
A BILL FOR AN ACT

RELATING TO RESEARCH ACTIVITIES.

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

1 SECTION 1. Section 235-110.91, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (b) to read:

4 "(b) All references to Internal Revenue Code sections
5 within sections 41 and 280C(c) of the Internal Revenue Code
6 shall be operative for purposes of this section[~~; provided that~~
7 ~~references to the base amount in section 41 of the Internal~~
8 ~~Revenue Code shall not apply, and credit for all qualified~~
9 ~~research expenses may be taken without regard to the amount of~~
10 ~~expenses for previous years]."~~

11 2. By amending subsection (f) to read:

12 "(f) If in any taxable year the annual amount of certified
13 credits reaches [~~\$5,000,000~~] \$15,000,000 in the aggregate, the
14 department of business, economic development, and tourism shall
15 immediately discontinue certifying credits and notify the
16 department of taxation. In no instance shall the department of
17 business, economic development, and tourism certify a total



1 amount of credits exceeding [~~\$5,000,000~~] \$15,000,000 per taxable
2 year. To comply with this restriction, the department of
3 business, economic development, and tourism shall certify
4 credits on a first come, first served basis.

5 The department of taxation shall not allow the aggregate
6 amount of credits claimed to exceed that amount per taxable
7 year."

8 3. By amending subsections (n) and (o) to read:

9 "(n) This section shall not apply to taxable years
10 beginning after December 31, [~~2024.~~] 2029.

11 (o) As used in this section:

12 "Qualified high technology business" [~~shall have the same~~
13 ~~meaning as in section 235-7.3(e).~~] means a small business that
14 conducts more than fifty per cent of its activities in qualified
15 research in the State and is registered to do business in the
16 State.

17 "Qualified research" shall have the same meaning as in
18 section 41(d) of the Internal Revenue Code.

19 "Qualified research expenses" shall have the same meaning
20 as in section 41(b) of the Internal Revenue Code; provided that



1 it shall not include research expenses incurred outside of the
2 State.

3 "Small business" means a company with no more than five
4 hundred employees, including affiliates."

5 SECTION 2. Act 261, Session Laws of Hawaii 2019, is
6 amended by amending section 5 to read as follows:

7 "SECTION 5. This Act shall take effect upon its approval;
8 provided that:

9 (1) Section 2 shall apply to taxable years beginning after
10 December 31, 2019; and

11 (2) Part II shall take effect on December 31, [~~2024.~~]
12 2029."

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

15 SECTION 4. This Act shall take effect on July 1, 3000;
16 provided that section 1 shall apply to taxable years beginning
17 after December 31, 2023.



Report Title:

Tax Credit for Research Activities; Small Business

Description:

Repeals the provision that made references to the base amount in the Internal Revenue Code inapplicable to the research activities tax credit and allowed credits for all qualified research expenses to be taken without regard to previous years expenses. Narrows the qualifying criteria for research activities tax credits to applicants who are small businesses registered in the State. Increases the maximum amount of tax credits that can be certified per year. Extends the sunset date of the research activities tax credit by five years. Effective 7/1/3000. (HD2)

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

