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ECONOMIC DEVELOPMENT & TOURISM**  
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August 29, 2025

The Honorable Ronald D. Kouchi,  
President and Members  
of the Senate  
Thirty-Third State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura,  
Speaker and Members of the  
House of Representatives  
Thirty-Third State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Department of Business, Economic Development, and Tourism's Report on Hawai'i Tax Credit for Research Activities for Tax Year 2024, as required by Section 235-110.91, Hawai'i Revised Statutes and Act 139, Session Laws of Hawai'i 2024.

In accordance with Section 93-16, Hawai'i Revised Statutes, I am also informing you that the report may be viewed electronically at:

<http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

Sincerely,

James Kunane Tokioka  
DBEDT Director

Enclosure

c: Legislative Reference Bureau



# **Report on Hawai‘i Tax Credit for Research Activities for the 2024 Tax Year**

**August 2025**

**Department of Business, Economic Development and Tourism**

**State of Hawai‘i**



STATE OF HAWAII • DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM



This report fulfills the reporting requirements of Section 235-110.91, Hawai‘i Revised Statutes (Act 139, Session Laws of Hawai‘i 2024) and was prepared by the Research and Economic Analysis Division headed by Dr. Seth Colby, Division Administrator. The report was prepared by Dr. Yang-Seon Kim, Research and Statistics Officer.

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## Executive Summary

- In accordance with Section 235-110.91, Hawai‘i Revised Statutes (Act 139, Session Laws of Hawai‘i 2024), this report provides a summary of the activities and characteristics of the eighteen Qualified High Technology Businesses (QHTBs) that were certified for Hawai‘i’s tax credit for research activities in the 2024 tax year.

### Research Activities and Tax Credit Certification

- The 2024 legislature extended the state research tax credit through December 31, 2029, with two key changes. First, the definition of QHTB was limited to businesses with no more than 500 employees. These businesses must also conduct more than 50% of their qualified research activities within the state and be registered to do business in Hawai‘i. Second, the base amount for calculating the state tax credit was revised to include only incremental amounts only, aligning it with the federal tax credit.
- A total of 23 QHTBs applied for the Hawai‘i state research tax credit for the 2024 tax year by submitting form N-346A by March 31, 2025. Of these, five were disqualified, leaving eighteen qualified QHTBs. DBEDT issued certificates to all of these companies, as the total amount of the qualified credit remained below the \$5 million annual cap.
- The eighteen certified QHTBs spent a total of \$29.5 million on qualified research expenses in the 2024 tax year. Of that amount, \$2.6 million was certified for the state tax credit.
- Reflecting the change in Act 139, which now defines the tax credit base as the “incremental amount only”, the average tax credit claimed per QHTB for the 2024 tax year was \$0.15 million. This amount is significantly smaller than the averages for the 2020-2023 tax years when the credit was based on “total amount.” However, it is similar to the averages claimed for the 2013 to 2019 tax years, when the base amount was also determined incrementally.
- The qualified research expenses and the credit each individual QHTB claimed varied significantly. While some QHTBs claimed less than ten thousand dollars for the credit, two companies claimed over \$400,000. The smallest amount of credit certified this year was \$4.2 thousand, and the largest amount was \$743 thousand.
- Qualified research expenses were primarily spent on wages. In aggregate, over 80% of research expenses incurred in Hawai‘i in tax year 2024 were for wages. Among individual QHTBs, ten companies reported that wages made up their entire research expenses or over 90%. Other qualified research expenses included expenses for supplies, computer rental or leases, and payments for contract research or other services.
- The survey asked QHTBs to indicate their research areas for the year. The most popular areas were ‘Computer software’ and ‘Biotechnology’, with several companies conducting research in each of them in 2024.

- A very small portion of research expenses from certified QHTBs was funded by out-of-state sources. Among the eighteen companies, only three reported receiving external funding from outside of Hawai‘i. In aggregate, this funding accounted for just 3.2% of their total research expenses.
- When asked how the state tax credit affected their decision to conduct research in Hawai‘i, 50% (9) of the eighteen QHTBs stated they would have significantly reduced or ceased their research spending without the state tax credit. However, a substantial portion reported a minimal effect: six QHTBs (33.3%) said they would have spent nearly the same amount, while three companies (16.7%) said they would have spent only slightly less.

### QHTBs’ Economic Activities

- In 2024, the eighteen certified QHTBs generated a total of \$233.4 million in revenue. This revenue was unevenly distributed, with individual companies’ revenue ranging from zero to over \$100 million. Three QHTBs had revenue of less than \$150,000, an amount sufficient to cover the wages of only one or two full-time employees, while five QHTBs earned over \$10 million in revenue.
- Reflecting the stricter conditions for becoming a QHTB, all eighteen certified companies were local, and nearly all (97.8%) of their revenues were generated from local sales. This proportion is significantly higher than what has been observed in the past years.
- The QHTBs earned approximately 20% of their revenue from Intellectual property (IP)-based sales. However, dependence on IP sales varied significantly among QHTBs, showing a bimodal distribution where companies were either highly reliant on IP or not at all.
- As of December 12, 2024, the eighteen certified QHTBs employed a total of 879 people in regular positions. The majority of these employees (88.6%) were full-time. Given the requirement for QHTBs to conduct more than 50% of their activities in qualified research, the proportion of research jobs was high, with about one in two employees engaged in research activities.
- Six QHTBs reported having some non-Hawai‘i residents among their employees as of December 12, 2024. However, Hawai‘i residents made up the vast majority of all employees. The combined share of non-resident employees was only 2.6% of the total regular work force. The proportion of non-Hawai‘i resident employees in research positions was slightly higher but still low at 4.3%.
- Company size, measured by the number of employees, varied substantially among the QHTB. As of December 12, 2024, the number of regular employees at each company ranged from as few as two to over three hundred.

