

Honolulu, Hawaii

FEB 19 , 2026

RE: H.B. No. 2546  
H.D. 1

Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 2546 entitled:

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

begs leave to report as follows:

The purpose of this measure is to amend the Research Activities Tax Credit by:

- (1) Allowing taxpayers to claim credits for all qualified research expenses without reduction for prior-year spending; and
- (2) Increasing the annual statewide cap from \$5,000,000 to \$15,000,000.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hawai'i Technology Development Corporation; Makai Ocean Engineering, Inc.; Oceanit Laboratories, Inc.; Nalu Scientific; Simonpietri Enterprises LLC; and Chamber of Commerce Hawaii. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.



Your Committee finds that incentivizing research and development activities in the State would help attract and retain technology companies, create high-paying jobs, and enhance career opportunities for young people looking to build their futures in Hawaii. Your Committee further finds that the Research Activities Tax Credit is an appropriate mechanism to provide such incentives. Your Committee recognizes, however, that demand for the tax credit has consistently exceeded the existing cap, limiting companies' ability to expand local research operations. This measure encourages continued investment by removing the federal base-amount calculation and increasing the annual cap of the Research Activities Tax Credit.

Your Committee has amended this measure by:

- (1) Requiring the tax credit to be distributed in proportion to the amount of qualified research expenses claimed by all qualified high technology businesses if the annual statewide cap is reached, instead of on a first-come, first-served basis;
- (2) Requiring 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;
- (3) Applying the measure retroactive to taxable years beginning after December 31, 2024;
- (4) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2546, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2546, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Technology,

  
GREGGOR LAGAN, Chair



