
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that to keep our
2 community vibrant and our economy expanding, Hawaii needs to
3 focus on innovation sectors that will bring new dollars and
4 high-demand jobs to Hawaii's economy. As an island state,
5 research and development in ocean sciences is an intrinsic and
6 essential part of our future sustainability. Supporting and
7 encouraging more research and development in ocean and marine
8 sciences will foster and fuel innovative ideas and promote
9 entrepreneurship that will better position Hawaii for future
10 economic growth and expansion. Innovation resulting from
11 research and development contributes greatly to economic growth
12 and is often the catalyst for change, job creation, and a higher
13 standard of living. Expanding Hawaii's research and development
14 industry in ocean sciences will bring in new dollars to our
15 State's economy and create a wide range of high-skilled, high-
16 paying jobs for our young people, which may allow them to
17 continue to live and work in Hawaii. Research and development



1 in ocean sciences may be vital to Hawaii's future economic
2 growth.

3 The purpose of this Act is to establish an ocean sciences
4 research tax credit to foster research and development to expand
5 and diversify Hawaii's economy.

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

9 **"§235- Ocean sciences research investment tax credit.**

10 (a) There shall be allowed to each taxpayer subject to the
11 taxes imposed by this chapter an ocean sciences research
12 investment tax credit that shall be deductible from the
13 taxpayer's net income liability, if any, imposed by this
14 chapter.

15 (b) The amount of the tax credit shall be equal to
16 per cent of the investment made into the qualified entity for
17 research and development in the field of ocean sciences;
18 provided that:

19 (1) The qualified entity, including all partners and
20 members of the qualified entity shall not claim any
21 credit in any one taxable year that exceeds



1 provision shall constitute a waiver of the right to claim the
2 credit.

3 (d) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim
5 a credit under this section;

6 (2) May require the taxpayer to furnish information to
7 ascertain the validity of the claim for credit made
8 under this section; and

9 (3) May adopt rules pursuant to chapter 91 to effectuate
10 the purposes of this section.

11 (e) Any taxpayer claiming a tax credit under this section,
12 within ninety days of the end of the calendar year in which the
13 credit is properly claimable, shall submit the following
14 information to the department of taxation:

15 (1) The amount of the eligible costs for which the tax
16 credit may be claimed; and

17 (2) The qualified entity that incurred the costs.

18 Failure to timely submit the information shall be subject to a
19 penalty of \$5,000 per month or a fraction thereof, not to exceed
20 \$25,000.



1 (f) No other credit under this chapter shall be claimed
2 for expenses or costs paid with an investment made into a
3 qualified entity for which the credit was claimed under this
4 section.

5 (g) This section shall not apply to taxable years
6 beginning after December 31, 2025.

7 (h) For the purposes of this section:

8 "Net income tax liability" means income tax liability
9 reduced by all other credits allowed under this section.

10 "Qualified entity" means a small business in the State,
11 which has been doing business for at least five years, having
12 the principal purpose of research and development in the field
13 of ocean sciences, as defined by the North American Industry
14 Classification System code 541715.

15 "Small business" means a business that employs fifty or
16 less employees and has revenues of less than \$5,000,000 per
17 year."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2050, and
20 shall apply to taxable years beginning after December 31, 2020.



Report Title:

Ocean Sciences Research Tax Credit; Income Tax

Description:

Establishes the ocean sciences research tax credit. Effective 7/1/2050. Applies to taxable years beginning after 12/31/2020. (SD2)

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