- As in previous years, there is no clear indication that the research tax credit had a positive impact on job creation at Hawai‘i’s high-tech companies. While seven QHTBs experienced an increase in research jobs, three saw no change, and eight decreased their research jobs between 2023 and 2024.
- The survey found a significant wage gap among full-time employees at the QHTBs. Over a third of full-time employees were paid at least \$100,000 annually, while a comparable proportion earned less than \$60,000. The weighted average annual wage for full-time staff across the eighteen certified companies was \$88,557.
- Wages for research employees were notably higher at many companies. Six companies reported that the average wage for full-time research positions was 10% to 150% higher than the average wage for their employees across all sectors. The weighted average annual wage for full-time research employees at the eighteen QHTBs was \$117,972.
- Of the eighteen certified QHTBs, twelve reported hiring independent contractors or procuring external services in 2024. The twelve companies spent a combined total of \$3.8 million to hire 110 contractors and external services for jobs performed in Hawai‘i. The majority of this spending (70.1%) was in the ‘Scientific and Technical Contract Services’ area.

#### Other Characteristics of QHTBs

- Likely due to the new rule emphasizing local activity, all eighteen certified QHTBs were local companies with their headquarters in Hawai‘i. This is a notable shift, as approximately 20% of applicants for the state credit for the 2020-2023 tax years were companies based outside of Hawai‘i.
- The eighteen certified QHTBs collectively owned or had pending a total of 138 patents. Despite being technology companies, ten of the companies did not have any patents. In fact, 122 of the 138 patents were owned by just three of the companies. All but one of the patents originated in Hawai‘i, which means a Hawai‘i resident was the first named inventor.
- The QHTBs certified for this year’s tax credit have a long history, with more than half of them established fifteen or more years ago. Many of these QHTBs also have an extensive research history. More than half of the eighteen certified companies have been conducting research for over a decade.
- By eight broad categories, nine QHTBs reported operating in only a single business sector, while the other nine operated in multiple sectors. Of these multi-sector companies, four conducted business in two different sectors with seemingly related activities, three operated in 3-4 different sectors, and two were involved in several different sectors. When counting each company for every sector it operated in, the 'Information and Communication Technology' sector was the most popular, with seven QHTBs conducting business in it.



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## 1. Introduction

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Many states, including Hawai‘i, have implemented a state research tax credit to promote research activities of businesses within the state. Hawai‘i’s effort started in 1999 with Act 178, which offered a limited, non-refundable tax credit of 2.5% on new research expenses in Hawai‘i.

The benefits of the credit were significantly expanded in 2000 by Act 297, which increased the credit to 20% to align with the federal standard and made it refundable. The controversial Act 221 in 2001 further augmented this by allowing the research credit to be claimed on all qualified research expenses, not just the incremental amount, while it remained refundable. In 2004, Act 215 amended the credit again, limiting eligibility to Qualified High Technology Businesses (QHTB). This version of the research tax credit ultimately sunset in 2010.

### Act 270, Session Laws of Hawai‘i 2013

Act 270, Session Laws of Hawai‘i 2013, re-established Hawai‘i’s research tax credit for the 2013 to 2019 tax years. The credit remained at 20% of the qualified research expenditures and continued to be refundable. The new law, however, adopted federal rules for calculating the base amount again, limiting the credit to incremental amounts only. Act 270 also increased reporting requirements by mandating that all QHTBs claiming the tax credit complete a survey with the Hawai‘i Department of Business, Economic Development, and Tourism (DBEDT).

DBEDT submitted seven annual reports to the legislature for the period, but many QHTBs interpreted the survey requirement as non-mandatory. This resulted in a significant discrepancy between the data reported to DBEDT and the amount of the credit claimed with the Hawai‘i Department of Taxation.

The total amount of credits claimed with the Hawai‘i Department of Taxation for the 2013 to 2019 tax years was \$18.8 million (an annual average of \$2.7 million). In contrast, the amount of credits reported in the DBEDT survey for the seven tax years was \$9.2 million (an annual average of \$1.3 million), which was about half of the actual amount claimed.

### Act 261, Session Laws of Hawai‘i 2019

In 2019, the legislature passed Act 261, which extended the state research tax credit for five more years through December 31, 2024. This Act made the credit more generous by basing the amount on the full value of qualified research expenses incurred in a tax year, removing the previous incremental-only limitation.

However, the Act also introduced new requirements: all claims had to be certified by DBEDT before they could be filed with the Hawai‘i Department of Taxation. It also established an annual

credit cap of \$5 million for the aggregated amount of certified credit per year, with claims processed on a first-come, first-served basis.

During the 2020-2023 tax years when these rules were in effect, more than two-thirds of the QHTBs that applied for the credit could not be certified. To provide a complete picture of the policy's impact, DBEDT's reports for this period included statistics for both all QHTB applicants and the subset of companies whose claims were certified. This was done to ensure that the uncertified QHTBs were also considered when drawing policy conclusions.

#### Act 139, Session Laws of Hawai‘i 2024

The 2024 legislature extended the state research tax credit one more time through December 31, 2029, introducing two significant changes. First, the definition of a Qualified High Technology Business (QHTB) was made more stringent: it is now a small business with no more than 500 employees that conducts over 50% of its qualified research in the state and is registered to do business in Hawai‘i. Second, the base amount for calculating the tax credit was reverted to the incremental amount only, aligning it with the federal tax credit.

This report, prepared in accordance with Act 139, summarizes the activities and characteristics of the QHTBs certified for the Hawai‘i research activity tax credit for the 2024 tax year.

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## 2. Research Activities and Tax Credit Certification

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To claim the Hawai‘i tax credit for research activities, a business must first be a Qualified High Technology Business (QHTB) and must also claim the federal research tax credit under Section 41 of the Internal Revenue Code.

