, unamended (as is)  Pass, with amendments (HD)  Hold  
 Pass short form bill with HD to recommit for future public hearing (recommit)

HET Members	Ayes	Ayes (WR)	Nays	Excused
1. PERRUSO, Amy A. (C)	✓			
2. KAPELA, Jeanne (VC)	✓			
3. LA CHICA, Trish	✓			
4. MARTEN, Lisa	✓			
5. MARTINEZ, Rose	✓			
6. MATAYOSHI, Scot Z.				✓
7. MIZUNO, May Besario	✓			
8. QUINLAN, Sean				✓
9. TODD, Chris				✓
10. WOODSON, Justin H.	✓			
11. GARCIA, Diamond	✓			
<b>TOTAL (11)</b>	<b>8</b>			<b>3</b>

The recommendation is:  Adopted  Not Adopted  
 If joint referral, \_\_\_\_\_ did not support recommendation.  
 committee acronym(s)

Vice Chair's or designee's signature:

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