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**A BILL FOR AN ACT**

RELATING TO HIGH TECHNOLOGY BUSINESS TAX CREDITS.

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

1           SECTION 1. The Legislature has recognized the importance  
2 of promoting innovation and research-based activities with the  
3 enactment of several path-breaking tax credits and programs to  
4 promote growth in the technology and other innovation-related  
5 sectors. Likewise, the legislature has sought to encourage a  
6 range of industries and activities judged to be of value in  
7 creating a higher-wage and more knowledge-intensive economy.

8           It is important that the effectiveness of these efforts and  
9 other such incentives be evaluated. It is also of utmost  
10 importance to maintain taxpayer confidentiality. As a self-  
11 reporting, self-assessing tax system, the tax collections in  
12 Hawaii depend on confidentiality of the collection process in  
13 order to ensure the fullest compliance.

14           In order to assure accountability with the disposition of  
15 public funds, government must balance the confidentiality with  
16 the public's right to know.

17           The purpose of this bill is to improve the State's ability  
18 to measure the impact being made in using the high technology

1 business investment tax credit and the tax credit for research  
2 activities as authorized in Sections 235-110.9 and 235-110.91,  
3 Hawaii Revised Statutes.

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

7 "§235- High technology business investment tax credit  
8 and tax credit for research activities analysis and evaluation.

9 (a) For purposes of determining the economic impact of  
10 the credits provided in sections 235-110.9 and 235-110.91, the  
11 department of taxation is authorized to:

12 (1) Contract with technical experts at the national and  
13 international level knowledgeable in the field of  
14 technology and research investment for the purposes of  
15 evaluating existing and proposed tax incentives in  
16 Hawaii;

17 (2) Establish a working group of industry, tax, and  
18 economic development experts in Hawaii to identify and  
19 develop a set of standards, benchmarks, and data  
20 elements for the evaluation and quantification of the  
21 economic impacts of existing and proposed tax  
22 incentives in Hawaii;

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1       (3) Coordinate and receive relevant information from other  
2       State agencies, including but not limited to, the  
3       department of labor and industrial relations and the  
4       department of business, economic development, and  
5       tourism to assist in the development of the benchmarks  
6       and evaluation methodologies and determine the  
7       measurement data that will need to be analyzed; and

8       (4) Review the returns of companies whose investors  
9       receive credits pursuant to section 235-110.9 and the  
10       returns of companies that receive credit pursuant to  
11       section 235-110.91 for the purposes of aggregating the  
12       impact data to determine the impacts. Such data may  
13       be sub-aggregated into industry sectors so as to  
14       delineate and differentiate between short-term and  
15       longer-term economic impacts.

16       (b) The department of taxation shall be responsible for  
17       preparing an annual report to the legislature identifying the  
18       findings of any analysis performed under this section. The  
19       report is due no later than twenty days prior to the start of  
20       the legislative session.

21       (c) The department of taxation may, from time to time,  
22       provide periodic updates to its annual analysis to assist bodies

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1 such as the tax review commission or the council on revenues in  
2 these bodies' respective deliberations."

3 SECTION 3. Nothing contained in this Act shall be  
4 interpreted as waiving any liability, as provided by other  
5 operative law, for the confidentiality and safeguarding of  
6 taxpayer information.

7 SECTION 4. There is appropriated out of the general  
8 revenues of the State of Hawaii the sum of \$250,000, or so much  
9 thereof as may be necessary, for fiscal year 2007-2008 and  
10 \$250,000, or so much thereof as may be necessary, for fiscal  
11 year 2008-2009, to carry out the purposes of this Act.

12 The sums appropriated shall be expended by the department  
13 of taxation.

14 SECTION 5: This Act shall take effect on July 1, 2007 and  
15 shall be repealed on December 31, 2015.

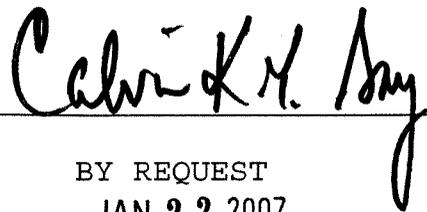
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INTRODUCED BY:



BY REQUEST  
JAN 22 2007

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO HIGH TECHNOLOGY BUSINESS TAX CREDITS.

PURPOSE: To allow analysis and evaluation of relevant information to determine the economic impact of tax credits granted pursuant to sections 235-110.9 and 235-110.91, Hawaii Revised Statutes.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes.

JUSTIFICATION: Act 221, Session Laws of Hawaii 2001, as amended by Act 215, Session Laws of Hawaii 2004, provides a tax credit for any investment in a qualifying high technology business, as defined, and also provides a tax credit for research activities.

This bill enhances the State's ability to measure and report on the impact these tax credits are having on the State's economy and to provide a means for regularly reporting and evaluating these impacts.

Impact on the public: An ability to evaluate the merits of tax credits as tools to diversify and encourage economic development.

Impact on the department and other agencies: The Department of Business, Economic Development, and Tourism and the Department of Labor and Industrial Relations will be asked to assist the Department of Taxation in carrying out the functions of this bill.

GENERAL FUND: \$250,000 general funds in Fiscal Year 2007-2008; \$250,000 general funds in Fiscal Year 2008-2009

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: TAX 100.

OTHER AFFECTED  
AGENCIES: Department of Business, Economic  
Development, and Tourism; Department of  
Labor and Industrial Relations.

EFFECTIVE DATE: July 1, 2007 and shall be repealed on  
December 31, 2015.