As detailed in Table 1, the definition of a QHTB and the method for calculating the state credit were changed by Act 139, signed in 2024. Act 139's key changes were designed to ensure that the tax credit benefits local companies engaged in research and business in Hawai‘i. The new law specifies that to be considered a QHTB, a company must:

- Be a small business with no more than 500 employees.
- Conduct more than 50% of its qualified research activities within Hawai‘i.
- Be registered to do business in the state.

The method for calculating the state tax credit was also revised. The credit is now based on the incremental portion of qualified research expenses, rather than the full amount. This change aligns the state credit's calculation with the method used for the federal research tax credit.

Table 1. Changes to the Hawai‘i Research Tax Credit Under Act 139

	Qualified High Technology Business (QHTB)	Qualified research expenses	Base amount for the state credit
Previous conditions that were in effect for the 2020-2023 tax years	A business that conducts more than 50% of its activities in qualified research	Qualified expenses for Hawai‘i state tax credit have the same meaning as in section 41(b) of the Internal Revenue Code, but not including research expenses incurred outside of the state	All qualified research expenses made in the tax year without regard to the amount of expenses for previous years
New conditions that apply to the credit for the 2024-2029 tax years	A small business, with no more than 500 employees, that conducts more than 50% of its activities in qualified research in the state, and is registered to do business in the state	No change	The incremental portion of the qualified research expenses only


### *Eligible Research Expenses and Tax Credit Certification*

A total of twenty-three QHTBs applied for the Hawai‘i state research activity tax credit for the 2024 tax year by submitting an executed Form N-346A by March 31, 2025. Of these, five QHTBs were disqualified for various reasons: one exceeded the 500-employee limit, two did not conduct over 50% of their research activities in Hawai‘i, one failed to submit its GET license, and the another did not complete the required DBEDT survey. DBEDT reviewed the eighteen qualified QHTBs and issued certificates to all of them, as the total credit amount did not reach the \$5 million annual cap.

The certified eighteen QHTBs spent a total of \$29.5 million on qualified research expenses in 2024 tax year, of which \$2.6 million was certified for the state tax credit. This certified amount represents only 8.8%, not 20%, of the total expenses because, under Act 139, the credit base is now determined by the incremental portion of qualified research expenses, not the full amount.

This change in Act 139 resulted in a smaller average tax credit per QHTB. At \$0.15 million, the average credit for the 2024 tax year was much lower than the \$0.45 million to \$0.56 million average seen in the 2020-2023 tax years. However, this figure is similar to the \$0.11 million average from the 2013-2019 tax year period, when the credit base was also calculated using only incremental amounts.

Table 2. Hawai‘i Research Tax Credit Applications and Certifications, 2020-2024

	2020-2023 tax year	2024 tax year
Annual cap of the credit	\$5M	\$5M
<b>QHTBs that applied for the credit</b>		
Number of QHTBs	26-40	23
Total research expenses in Hawai‘i	\$59.4M - \$66.8M	\$43.3M
Total tax credit claimed	\$11.9M - \$13.3M	\$3.9M
Avg. tax credit claimed per QHTB	\$0.33M - \$0.46M	\$0.16M
	17- 30 QHTBs were not certified each year due to \$5M annual cap	5 QHTBs were disqualified
<b>Certified QHTBs</b>		
Number of QHTBs	9 – 11	<b>18</b>
Total research expenses in Hawai‘i	\$27.6M-\$31.1M	<b>\$29.5M</b>
Total tax credit claimed	\$5.5M - \$6.2M	<b>\$2.6M</b>
Total tax credit certified	\$5M	<b>\$2.6M</b>
Avg. tax credit claimed per QHTB	\$0.45M – \$0.56M	<b>\$0.15M</b>

The qualified research expenses and the credit each individual QHTB claimed varied significantly. While some companies claimed less than ten thousand dollars for the credit, two QHTBs claimed over \$400,000 in credit. The smallest amount of credit certified for a QHTB this year was \$4.2 thousand, and the largest amount was \$743 thousand.

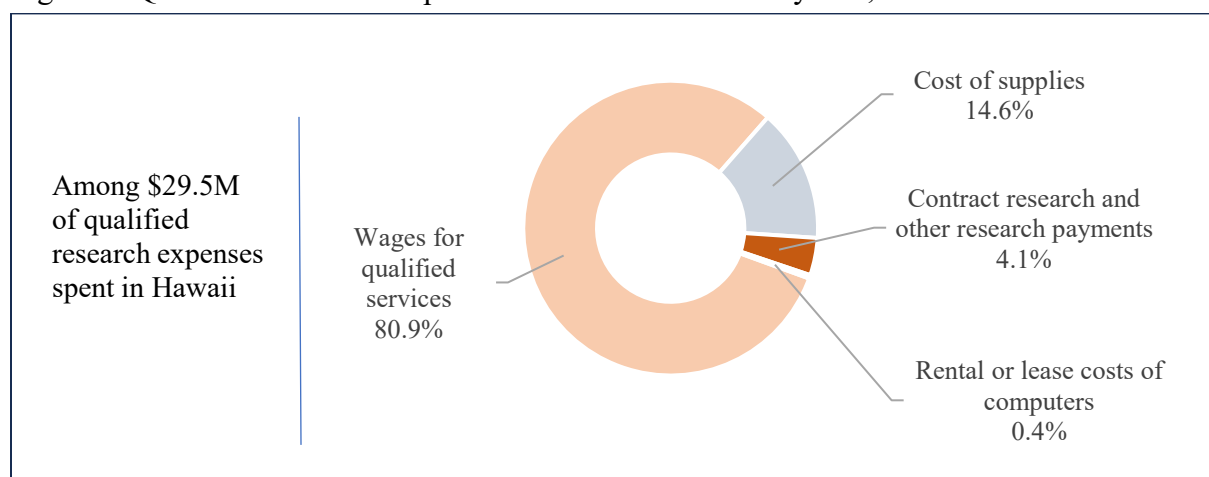
Table 3. Qualified Research Expenses and Tax Credits Claimed, 2024

