STAND. COM. REP. NO. 1246-22

Honolulu, Hawaii

MAR 23 , 2022

RE: S.B. No. 2599

S.D. 1 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-First State Legislature Regular Session of 2022 State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred S.B. No. 2599, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE TAX CREDIT FOR RESEARCH ACTIVITIES,"

begs leave to report as follows:

The purpose of this measure is to amend the tax credit for research activities by:

- (1) Adding a cap for an eligible taxpayer and its related entities per taxable year;
- (2) Consolidating the survey and certification requirements for the tax credit;
- (3) Increasing the annual aggregate cap; and
- (4) Requiring certification on a first-come, first-served basis, to be determined on the date a complete application is received.

Your Committee received testimony in support of this measure from the Hawaii Technology Development Corporation; Oceanit; Makai Ocean Engineering, Inc.; and one individual. Your Committee

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received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Department of Budget and Finance; and Tax Foundation of Hawaii.

Your Committee finds that the tax credit for research activities is important to the success of local research and high technology companies as it allows these companies to remain competitive with mainland companies. This measure provides further clarity and consistency in the administration of the tax credit to foster job growth and diversify the State's economy.

Your Committee has amended this measure by:

- (1) Changing the effective date to October 18, 2050, to encourage further discussion; and
- (2) 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 Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2599, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2599, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Economic Development,

SEAN QUINLAN, Chair

State of Hawaii House of Representatives The Thirty-first Legislature

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Record of Votes of the Committee on Economic Development

Bill/Resolution No.: SB 2599 SD1	Committee Referral:	FIN Date:	3/18/22	,
☐ The committee is reconsidering its previous decision on the measure,				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. QUINLAN, Sean (C)	J			· · · · · · · · · · · · · · · · · · ·
2. HOLT, Daniel (VC)				erra relection de l'Elec-
3. BELATTI, Della Au				
J. DELATTI, Della Au				
4. KOBAYASHI, Dale T.		i samulatah (Aktatik Aktata Tana)		
5. ONISHI, Richard H.K.				
6. SAYAMA, Jackson D.				
7. TAKAYAMA, Gregg			Andrew Commission of the Commi	
7. TAKATAMA, Gregg				
8. OKIMOTO, Val	<u> </u>		<u>i., 17</u>	ka a amatan a lima wasta 12 a amatan a mainin da kalintiku 23
				
TOTAL (8)	7	0	Ō	O
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
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