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# 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 investment tax credit to foster research and  
5 development to expand 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 tax 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 at-risk investment made into the qualified  
17 entity for research and development in the field of ocean  
18 sciences; 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           \$ \_\_\_\_\_ ; provided further that if the total amount  
2           of credits applied for in any particular year exceeds  
3           the aggregate amount of credits allowed for that year,  
4           under this section, the excess shall be treated as  
5           having been applied for in the subsequent year and  
6           shall be claimed in the subsequent year; provided  
7           further that no excess shall be allowed to be claimed  
8           after December 31, 2025; and

9           (2) In no event shall a qualified entity or any other  
10           taxpayer claim a credit under this section after  
11           December 31, 2025.

12           (c) The credit allowed under this section shall be claimed  
13           against the net income tax liability for the taxable year. If  
14           the tax credit under this section exceeds the taxpayer's income  
15           tax liability, the excess of the tax credit over liability may  
16           be used as a credit against the taxpayer's net income tax  
17           liability in subsequent years until exhausted.

18           All claims, including amended claims, for a tax credit  
19           under this section shall be filed on or before the end of the  
20           twelfth month following the close of the taxable year for which  
21           the credit may be claimed. Failure to comply with the foregoing



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 chapter.

10        "Qualified entity" means a small business licensed in the  
11 State and employing or owning capital or property, or  
12 maintaining an office, in the State and having the principal  
13 purpose of actively and continuously conducting research and  
14 development in the field of ocean sciences, as defined by the  
15 North American Industry Classification System code 541715.

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

19        SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2051, and  
2 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 7/1/2051. Applies to taxable years beginning after 12/31/2020. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

