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# A BILL FOR AN ACT

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RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

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

1       SECTION 1. Chapter 206M, Hawaii Revised Statutes, is  
2 amended by adding a new section to part I to be appropriately  
3 designated and to read as follows:

4       "\$206M-       Hawaii economic diversification grant program.

5       (a) Section 41 (with respect to the credit for increasing  
6 research activities) and section 280C(c) (with respect to  
7 certain expenses for which the credit for increasing research  
8 activities are allowable) of the Internal Revenue Code of 1986,  
9 as amended, shall be operative for the purposes of this section;  
10 provided that the federal tax provisions in section 41 of the  
11 Internal Revenue Code of 1986, as amended, as that section was  
12 enacted on December 31, 2011, irrespective of any subsequent  
13 changes to section 41 of the Internal Revenue Code of 1986, as  
14 amended, shall remain in effect for purposes of determining the  
15 grant under this section and apply only to expenses incurred for  
16 qualified research activities after December 31, 2012.



1        (b) All references to section 41 and 280C(c) of the  
2   Internal Revenue Code of 1986, as amended, shall be operative  
3   for purposes of this section; provided that references to the  
4   base amount in section 41 of the Internal Revenue Code of 1986,  
5   as amended, shall not apply and credit for all qualified  
6   research expenses may be taken without regard to the amount of  
7   expenses for previous years.

8        (c) There shall be allowed to each qualified high  
9   technology business a grant for qualified research activities  
10   equal to the credit for research activities provided by section  
11   41 of the Internal Revenue Code of 1986, as amended, and as  
12   modified by this section; provided that in addition to any other  
13   requirements established in this section, in order to qualify  
14   for the grant, the qualified high technology business shall also  
15   claim a federal tax credit for the same qualified research  
16   activities under section 41 of the Internal Revenue Code of  
17   1986, as amended, as enacted on December 31, 2011, irrespective  
18   of any subsequent amendments to section 41 of the Internal  
19   Revenue Code of 1986, as amended.

20        (d) Every qualified high technology business, before March  
21   31 of each year in which qualified research activity was



1 conducted in the previous taxable year, shall submit a written,  
2 certified statement to the department of business, economic  
3 development, and tourism identifying:

4 (1) Qualified expenditures, if any, expended in the  
5 previous taxable year; and

6 (2) The amount of qualified grants claimed pursuant to  
7 this section, if any, in the previous taxable year.

8 (e) The department of business, economic development, and  
9 tourism shall:

10 (1) Maintain records of the names and addresses of the  
11 qualified high technology businesses claiming the  
12 grant under this section and the total amount of the  
13 qualified research activity costs upon which the grant  
14 is based;

15 (2) Verify the nature of the qualifying research activity  
16 and amount of the qualifying costs or expenditures;

17 (3) Total all qualifying and cumulative costs or  
18 expenditures that the department certifies; and

19 (4) Certify the amount of the grants for each taxable year  
20 and cumulative amount of the grants.



1 Upon each determination made under this subsection, the  
2 department of business, economic development, and tourism shall  
3 issue a certificate to the qualified high technology business  
4 verifying information submitted to the department, including the  
5 qualifying costs or expenditure amounts, grant amount certified  
6 for each taxable year, and cumulative amount of the grant during  
7 the grant period. The department of business, economic  
8 development, and tourism may assess and collect a fee to offset  
9 the costs of certifying the grant claimed under this section.

10 (f) If in any taxable year the annual amount of certified  
11 grants reaches \$10,000,000 in the aggregate, the department of  
12 business, economic development, and tourism shall immediately  
13 discontinue certifying the grants. In no instance shall the  
14 department of business, economic development, and tourism  
15 certify a total amount of grants exceeding \$10,000,000. To  
16 comply with this restriction, the department of business,  
17 economic development, and tourism shall certify grants on a  
18 first come, first served basis.

19 (g) A qualified high technology business that claims the  
20 grant under this section shall complete and file with the  
21 department of business, economic development, and tourism,



1 through the department's website, an annual survey on electronic  
2 forms prepared and prescribed by the department. The annual  
3 survey shall be filed before June 30 of each calendar year  
4 following the calendar year in which the grant may be claimed  
5 under this section. The department of business, economic  
6 development, and tourism may adjust the due date of the annual  
7 survey by rules adopted pursuant to chapter 91.

