



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 5, 2018

GOV. MSG. NO. 1242

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 5, 2018, the following bill was signed into law:

SB3000 SD2 HD1 CD1

RELATING TO INNOVATION BUSINESS
ACT 141 (18)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO INNOVATION BUSINESS.

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

1 SECTION 1. The legislature finds that in order to keep our
2 community vibrant and our economy expanding, Hawaii will need to
3 focus on sectors that will bring new dollars to Hawaii's
4 economy. A research innovation sector that fosters a research
5 environment to fuel innovative ideas and promote
6 entrepreneurship will better position Hawaii for future economic
7 growth and expansion. There is no question that innovation as a
8 result of research and development contributes greatly to
9 economic growth. It is oftentimes the catalyst for change, job
10 creation, and a higher standard of living. Expanding Hawaii's
11 research and development industry will bring in new dollars to
12 our State's economy and create a wide range of high-skilled,
13 high-paying jobs for our young people so they may continue to
14 live and work in Hawaii. The research and development sector is
15 vital to Hawaii's future economic growth.

16 The purpose of this Act is to build on the successes of
17 Hawaii's science and technology industries and establish a
18 research and development program and a research and development



1 special fund with the intention of turning research and
2 development into commercially viable products and services to
3 expand and diversify Hawaii's economy.

4 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is
5 amended by adding two new sections to be appropriately
6 designated and to read as follows:

7 "§206M-A Research and development program established.

8 (a) There is established within the development corporation,
9 the research and development program, to help Hawaii-based small
10 businesses optimize research and development performed in
11 Hawaii.

12 (b) Subject to available funds, the research and
13 development program shall:

14 (1) Apply the research and development special fund to
15 support product development, technology transfer, and
16 commercialization;

17 (2) Provide capital to support accelerated
18 commercialization activities for qualified Hawaii-
19 based small businesses;



- 1 (3) Provide capital to sustain high-potential
2 infrastructure development to assist qualified Hawaii-
3 based small businesses towards commercial success;
- 4 (4) Promote efforts that reverse the loss of qualified
5 workers to other states by providing jobs to retain
6 existing Hawaii technology employees and enable highly
7 qualified scientists and engineers to return to
8 living-wage jobs in Hawaii;
- 9 (5) Promote efforts that keep technology companies in
10 Hawaii by limiting the need to seek out-of-state
11 venture capital, which dilutes local ownership and
12 increases the probability of high-potential technology
13 companies moving from Hawaii; and
- 14 (6) Provide grants of up to \$300,000 for critical product
15 development that enables a qualified Hawaii-based
16 small business to achieve significant product
17 development and technical milestones.
- 18 (c) To receive funding, a Hawaii-based small business
19 shall submit to the development corporation proof of the federal
20 research and development tax credits received. Proof shall be
21 in the form of copies of the small business Internal Revenue



1 Service Form 6765 Credit for Increasing Research Activities as
2 filed. The business shall be eligible to receive a grant in an
3 amount equal to the average of the federal tax credit for the
4 prior three tax years.

5 (d) In reviewing grant applications pursuant to this
6 section, the development corporation shall analyze each
7 application to determine whether the item to be undertaken will
8 be economically viable and beneficial to the State.

9 (e) The development corporation may adopt rules pursuant
10 to chapter 91 necessary to carry out the purposes of this
11 section.

12 (f) For purposes of this section:

13 "Hawaii-based small business" means a company:

14 (1) Headquartered in the State;

15 (2) Doing business in the State for not less than five
16 years; and

17 (3) Employing fifteen or more residents with income
18 subject to taxation pursuant to chapter 235.

19 "Resident" shall have the same meaning as in section 235-1.

20 §206M-B Research and development special fund;

21 established. There is established in the treasury of the State



1 of Hawaii the research and development special fund to be
2 administered by the development corporation pursuant to section
3 206M-A."

4 SECTION 3. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$1,000,000 or so much
6 thereof as may be necessary for fiscal year 2018-2019 to be
7 deposited into the research and development special fund.

8 SECTION 4. There is appropriated out of the research and
9 development special fund the sum of \$1,000,000 or so much
10 thereof as may be necessary for fiscal year 2018-2019 for the
11 purposes set out in section 206M-A, Hawaii Revised Statutes.

12 The sum appropriated shall be expended by the Hawaii
13 technology development corporation for the purposes of this Act.

14 SECTION 5. In codifying the new sections added by
15 section 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 6. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 2018.

APPROVED this 05 day of JUL, 2018

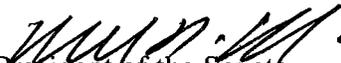


GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI'I

Date: May 1, 2018
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawai'i, Regular Session of 2018.


President of the Senate


Clerk of the Senate

SB No. 3000, SD 2, HD 1, CD 1

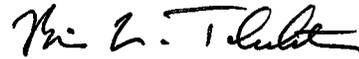
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2018
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2018.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives