

JAN 30 2026

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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

1       SECTION 1. The legislature finds that the State must  
2 diversify its economy by encouraging and promoting research and  
3 development activities, which will help attract and retain  
4 technology companies in the State and provide high-paying jobs  
5 necessary for the State's residents to thrive.

6       The legislature further finds that research and development  
7 offers the State an opportunity to build new engines of growth  
8 that create careers for local graduates and strengthen  
9 communities across the islands. Nobel Prize-winning economic  
10 research in 2018 and 2025 confirms that lasting prosperity comes  
11 from investing in people and ideas. Additionally, innovation-  
12 sector jobs benefit not only scientists and engineers but also  
13 tradespeople and service providers as high wages ripple through  
14 the entire economy.

15       The legislature also finds that the State's research  
16 activities tax credit has proven its value. For the past three  
17 years, the annual cap has been reached almost immediately when



1 applications open. The legislature believes that removing the  
2 federal base-amount calculation and increasing the tax credit's  
3 cap will allow more companies to invest in the State and help  
4 position the State to compete with others that have made  
5 significant commitments to innovation.

6 Accordingly, the purpose of this Act is to:

7 (1) Amend the research activity tax credit so that  
8 references to the base amount in section 41 of the  
9 federal Internal Revenue Code shall not apply and  
10 credit for all qualified research expenses may be  
11 taken without regard to the amount of expenses for  
12 previous years; and

13 (2) Increase the annual aggregate cap for the research  
14 activity tax credit.

15 SECTION 2. Section 235-110.91, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By amending subsection (b) to read:

18 "(b) All references to Internal Revenue Code sections  
19 within sections 41 and 280C(c) of the Internal Revenue Code  
20 shall be operative for purposes of this section~~[-]~~; provided  
21 that references to the base amount in section 41 of the Internal



1 Revenue Code shall not apply and credit for all qualified  
2 research expenses may be taken without regard to the amount of  
3 expenses for previous years."

4 2. By amending subsection (f) to read:

5 "(f) If in any taxable year the annual amount of certified  
6 credits reaches [~~\$5,000,000~~] \$\_\_\_\_\_ in the aggregate, the  
7 department of business, economic development, and tourism shall  
8 immediately discontinue certifying credits and notify the  
9 department of taxation. In no instance shall the department of  
10 business, economic development, and tourism certify a total  
11 amount of credits exceeding [~~\$5,000,000~~] \$\_\_\_\_\_ per taxable  
12 year. To comply with this restriction, the department of  
13 business, economic development, and tourism shall certify  
14 credits on a first come, first served basis.

15 The department of taxation shall not allow the aggregate  
16 amount of credits claimed to exceed that amount per taxable  
17 year."

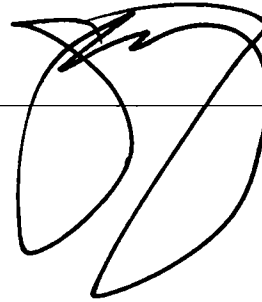
18 SECTION 3. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.



1       SECTION 4. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2026.

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INTRODUCED BY: \_\_\_\_\_

A handwritten signature in black ink, consisting of several loops and a final flourish, is written over a horizontal line.

# S.B. NO. 3283

**Report Title:**

Tax Credit; Research Activities; Increase

**Description:**

Amends the research activity tax credit so that references to the base amount in section 41 of the Internal Revenue Code shall not apply and credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years. Increases the annual aggregate cap for the research activity tax credit.

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