8 (h) The annual survey shall include the following  
9 information for the time period or periods specified by the  
10 department of business, economic development, and tourism:

11 (1) Identification of the following industry sector or  
12 sectors in which the qualified high technology  
13 business conducts business:

14 (A) The development and design of computer software  
15 for ultimate commercial sale, lease, or license,  
16 or to be otherwise marketed, for economic  
17 consideration;

18 (B) Biotechnology;

19 (C) Performing arts products;

20 (D) Sensor and optic technologies;

21 (E) Ocean sciences;



- 1            (F) Astronomy;
- 2            (G) Nonfossil fuel energy-related technology;
- 3            (H) Energy;
- 4            (I) Aerospace and defense;
- 5            (J) Nanotechnology;
- 6            (K) Artificial intelligence;
- 7            (L) Sensors and communication systems;
- 8            (M) Health;
- 9            (N) Medical;
- 10           (O) Therapeutics;
- 11           (P) United States Food and Drug Administration
- 12           authorized or approved drugs, therapies, medical
- 13           devices, and medical tests; and
- 14           (Q) Other health care technologies;
- 15           (2) Total expenditures and the qualified expenditures, if
- 16           any, expended in the previous taxable year;
- 17           (3) Revenue and expense data, including a breakdown of any
- 18           licensing royalty or other forms of income generated
- 19           from intellectual property;
- 20           (4) Hawaii employment and wage data, including the numbers
- 21           of full-time and part-time employees retained, new



1 jobs, temporary positions, external services procured  
2 by the business, and payroll taxes;

3 (5) Filed intellectual property, including invention  
4 disclosures, provisional patents, and patents issued  
5 or granted; and

6 (6) The number of new companies spun out or established to  
7 commercialize the intellectual property owned by the  
8 qualified high technology business.

9 The department of business, economic development, and tourism  
10 shall request information in each of these categories sufficient  
11 to measure the effectiveness of the grant under this section.

12 The department of business, economic development, and tourism  
13 may request any additional information necessary to measure the  
14 effectiveness of the grant, such as information related to  
15 patents. In preparing the survey and requesting any additional  
16 information, the department of business, economic development,  
17 and tourism shall ensure that qualified high technology  
18 businesses are not subject to duplicative reporting  
19 requirements.

20 (i) The department of business, economic development, and  
21 tourism shall:



1       (1) Use information collected under this section and  
2       through its other reporting requirements to prepare  
3       summary descriptive statistics by category. The  
4       information shall be reported at the aggregate level  
5       to prevent compromising identities of qualified high  
6       technology business investors or other confidential  
7       information;

8       (2) Identify each qualified high technology business that  
9       applies for or is the beneficiary of grants claimed  
10       under this section; and

11       (3) Report the information required under this subsection  
12       to the legislature by September 1 of each year.

13       (j) The department of business, economic development, and  
14       tourism, in collaboration with the department of taxation, shall  
15       use the information collected to study the effectiveness of the  
16       grant under this section. The department of business, economic  
17       development, and tourism shall submit a report to the  
18       legislature on the following:

19       (1) The amount of grants claimed and total taxes paid by  
20       qualified high technology businesses;





- 1        (2) The number of qualified high technology businesses in  
2        each industry sector;
- 3        (3) The numbers and types of jobs created by qualified  
4        high technology businesses;
- 5        (4) External services and materials procured by the  
6        businesses;
- 7        (5) The compensation levels of jobs provided by qualified  
8        high technology businesses;
- 9        (6) Qualified research activities; and
- 10       (7) Any other factors the department of business, economic  
11       development, and tourism deems relevant.

12 The department of business, economic development, and tourism  
13 shall submit the report to the legislature by September 1 of  
14 each year.

15       (k) As used in this section:

16       "Qualified high technology business" means a small business  
17 that conducts more than fifty per cent of its activities in  
18 qualified research in the State and is registered to do business  
19 in the State.

20       "Qualified research" has the same meaning as in section  
21 41(d) of the Internal Revenue Code of 1986, as amended.



1       "Qualified research expenses" has the same meaning as in  
2       section 41(b) of the Internal Revenue Code of 1986, as amended.  
3       "Qualified research expenses" does not include research expenses  
4       incurred outside of the State.

5       "Small business" means a company with no more than five  
6       hundred employees."

7       SECTION 2. There is appropriated out of the general  
8       revenues of the State of Hawaii the sum of \$               or so  
9       much thereof as may be necessary for fiscal year 2025-2026 and  
10      the same sum or so much thereof as may be necessary for fiscal  
11      year 2026-2027 for the Hawaii economic diversification grant  
12      program established by section 1 of this Act.

13      The sums appropriated shall be expended by the Hawaii  
14      technology development corporation for the purposes of this Act.

15      SECTION 3. New statutory material is underscored.

16      SECTION 4. This Act shall take effect on July 1, 3000.



**Report Title:**

HTDC; Hawaii Economic Diversification Grant Program; Qualified High Technology Business; Qualified Research; Appropriation

**Description:**

Establishes the Hawaii Economic Diversification Grant Program under the Hawaii Technology Development Corporation to provide grants to qualified high technology businesses engaging in qualified research activities. Appropriates funds. Effective 7/1/3000. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

