

STAND. COM. REP. NO. **3686**

Honolulu, Hawaii

APR 09 2026

RE: H.B. No. 2546
H.D. 2
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2546, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate the administration and use of the tax credit for research activities.

Specifically, the measure:

- (1) Allows qualifying taxpayers to claim the credit for all qualified research expenses without regard to the amount of expenses for previous years;
- (2) Amends from March 31 to March 1 the deadline for qualified high technology businesses to submit to the Department of Business, Economic Development, and Tourism written, certified statements identifying qualified expenditures and the tax amount of tax credits claimed in the previous taxable year;
- (3) Charges from \$5,000,000 to an unspecified sum the annual aggregate cap on the credit;



- (4) For any taxable year in which the annual aggregate cap is reached, requires the credit to be divided between all qualified high technology businesses in proportion to the amount of qualified research expenses claimed; and
- (5) Requires the Department of Business, Economic Development, and Tourism to establish an annual application period and notify each qualified high technology business applicant of the credit amount certified.

Your Committee received written comments in support of this measure from the Creative Industries Division of the Department of Business, Economic Development, and Tourism; Hawaii Technology Development Corporation; Oceanit; Nalu Scientific; Pacific Impact Zone; CivicNexus; WaiHome, LLC; Chamber of Commerce Hawaii; Hawaii Fish Company, Inc.; Small Kine Farm; Purdyco, Ltd.; COHI, Inc.; Hawaiian King Candies, LLC; Hyperspective Studios, Inc.; Simonpietri Enterprises, LLC; Makai Ocean Engineering, Inc.; Hawaii Fibers; Ai.Fish; and six individuals.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the tax credit for research activities has proven its value and encouraged innovation. Your Committee also finds that companies will be encouraged to expand their research activities if, as proposed by this measure, they may claim the credit without regard to the amount of expenses in previous years.

Your Committee has amended this measure by:

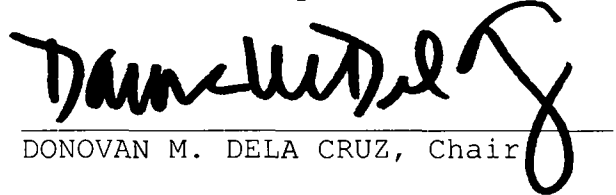
- (1) Restoring the statutory \$5,000,000 annual aggregate cap on the tax credit for research activities; and
- (2) Providing that the tax credit shall not be available after December 31, 2028.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of



H.B. No. 2546, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2546, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



