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# A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT.

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

1           SECTION 1. The legislature finds that pursuant to Act 221,  
2 Session Laws of Hawaii 2001 (Act 221), the legislature renewed  
3 its commitment to the growth and development of high technology  
4 businesses in Hawaii. Act 221 expanded additional tax  
5 incentives to qualified high technology businesses to provide a  
6 direct means of addressing the urgent need for venture financing  
7 for tech start-ups.

8           The legislature further finds that pursuant to section  
9 232E-3, Hawaii Revised Statutes, the Tax Review Commission is  
10 tasked with conducting a systematic review of Hawaii's tax  
11 structure. Recently, in the 2005-2007 Report of the Tax Review  
12 Commission, the costs and benefits of the high technology  
13 business investment tax credit were addressed. The high  
14 technology business investment tax credit was established to  
15 stimulate investment in Hawaii technology companies and to  
16 hasten development of a local technology industry. Under the  
17 existing law, an investor is permitted to recover the total  
18 amount invested over a period of at least five years. The tax



1 credit was established in 2001 and is currently set to sunset on  
2 December 31, 2010.

3 In its report, the commission stated that definitive  
4 results could not be calculated because of the inability to  
5 gather current data on the costs associated with the tax credit  
6 or the operations of qualified high technology businesses.  
7 Specifically, data after tax year 2003 was unavailable on the  
8 amount of the tax credits claimed and the employment statistics  
9 of qualified high technology businesses. It appears that the  
10 appropriate information is being filed with the department of  
11 taxation, but the department has not been able to issue the  
12 desired reports.

13 The legislature firmly reiterates its commitment to a  
14 diversified economy designed to provide residents with high paid  
15 quality jobs and a commensurate lifestyle. As pointed out by  
16 New York Times columnist Thomas Friedman, "[i]n a globally  
17 integrated economy, our workers will get paid a premium only if  
18 they or their firms offer a uniquely innovative product or  
19 service, which demands a skilled and creative labor force to  
20 conceive, design, market, and manufacture - and a labor force  
21 that is constantly able to keep learning. We can't go on  
22 lagging other major economies in every math/science/reading test



1 and every ranking of Internet penetration and think that we're  
2 going to field a work force able to command premium wages." (New  
3 York Times, December 12, 2006). Accordingly, the legislature  
4 believes that the department of taxation must work in  
5 conjunction with the State's efforts to upgrade Hawaii's  
6 workforce to include more highly-skilled, high-wage workers  
7 through the dissemination of pertinent information on the value  
8 of the high-tech tax incentives provided to qualified high  
9 technology businesses within the State.

10 The purpose of this Act is to provide greater transparency  
11 and effective evaluation of high-tech tax incentives by  
12 requiring the department of taxation to report on relevant  
13 information and data collected as of July 1, 2004, and  
14 thereafter, so that meaningful performance measurements of the  
15 effectiveness of the tax incentives can be accomplished. This  
16 will enhance legislative oversight by facilitating the proper  
17 evaluation of the true costs and benefits associated with the  
18 tax incentives and by determining the best means of ensuring  
19 that the tax incentives meet their intended objectives.

20 SECTION 2. Section 231-3.4, Hawaii Revised Statutes, is  
21 amended by amending subsection (a) to read as follows:



1           "(a) The department of taxation shall publish reports on  
2 the following:

- 3           (1) Hawaii income patterns--individuals;  
4           (2) Hawaii income patterns--corporations, proprietorships,  
5                 and partnerships; and  
6           (3) Tax credits.

7           In addition, the department of taxation shall prepare a report  
8           on information collected as of July 1, 2004, and annually  
9           thereafter pertaining to qualified high technology businesses  
10           and related tax incentives provided under sections 235-7.3,  
11           235-9.5, 235-110.51, 235-110.9, and 235-110.91.

12           In preparing the report, the department of taxation shall  
13           publish summary descriptive statistics on the aforementioned  
14           sections; provided that no fewer than three taxpayers shall be  
15           included in any category. The department of taxation shall  
16           submit its annual report and summary statistics to the  
17           legislature and the public by September 1 of each year. The  
18           information published, as required by this section, shall be  
19           public.

20           The department shall make each of these reports available  
21 in both paper form and commonly accessible electronic forms for  
22 a reasonable fee."



1 SECTION 3. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$ or so  
3 much thereof as may be necessary for fiscal year 2007-2008 and  
4 the same sum or so much thereof as may be necessary for fiscal  
5 year 2008-2009 for additional resources as may be necessary to  
6 prepare reports on information collected as of July 1, 2004, and  
7 annually thereafter, pertaining to qualified high technology  
8 businesses and related tax incentives provided under sections  
9 235-7.3, 235-9.5, 235-110.51, 235-110.9, and 235-110.91, Hawaii  
10 Revised Statutes.

11 The sums appropriated shall be expended by the department  
12 of taxation for the purposes of this Act.

13 SECTION 4. New statutory material is underscored.

14 SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

High Technology Tax Incentives; Reports

**Description:**

Requires the department of taxation to report annually on information collected from July 1, 2004, and thereafter on qualified high technology businesses and related tax incentives to properly evaluate their effectiveness; appropriates unspecified amounts for the department to initiate and begin implementation. (SD2)

