STAND. COM. REP. NO.

1450

Honolulu, Hawaii

MAR 2 2 , 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

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

2023-2747 SB302 HD1 HSCR HMSO

## State of Hawaii House of Representatives The Thirty-second Legislature

## HSCF 1450

## Record of Votes of the Committee on Higher Education & Technology

Bill/Resolution No.:  \$18302 SOL	Committee Referral: HET, FIN			
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)				
HET Members	Ayes	Ayes (WR)	Nays	Excused
1. PERRUSO, Amy A. (C)	<b>X</b>			
2. KAPELA, Jeanne (VC)	<b>X</b>			· · · · · · · · · · · · · · · · · · ·
3. EVSLIN, Luke A.				
J. EVSLIN, Luke A.				
4. LA CHICA, Trish				**************************************
			源為對抗	
5. MARTEN, Lisa				# <b>#</b>
6. MARTINEZ, Rose		i Transmitation		· · · · · · · · · · · · · · · · · · ·
7. MATAYOSHI, Scot Z.				
8. QUINLAN, Sean		A Land Marine and Mari		WWW JX
9. TODD, Chris				<b>Q</b> ini
10. WOODSON, Justin H.				
11. GARCIA, Diamond				
TOTAL (11)	8			3
The recommendation is:  Adopted  If joint referral, did not support recommendation.  committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO				