

Honolulu, Hawaii

MAY 12 , 2020

RE: S.B. No. 3035
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Water, Land, & Hawaiian Affairs, to which was referred S.B. No. 3035, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish an ocean sciences research investment tax credit to foster research and development to expand and diversify Hawaii's economy.

Your Committee received testimony in support of this measure from the Chamber of Commerce Hawaii and one individual. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Natural Energy Laboratory of Hawaii Authority, and Makai Ocean Engineering.

Your Committee finds that encouraging investment in innovation contributes greatly to economic growth. Your Committee further finds that given Hawaii's unique geography, investing in ocean sciences is an intrinsic and essential part of sustainability. This measure promotes economic growth by encouraging investment in research and development in ocean sciences through the provision of an income tax credit.

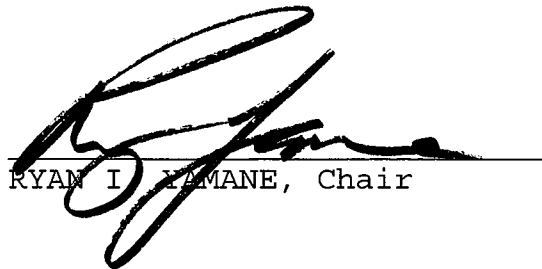
Your Committee has amended this measure by:



- (1) Clarifying that the amount of the tax credit is a percentage of the investment that is "at-risk";
- (2) Amending the definition of "qualified entity" by:
 - (A) Clarifying the entity must be a small business licensed in Hawaii that employs or owns capital or property, or maintains an office, in the State; and
 - (B) Requiring the entity to actively and continuously conduct research and development in the field of ocean sciences;
- (3) Changing the effective date to July 1, 2051, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Water, Land, & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3035, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3035, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Water, Land, &
Hawaiian Affairs,



RYAN I. YAMANE, Chair



