STAND. COM. REP. NO. 2437

Honolulu, Hawaii

FEB 1 5 2024

RE: S.B. No. 2527 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Labor and Technology, to which was referred S.B. No. 2527 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Temporarily reinstate the Technology Infrastructure Renovation Tax Credit for taxable years beginning after December 31, 2023; and
- (2) Expand the definition of "technology-enabled infrastructure" to include data servers.

Your Committee received testimony in support of this measure from Servpac.

Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Hawaiian Telcom, IP Xpert of Honolulu, Chamber of Commerce Hawaii, and Hawaiian Electric, and Charter Communications.

Your Committee finds that data centers and fiber optic networks are key contributors to the development and expansion of the State's high-tech sector. These infrastructures facilitate the creation of high paying jobs in the technology industry,

thereby diversifying the State's economy. By temporarily reinstating the Technology Infrastructure Renovation Tax Credit, this measure will further promote the development of the high-tech industry in the State that will lead to economic growth and job creation.

Your Committee has amended this measure by:

- (1) Deleting language that would have limited the tax credit to renovation costs for commercial buildings;
- (2) Extending the tax credit's reinstatement year from taxable years beginning after December 31, 2023, to December 31, 2024;
- (3) Clarifying that the tax credit is available for taxable years beginning after December 31, 2024, but shall not be available for taxable years beginning after December 31, 2026;
- (4) Clarifying the definition of "data server";
- (5) Amending the definition of "renovation costs" to include the repair, replacement, monitoring, and testing of technology-enabled infrastructure machinery;
- (6) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2527, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2527, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Labor and Technology,

HENV T C MILINO Chair

The Senate Thirty-Second Legislature State of Hawaiʻi

Record of Votes Committee on Labor and Technology LBT

Bill / Resolution No.:*	Committee	Referral:		Date:	
bB2527	LBT	MAM,		7/2/24	
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
AQUINO, Henry J.C. (C)		Y			
MORIWAKI, Sharon Y. (VC)		<u> </u>			
IHARA, Jr., Les		X			
LEE, Chris					×
FEVELLA, Kurt		X			
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TOTAL		4			1
Recommendation:					
Adopted Not Adopted					
Chair's or Designee's Signature:					
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^{*}Only one measure per Record of Votes