<u>Qualified research expenses</u>		<u>Tax credit claimed</u>	
Amount	Number of QHTBs	Amount	Number of QHTBs
Under \$100K	2	Under \$10K	2
\$100K - \$500K	3	\$10K - \$50K	4
\$500K - \$1M	5	\$50K - \$100K	4
\$1M - \$2.5M	5	\$100K - \$250K	6
\$2.5M - \$5M	1	\$250K - \$500K	1
Over \$5M	2	Over \$500K	1
Total	18	Total	18

### *Uses of Research Expenses*

Most of the qualified research expenses were spent on wage payments. In aggregate, over 80% of the research expenses incurred in Hawai‘i in the 2024 tax year were paid for wages. Among individual QHTBs, ten companies reported that their entire research expenses or over 90% of the expenses were for wage payment. Other qualified research expenses, such as supplies, computer rental or leases, and contract research, constituted the remaining about 20% of total qualified research expenses incurred in Hawai‘i.

Figure 1. Qualified Research Expenses Incurred in Hawai‘i by Use, 2024

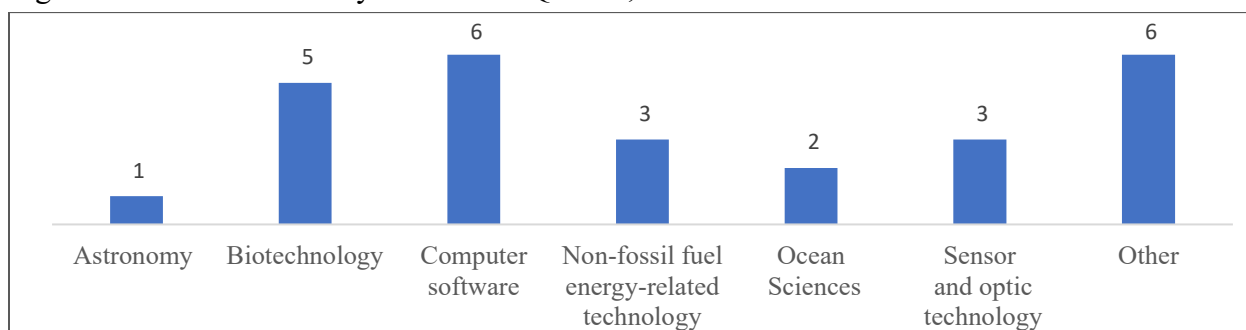


### *Areas of Research*

In the survey, the QHTBs were asked to indicate their research areas from a list of seven categories used to define ‘Qualified research.’ Figure 2 presents the areas where the QHTBs conducted research, allowing for multiple counts of QHTBs if they conducted research in multiple areas. As in past years, ‘Computer software’ and ‘Biotechnology’ were the most popular areas, with several QHTBs conducting research in the areas in 2024.

Some companies also reported their research under the ‘Other’ category. The research areas reported under the category included ‘Architectural engineering/civil engineering’, ‘Agricultural engineering’, ‘Disaster mitigation’, ‘Soil technologies’, and ‘Water technologies.’

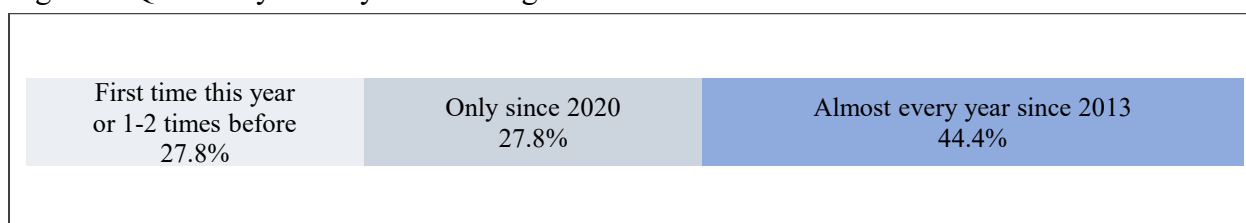
Figure 2. Research Areas by Number of QHTBs, 2024



### *History of Claiming Hawai‘i Research Tax Credit*

Based on their application history for the state research tax credit, this year's certified QHTBs fall into three distinct groups. Approximately half of the certified QHTBs are consistent applicants, having applied almost every year since the credit was re-established in 2013. In contrast, about a quarter of the companies began applying only after the tax credit's base amount changed in 2019 from an incremental amount to total qualified research expenses. This change made the credit significantly more generous and may have encouraged a new group of applicants. The final quarter of the QHTBs are new participants, having either applied for the first time this year or only one or twice before.

Figure 3. QHTBs by History of Claiming Hawai‘i Research Tax Credit



### *Research Expenses Funded by Out-of-State Sources*

Only a very small portion of research expenses from certified QHTBs was funded by out-of-state sources. Among the eighteen companies, only three reported receiving any external funding from

outside of Hawai‘i. In aggregate, this funding accounted for just 3.2% of their total research expenses.

### *Effectiveness of the Tax Credit*

Research activities are crucial for innovation and economic growth. However, a market failure often occurs because companies don't fully account for the long-term, positive spillover effects of their research on the broader economy, leading them to invest at a less than socially optimal level. Tax credits for research are designed to correct this by lowering the cost of research activities, thereby encouraging companies to increase their investment to a more socially beneficial level. Therefore, the effectiveness of a research tax credit is determined by the extent to which it contributed to increasing research activities.

