

Honolulu, Hawaii

MAR 19 2010

RE: H.B. No. 2984  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Economic Development and Technology, to which was referred H.B. No. 2984, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to amend the tax credit provisions of Act 221, Session Laws of Hawaii 2001, by:

- (1) Extending the end date for the tax credit for research activities from December 31, 2010, to December 31, 2011; and
- (2) Repealing the technology infrastructure renovation tax credit and the high technology business investment tax credit.

Testimony in support of this measure was submitted by the Department of Taxation; Hawaii Council of Mayors; Hawaii County Council; The Chamber of Commerce of Hawaii; NovaSol; Concentris Systems LLC; Oceantronics; TeraSys Technologies LLC; Referentia Systems Incorporated; Oceanit; Eyekon Systems LLC; Archinoetics, LLC; and Puko'a Scientific. Testimony in opposition to this measure was submitted by the High Technology Development Corporation; Hawaii Venture Capital Association; SDC Hawaii, LLC; Ho'okele Health Technologies; PacifiCap Group LLC; Island Film Group; and one individual. Comments on this measure were



2779

submitted by the Hawaii Science and Technology Council and one individual.

Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure has generated considerable controversy within the technology industry in Hawaii, and engendered the perception that Hawaii is not a "safe" place to invest if the laws governing investment are subject to premature change. Hawaii-based qualified high technology businesses doing research and development need both investments to develop and bring products to market and the financial incentive of a refund on qualified research to support ongoing activities. As a result, repealing the technology infrastructure renovation tax credit and the high technology business investment tax credit will have a two-fold impact.

The Department of Taxation testified that the net revenue gain from this measure is estimated to be \$13,100,000 in fiscal year 2011, with a revenue loss of \$10,600,000 in fiscal year 2012, followed by revenue gains of \$7,500,000 in 2013, and \$3,800,000 in fiscal years 2014 and 2015. In response to questions by your Committee, the Department stated that the estimates are based on historical data of actual credits claimed, as well as other data collected by the Department.

Your Committee has replaced the language in this measure with portions of the language from S.B. No. 2293, which was previously heard and approved by this Committee, and added a requirement that the extension of the tax credit is contingent upon legislative approval of appropriate revenue-generating sources to achieve fiscal neutrality. As amended, this measure:

- (1) Adds a findings and purpose section;
- (2) Deletes the repeal of the technology infrastructure renovation tax credit and the high technology business investment tax credit; and
- (3) Changes the effective date from July 1, 2020, to July 1, 2010; provided that the final senate drafts of either H.B. No. 2877 or H.B. No. 2962, or both, pass final reading by both houses of the Legislature.



As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2984, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2984, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Technology,

  
CAROL FUKUNAGA, Chair



The Senate  
Twenty-Fifth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Technology**  
**EDT**

Bill / Resolution No.:* <b>HB 2984 HD2</b>	Committee Referral: <b>EDT, NAM</b>	Date: <b>15</b> <b>3-16-2010</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Pass, unamended 2312         </div> <div> <input checked="" type="checkbox"/> Pass, with amendments 2311         </div> <div> <input type="checkbox"/> Hold 2310         </div> <div> <input type="checkbox"/> Recommit 2313         </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.				✓
SLOM, Sam		✓		
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>2</b>
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted         <input type="checkbox"/> Not Adopted         </div>				
Chair's or Designee's Signature: 				
Distribution: <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency</div> <div>Goldenrod Committee File Copy</div> </div>				

**\*Only one measure per Record of Votes**