STAND. COM. REP. NO.



, 2023

Honolulu, Hawaii

MAR 2 4

RE: S.B. No. 951

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 Economic Development, to which was referred S.B. No. 951, S.D. 2, 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:

- (1) Establish a \$1,500,000 maximum amount on the tax credit for research activities that a taxpayer and its related entities may be eligible for;
- (2) Require every qualified high technology business to be registered to do business in the State;
- (3) Consolidate the survey and certification requirements for the tax credit for research activities;
- (4) Change the annual aggregate amount of the tax credit for research activities from \$5,000,000 to \$15,000,000;
- (5) Require certification of the tax credit for research activities on a first-come, first-served basis to be

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based on the date that a complete application is received, subject to certain conditions; and

(6) Extend the repeal date of the tax credit for research activities for an additional five years.

Your Committee received testimony in support of this measure from the Hawaii Technology Development Corporation; Oceanit; and Makai Ocean Engineering, Inc. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the tax credit for research activities was highly sought after, as the entire \$5,000,000 amount of the tax credit was claimed in the first twenty-three seconds after online applications for the tax credit opened. Committee believes that establishing a maximum amount of tax credits that a taxpayer and its related entities may be eligible for and increasing the annual aggregate cap amount of tax credits allowed in a calendar year will allow more technology companies to apply for and claim the tax credit for research activities.

Your Committee further finds that certain procedures relating to the collection of information and approval of applications for the tax credit for research activities can be improved. Committee additionally finds that collecting the survey information at the time of applying for certification of credits ensures that all surveys will be completed and an accurate report based on the surveys can be generated. Your Committee also finds that certifying tax credits on a first-come, first-served basis, based on the date that a complete application is received by the Department of Business, Economic Development, and Tourism, will clearly indicate which business may claim the tax credit.

Your Committee has amended this measure by:

- Increasing the annual aggregate amount of the tax credit for research activities from \$15,000,000 to \$25,000,000;
- Requiring every qualified high technology business to be (2) a small business in order to be eligible for the tax credit;

- (3) Deleting language that would have required complete applications for the tax credit received on the same date to be certified on a pro rata basis; and
- (4) 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. 951, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 951, 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 Economic Development,

DANIEL HOLT, Chair

State of Hawaii House of Representatives The Thirty-second Legislature

HSCR 1499

Record of Votes of the Committee on Economic Development

Bill/Resolution No.: SB951, SD2	Committee Referral: ECD, FIN	D	ate: 3/22	123
☐ 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. HOLT, Daniel (C)				
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2. LAMOSAO, Rachele F. (VC)				
3. HUSSEY-BURDICK, Natalia			лико н школ (III III) - 1 (1 1 1 1 1 1 1 1 1 	
			E Financia de Company	
4. KONG, Sam Satoru				
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5. LA CHICA, Trish				
6. NAKAMURA, Nadine K.				
7. QUINLAN, Sean			1 - 1 - 1 - 1 - 2 - 2 - 2 - 2 - 2 - 2 -	
8. PIERICK, Elijah				
o. TERICK, Enjan				
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TOTAL (8)		0	<u> </u>	
-	nmendation is: ☐ Adopted ☐ Not Adopted If joint referral, did not support recommendation. committee acronym(s)			
Vice Chair's or designee's signature:				
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