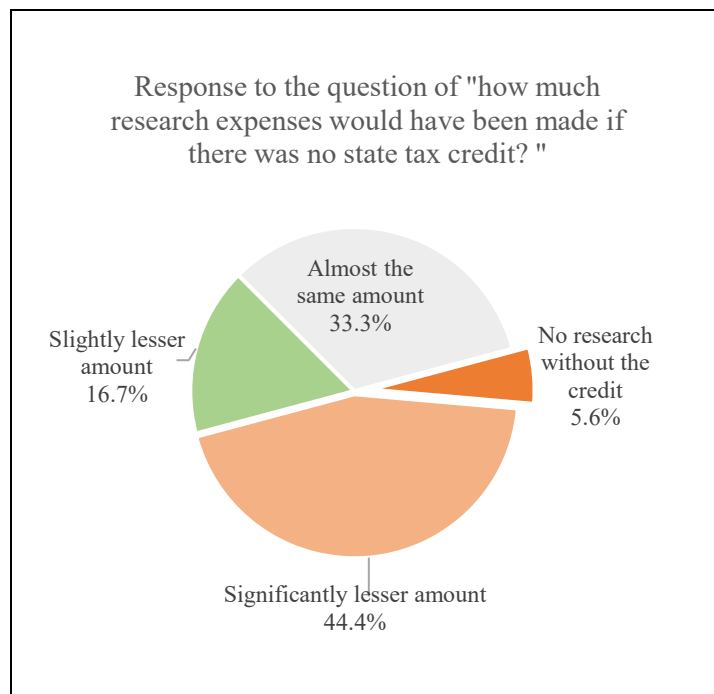
#### Self-reported impact of the state tax credit on research spending

Assessing the effectiveness of the state's research tax credit is challenging because a definitive answer would require knowing how much research spending companies would have undertaken in the absence of the credit. While this information is often proprietary, the DBEDT survey asked the following question to gain insight: “How did the state tax credit affect the company’s decision to make research expenses in Hawai‘i in the tax year?”

In response to the survey question, 50% (9) of the eighteen QHTBs stated they would have significantly reduced or ceased their research spending without the state tax credit. However, a substantial portion reported a minimal effect: six QHTBs (33.3%) reported they would have made almost the same amount of spending, while three QHTBs (16.7%) said they would have made only slightly less.

The survey did not ask the reasons behind the minimal impact. This may be because the research decisions were primarily driven by factors other than cost, or because the tax credit was not fully accounted for in their planning due to the uncertainty in getting their claim certified.

Figure 4. Self-reported Impact of the State Tax Credit on QHTB Research Spending



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### 3. QHTBs' Economic Activities

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This section, based on data from the DBEDT survey, summarizes the economic activities of the eighteen certified QHTBs in the 2024 tax year.

#### *Revenues*

In 2024 tax year, the eighteen certified QHTBs generated a total of \$233.4 million in revenue, though their individual performance varied widely. Revenue per company ranged from zero to more than \$100 million. Three QHTBs had revenue of less than \$150,000 (including one with no revenue), an amount that would have covered the wages of just one or two full-time employees, while five QHTBs earned over \$10 million in revenue.

Table 4. Aggregated Revenues and Qualified Research Expenses, 2024

Revenues <sup>1</sup>	Qualified research expenses
\$233.4M	\$29.5M
From out-of-state sales: <b>2.2%</b> From intellectual property-based sales: <b>19.6%</b>	State tax credit certified: \$2.6M (8.8% of qualified research expenses)

<sup>1</sup> Earned from or incurred for all goods and services produced in Hawai'i

Reflecting the stricter conditions for becoming a QHTB, all eighteen certified companies were local, and nearly all (97.8%) of their revenues were generated from local sales. This proportion is significantly higher than what has been observed in the past years.

The QHTBs earned approximately 20% of their revenue from Intellectual property (IP)-based sales. However, dependence on IP sales varied significantly among QHTBs, showing a bimodal distribution where companies were either highly reliant on IP or not at all. Among the seventeen QHTBs that reported positive revenue in the 2024 tax year, six relied almost entirely on IP-based sales, while nine had no revenue from such sales.

#### *Employment*

As of December 12, 2024, the eighteen certified QHTBs employed a total of 879 people in regular positions. The majority of these employees (88.6%) were full-time. Given the requirement for QHTBs to conduct more than 50% of their activities in qualified research, the proportion of research jobs was high, with about one in two employees engaged in research activities.

To address concerns about the tax credit benefiting out-of-state employees, the survey asked for a breakdown of QHTB employment by the residence of the employee. Six QHTBs reported having



some non-Hawai‘i residents among their employees as of December 12, 2024. However, the vast majority of all employees were Hawai‘i residents. The combined share of non-resident employees was only 2.6% of total regular employees. The proportion of non-Hawai‘i resident employees in research positions was slightly higher but still low at 4.3%.

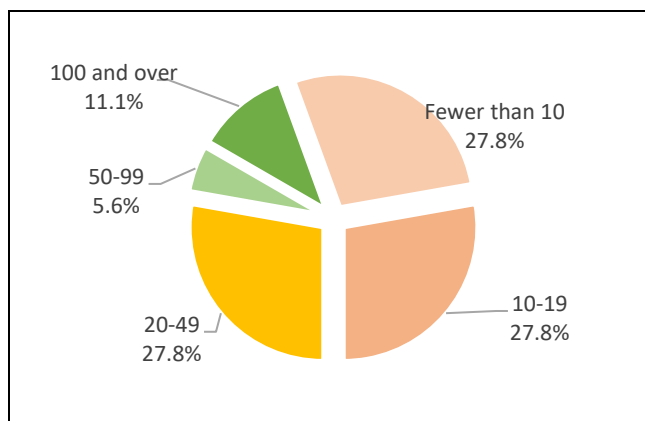
Table 5. QHTB Employment by Full-time/Part-time Status and Work Area, 2024

<u>In all areas</u>			<u>In research area</u>		
Full & part time	Full-time	Part-time	Full & part time	Full-time	Part-time
879	779	100	397	328	69
Full-time percentage: 88.6%			Full-time percentage: 82.6%		
Hawai‘i resident percentage: 97.4%			Hawai‘i resident percentage: 95.7%		

### Employment Size

Company size, measured by the number of employees, varied substantially among the QHTB. As of December 12, 2024, the number of regular employees at each company ranged from as few as two to over three hundred. Over a quarter of the QHTBs were small, with fewer than ten employees. Of these, three were particularly small, with only a few employees. In contrast, two QHTBs had more than one hundred employees.

