

STAND. COM. REP. NO.

1450

Honolulu, Hawaii

MAR 22, 2023

RE: S.B. No. 302
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Higher Education & Technology, to which was referred S.B. No. 302, 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:

- (1) Temporarily reinstate the technology infrastructure renovation tax credit; and
- (2) Expand the definition of "technology-enabled infrastructure" to include data servers.

Your Committee received testimony in support of this measure from the Hawai'i Technology Development Corporation, Servpac, and Charter Communications. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and Hawaiian Telcom.

Your Committee finds that data centers and fiber optic networks are driving forces that support the creation and growth of the high-tech industry in the State. These facilities in turn promote high-paying jobs in the technology sector and contribute to the diversification of the State's economy. By reinstating the

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technology infrastructure renovation tax credit with an expanded definition, this measure is intended to provide an incentive to grow technology capabilities in the State.

Your Committee further finds that amendments requested by certain telecommunications carriers were introduced late in the process, may have substantive impacts on the tax credit that are difficult to quantify at this stage, and require additional public scrutiny. Accordingly, your Committee finds it prudent to seek an analysis of the tax implications of the requested amendments from the Department of Taxation prior to the next legislative session.

Your Committee has amended this measure by:

- (1) Requiring a report from the Department of Taxation, no later than twenty days prior to the convening of the Regular Session of 2024, analyzing the tax implications of specified exemptions;
- (2) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (3) 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 Higher Education & Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 302, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 302, 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 Higher Education &
Technology,



AMY A. PERRUSO, Chair



