
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 it 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 so they may continue to live



1 and work in Hawaii. Research and development in ocean sciences
2 may be vital to Hawaii's future economic 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; tax credit. (a) There
10 shall be allowed to each taxpayer subject to the taxes imposed
11 by this chapter an ocean sciences research tax credit that shall
12 be deductible from the taxpayer's net income liability, if any,
13 imposed by this chapter.

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

18 (1) The qualified entity, including all partners and
19 members of the qualified entity shall not claim any
20 credit in any one taxable year that exceeds
21 \$; provided that if the total amount of



1 credits applied for in any particular year exceeds the
2 aggregate amount of credits allowed for such year
3 under this section the excess shall be treated as
4 having been applied for in the subsequent year and
5 shall be claimed in such year; provided further that
6 no excess shall be allowed to be claimed after
7 December 31, 2025; and

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

11 (c) The credit allowed under this section shall be claimed
12 against the net income tax liability for the taxable year. If
13 the tax credit under this section exceeds the taxpayer's income
14 tax liability, the excess of the tax credit over liability may
15 be used as a credit against the taxpayer's net income tax
16 liability in subsequent years until exhausted. All claims,
17 including amended claims, for a tax credit under this section
18 shall be filed on or before the end of the twelfth month
19 following the close of the taxable year for which the credit may
20 be claimed. Failure to comply with the foregoing provision
21 shall constitute a waiver of the right to claim the credit.



1 (d) The director of taxation shall prepare any forms that
2 may be necessary to claim a credit under this section. The
3 director may also require the taxpayer to furnish information to
4 ascertain the validity of the claim for credit made under this
5 section. The director of taxation may adopt rules pursuant to
6 chapter 91 to effectuate the purposes of this section.

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

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

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

14 Failure to timely submit the information shall be subject to a
15 penalty of \$5,000 per month or a fraction thereof, not to exceed
16 \$25,000.

17 (f) No other credit under this chapter shall be claimed
18 for expenses or costs paid with an investment made into a
19 qualified entity for which the credit was claimed under this
20 section.



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

3 (h) For the purposes of this section:

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

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

11 "Small business" means a business that employs ten or less
12 employees and has revenues of less than \$1,000,000 a year."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act, upon its approval, shall apply to
15 taxable years beginning after December 31, 2020.



S.B. NO. 3035
S.D. 1

Report Title:

Ocean Sciences Research Tax Credit; Income Tax

Description:

Establishes the ocean sciences research tax credit. (SD1)

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