Figure 5. QHTBs by Employment Size <sup>1</sup>



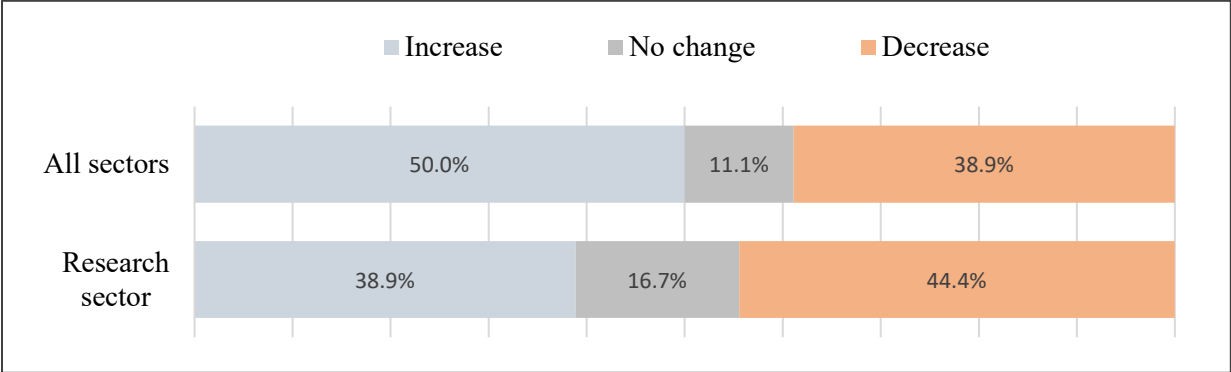
<sup>1</sup> Includes both full-time and part-time employees

### Change in Jobs at QHTBs

As in previous years, there is no clear indication that the research tax credit had a positive impact on job creation at Hawai‘i’s high-tech companies. While the number of research employees at QHTBs saw a small aggregate decrease in 2024 from the previous year, job performance was mixed at the individual company level.

Specifically, seven QHTBs experienced an increase in research jobs, three saw no change, and eight decreased their research jobs between 2023 and 2024.

Figure 6, Change in Jobs at QHTBs, 2023-2024

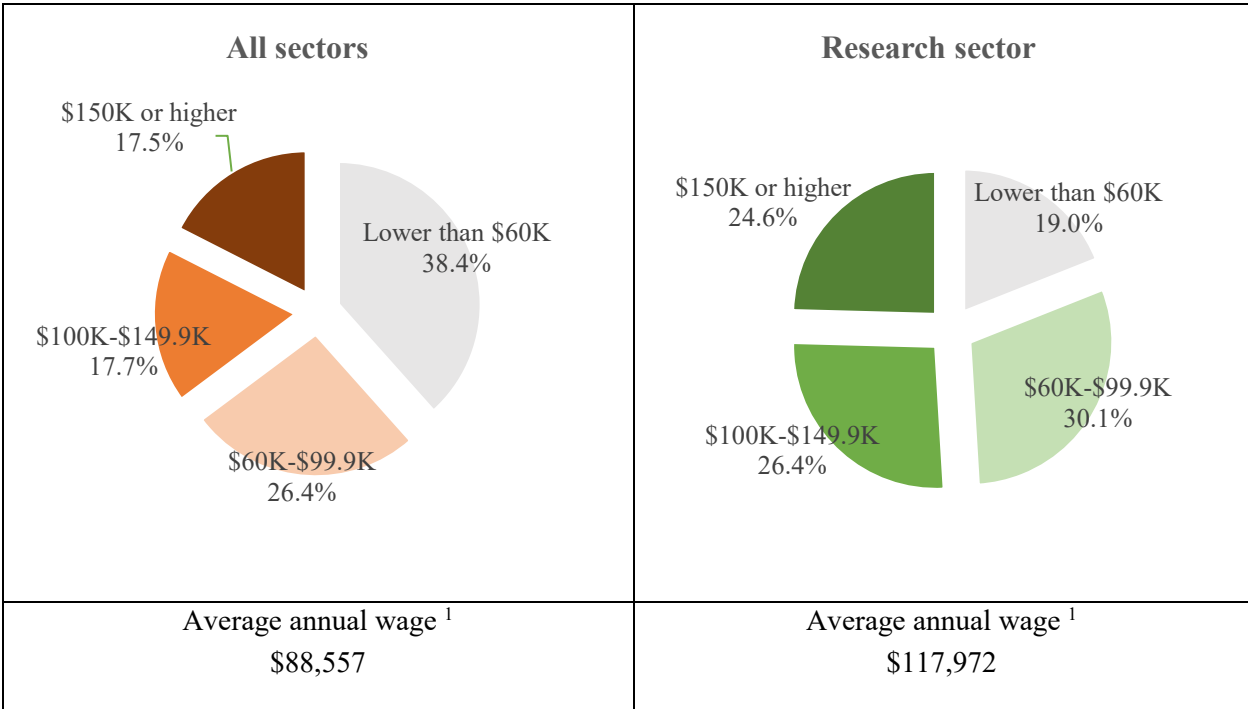


Wages

The survey highlighted a substantial pay gap among full-time employees at QHTBs. The data showed that over one-third of full-time employees were paid at least \$100,000 annually, while a comparable proportion earned less than \$60,000. The weighted average annual wage for full-time staff across the eighteen companies was calculated to be \$88,557.

Wages for research employees were notably higher at many companies. Six companies reported that the average wage for full-time research positions was 10% to 150% higher than the average wage for their employees across all sectors. The weighted average annual wage for full-time research employees at the eighteen companies was \$117,972.

