
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that upgrading and
2 modernizing equipment necessary for data storage will improve
3 resilience against physical damage caused by weather-related
4 events and cybersecurity threats and ensure the continued,
5 uninterrupted provision of services to Hawaii businesses, state
6 government and satellite agencies, and residents.

7 Leveraging modern and up-to-date technology to support
8 critical operation systems is a significant benefit of data
9 center operations and helps to ensure reliable data access.

10 In 2023, dozens of Hawaii businesses in the health care,
11 airline, and finance fields, as well as state agencies, were
12 operationally disrupted due to a local data outage, frustrating
13 customers and residents.

14 Over the last decade, Hawaii has adopted various tax
15 incentives to encourage the development of high-technology
16 businesses in the State. The focus on high technology is



1 commendable and recognized as a policy direction that will yield
2 greater investment from within and outside of the State.

3 Accordingly, the purpose of this Act is to temporarily
4 reinstate the technology infrastructure renovation tax credit
5 and expand the definition of "technology-enabled infrastructure"
6 to include data servers.

7 SECTION 2. Section 235-110.51, Hawaii Revised Statutes, is
8 amended as follows:

9 1. By amending subsections (b) and (c) to read:

10 "(b) The amount of the credit shall be four per cent of
11 the renovation costs incurred during the taxable year [~~for each~~
12 ~~commercial building located~~] in Hawaii.

13 (c) In the case of a partnership, S corporation, estate,
14 trust, or [~~any developer of a commercial building,~~] other entity
15 taxed as a partnership for federal income tax purposes, the tax
16 credit allowable is for renovation costs incurred by the entity
17 for the taxable year. The cost upon which the tax credit is
18 computed shall be determined at the entity level. Distribution
19 and share of credit shall be determined pursuant to
20 section 235-110.7(a)."

21 2. By amending subsections (h), (i), and (j) to read:



1 "(h) The tax credit allowed under this section shall ~~not~~
2 be available for taxable years beginning after December 31,
3 ~~[2010.]~~ 2025, but shall not be available for taxable years
4 beginning after December 31, 2027.

5 (i) As used in this section:

6 "Data server" means a computer system that is designed and
7 configured for the processing, storage, retrieval, and
8 management of electronic data and provides database management
9 and access services to client computers on a computer network.

10 "Net income tax liability" means income tax liability
11 reduced by all other credits allowed under this chapter.

12 "Renovation costs" means costs incurred after December 31,
13 2000, to ~~[plan,]~~:

14 (1) Plan, design, install, construct, [and] repair,
15 replace, monitor, test, or purchase technology-enabled
16 infrastructure machinery and equipment [to provide];

17 or

18 (2) Provide a commercial building with technology-enabled
19 infrastructure.

20 "Technology-enabled infrastructure" means:

21 (1) Either:



1 (A) High speed telecommunications systems that
2 provide [~~Internet~~], in whole or in part, internet
3 access, direct satellite communications access,
4 and videoconferencing facilities; or

5 (B) Data servers;

6 (2) Physical security systems that identify and verify
7 valid entry to secure spaces, detect invalid entry or
8 entry attempts, and monitor activity in these spaces;

9 (3) Environmental systems to include heating, ventilation,
10 air conditioning, fire detection and suppression, and
11 other life safety systems; and

12 (4) Backup and emergency electric power systems.

13 (j) No taxpayer that claims a credit under this section
14 shall claim any other credit under this chapter[-] for taxable
15 years beginning before January 1, 2026."

16 SECTION 3. The department of taxation shall submit a
17 report of its findings and recommendations on the collection of
18 the technology infrastructure renovation tax credit pursuant to
19 this Act, including any proposed legislation, to the legislature
20 no later than twenty days prior to the convening of the regular
21 session of 2029.



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on July 1, 3000, and
4 shall apply to taxable years beginning after December 31, 2025.



Report Title:

DOTAX; Technology Infrastructure Renovation Tax Credit;
Reinstatement; Technology-Enabled Infrastructure; Data Servers;
Report

Description:

For taxable years beginning after 12/31/2025, temporarily reinstates the Technology Infrastructure Renovation Tax Credit and expands the definition of "technology-enabled infrastructure" to include data servers. Requires the Department of Taxation to submit a report to the Legislature. Effective 7/1/3000. (HD1)

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