Figure 7. Distribution of Annual Wages for Full-time Employees at QHTBs



<sup>1</sup>. The average annual wages were calculated using the number of full-time employees at each QHTB as weights

### *Spending on External Companies and Services*

Table 6 summarizes the impacts of QHTB business activities on external companies in Hawai‘i. Of the eighteen certified QHTBs, twelve reported hiring independent contractors or procuring external services in 2024. These twelve companies spent a combined total of \$3.8 million to hire 110 contractors and external services for jobs performed in Hawai‘i. The majority of this spending (70.1%) was in the ‘Scientific and Technical Contract Service’ area.

Table 6. External Contractors and Services Hired or Procured, 2024

Number	Amount
110	\$3.8M
Scientific and technical service: 56.4% Information/communication tech: 13.6% All other contract services: 30.0%	Scientific and technical service: 70.1% Information/communication tech: 19.3% All other contract services: 10.6%

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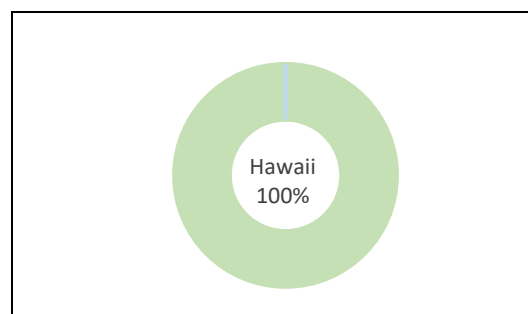
## **4. Other Characteristics of QHTBs**

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### *Business Location*

A new requirement under Act 139 mandates that a QHTB must conduct more than 50% of its qualified research activities in the state. Likely due to this new rule, all eighteen certified QHTBs were local companies with their headquarters in Hawai‘i. This is a notable shift, as approximately 20% of applicants for the state credit for the 2020-2023 tax years were companies based outside of Hawai‘i.

Figure 8. Business Locations of QHTBs



### *Patents*

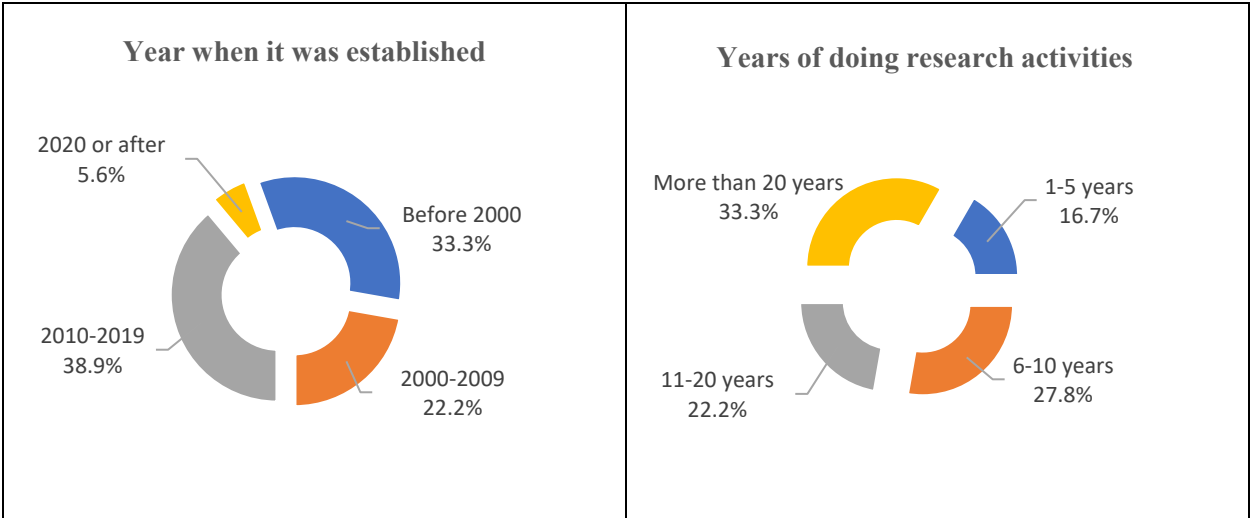
As of December 31, 2024, the eighteen certified QHTBs collectively owned or had pending a total of 138 patents. Despite being technology companies, ten of the eighteen QHTBs did not own any patents. In fact, patent ownership was highly concentrated, with 122 of the 138 patents owned by just three of the companies. With the exception of a single patent, all of them originated in Hawai‘i, which means a Hawai‘i resident was the first named inventor of the patents.

*Business and Research History*

The QHTBs certified for this year’s tax credit have a long history. More than half of them were established fifteen or more years ago. Of the five QHTBs with less than a decade of history, four were founded before 2020, with only one established after 2020.

Many of these companies also have an extensive research history. More than half of the eighteen companies have been conducting research for over a decade. Conversely, only three of the QHTBs are relatively new, with a research history of five years or fewer.

Figure 9, QHTBs by Business and Research History

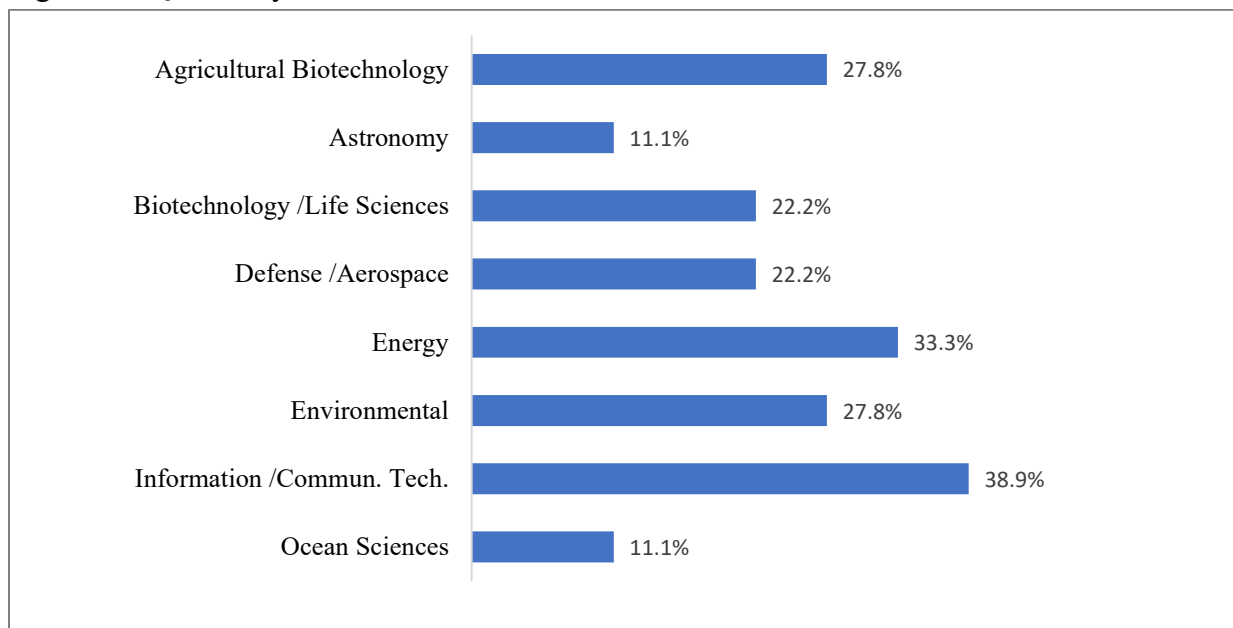


*Business Areas*

The survey asked each QHTB to identify all industry sectors where they conducted business in 2024. Eight major business sectors consisting of eighty-four sub-sectors were provided in the survey as business categories. By broad category, nine QHTBs reported operating in only a single business sector, while the other nine operated in multiple sectors. Of the multi-sector companies, four conducted business in two different sectors with seemingly related activities, three operated in 3-4 different sectors, and two were involved in several different sectors.

When counting each company for every sector it operated in, the 'Information and Communication Technology' sector was the most popular, with seven QHTBs conducting business in it. The next most popular sector was 'Energy', with six companies. For a more detailed breakdown of QHTB business activities, refer to Table A-2 in the appendix.

Figure 17. QHTBs by Business Sector <sup>1</sup>



<sup>1</sup> Multi-sector companies were counted for all sectors where they did business.

# Appendix

Table A- 1. List of Certified QHTBs for the 2024 tax year

Company name	Business Location
Alpha, INC	Hawai‘i, Kahului
H NU Photonics LLC	Hawai‘i, Kahului
Hanalei Poi Company LLC	Hawai‘i, Hanalei
Hawai‘i Aerospace Corporation	Hawai‘i, Honolulu
Hawai‘i Biotech INC	Hawai‘i, Honolulu
HiPoint Software, LLC	Hawai‘i, Honolulu
Limtiaco Consulting Group, INC	Hawai‘i, Honolulu
Makai Ocean Engineering, INC	Hawai‘i, Waimanalo
MLS Hawai‘i, Inc. dba Hawai‘i Information Service	Hawai‘i, Honolulu
Nalu Scientific, LLC	Hawai‘i, Honolulu
Normal Corporation	Hawai‘i, Kailua
Oceanit Laboratories, INC	Hawai‘i, Honolulu
Ozolio INC	Hawai‘i, Haiku
Simonpietri Enterprises LLC	Hawai‘i, Kailua
Spirent Communications Hawai‘i LLC	Hawai‘i, Honolulu
Symbrosia INC	Hawai‘i, Kailua-Kona
WCIT Architecture, INC	Hawai‘i, Honolulu
Wilson Okamoto Corporation	Hawai‘i, Honolulu

Table A- 2. Detailed Business Areas of QHTBs, 2024  
(A QHTB was counted multiple times if it conducted business in multiple areas)

Sector	Number of QHTBs that conducted business in the sector
<b>Agricultural Biotechnology</b>	
- Aquaculture	1
- Forestry	1
- Tropical Fruit & Biotech Beverages	1
- Other	3
<b>Astronomy</b>	
- Adaptive Optics	1
- Modeling & Simulation	1
- Precision Mechanics	1
- Remote Sensing	2
<b>Biotechnology/Life Sciences</b>	
- Bioinformatics/ Biophotonics	1
- Biologics/ Vaccines	1
- Contract Research Organization	1
- Diagnostics/Therapeutics	1
- Healthcare Facility	1
- Medical Devices	2
- Other	1
<b>Defense/Aerospace</b>	
- Communications & Computer Systems	1
- Information Services	1
- Modeling/Simulation/Training	1
- Optics	1
- Photonics	2
- Remote Sensing	2
- Specialty Software Development	1
- Testing & Evaluation	2
- Other	2

Table A- 2. Detailed Business Areas of QHTBs, 2024 -- continued

Subsector	Number of QHTBs that conducted business in the sector
<b>Energy</b>	
- Distributed Generation	1
- Energy Efficiency	3
- Fuel Cells	1
- Geothermal	1
- Renewable Fuels	3
- Solar	1
- Waste-to-Energy	1
- Other	2
<b>Environmental</b>	
- Air Technologies	2
- Disaster Mitigation Management	2
- Soil Technologies	3
- Water Technologies	4
- Other	3
<b>Information/Communication Technology</b>	
- Information Services	2
- Laser	1
- Optics	2
- Photonics	2
- Remote Sensing	3
- Specialty Software Development	5
- Telecommunications/Networks	2
- Testing & Evaluation	3
- Wireless	1
<b>Ocean Sciences</b>	
- Marine Biotechnology	1
- Ocean Engineering	2
- Remote Sensing	1