

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
GEORJA SKINNER
Administrator, Creative Industries Division
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211

In consideration of
HB2546 HD2 SD1
RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee. The Creative Industries Division (CID) of the Department of Business, Economic Development and Tourism (DBEDT) supports HB2546 HD2 SD1, which strengthens the Research Activities Tax Credit to incentivize research and development (R&D) investment in Hawai'i, support innovation, and promote high-wage job creation.

DBEDT appreciates the amendment made in the SD1 which allows for inclusion of costs incurred after December 31, 2025, rather than retroactive to taxable years beginning after December 31, 2024. Other key elements include removal of the federal base-amount calculation that currently limits the credit, increasing the existing \$5 million annual cap, allows credits for all qualified in-state R&D expenditures, and establishes a defined application and certification process.

From 2022 through 2024, the credit supported consistent R&D activity. In 2022, 27 filers reported \$53.6 million in qualified expenditures and claimed \$10.7 million in

credits, with 37% awarded. In 2023, 32 filers reported \$63.5 million and claimed \$12.7 million, with 34% awarded.

In 2024, 23 filers reported \$43.3 million and claimed \$3.9 million in credits, with \$2.6 million awarded and 78% of filers receiving credits. Approximately \$2.4 million of the \$5 million cap remained unallocated. The reduction in credits claimed was due to the Section 41 base-amount calculation, which reduced credit amounts for larger firms while increasing participation.

Employment trends reflect similar impacts. Total employment was 1,008 in 2022, increased to 1,104 in 2023, and declined to 879 in 2024. R&D-specific employment decreased from 628 in 2022 to 526 in 2023 and 397 in 2024.

The measure revises the credit calculation to 20% of qualified Hawai'i R&D expenditures and establishes a proportional allocation methodology.

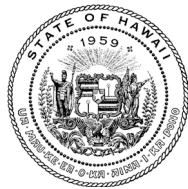
DBEDT will administer an annual application period ending March 1, with the opening date set by rule, and certify credits by May 31. If total applications are within the annual cap, qualified applicants will receive the full amount claimed. If applications exceed the cap, credits will be distributed proportionally based on each applicant's share of total qualified expenditures.

This approach ensures equitable distribution, predictability, and full utilization of available credits, while directly supporting R&D investment in Hawai'i.

Thank you for the opportunity to testify on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2546, H.D.2, S.D.1, Relating to Tax Credit for Research Activities

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, April 1, 2026

TIME: 10:03 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2546, H.D.2, S.D.1, for your consideration.

H.B. 2546, H.D.2, S.D.1, amends section 235-110.91(b), regarding the tax credit for research activities, to partially decouple from conformity to Internal Revenue Code (IRC) section 41 by providing “that references to the base amount in section 41 of the Internal Revenue Code shall not apply,” and allowing a credit for all qualified research expenses “without regard to the amount of expenses for previous years.”

The bill also amends section 235-110.91(d) to change the current statutory deadline from March 31 to March 1 of each year for each qualified high technology business to file its annual certified statement regarding qualified expenditures and claimed research activities tax credit.

H.B. 2546, H.D.2, S.D.1, also amends the aggregate cap in section 235-110.91(f) from \$5,000,000 to an unspecified amount per taxable year. The bill further provides that the tax credit is to be distributed in proportion to the amount of qualified research

expenses claimed by all qualified high technology businesses if the aggregate cap is reached, instead of on a first-come, first-serve basis.

Additionally, the bill states that the annual application period shall end on March 1 of each year and the Department of Business, Economic Development, and Tourism (DBEDT) shall notify each qualified taxpayer of the credit amount certified by May 31 of each year.

The measure has a defective effective date of July 1, 3050, and applies to costs incurred beginning after December 31, 2025.

DOTAX notes it can administer the credit changes for costs incurred after December 31, 2025, but defers to DBEDT regarding its ability to certify the credit.

Thank you for the opportunity to provide comments on this measure.



Written Statement of
DR. PATRICK SULLIVAN
FOUNDER & CEO, OCEANIT

Before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 1, 2026
10:03 A.M.
State Capitol, Conference Room 211 and Videoconference

In Support of
HB2546 HD2 SD1 RELATING TO TAX CREDITS FOR RESEARCH ACTIVITIES

To: Chair Senator Donovan Dela Cruz, Vice Chair Senator Sharon Moriwaki, and Members of the Committee

From: Dr. Patrick Sullivan, Founder & CEO, OCEANIT

Re: Testimony in Support of HB2546 HD2 SD1

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Oceanit Laboratories, Inc. strongly supports HB2546 HD2 SD1, which removes the base amount limitation on Hawai'i's research activities tax credit and adopts pro-rata distribution. For over 40 years, Oceanit has been a Hawai'i-based science and engineering company employing over 100 local scientists and engineers in AI, nanomaterials, climate resilience, and national defense.

Oceanit supports the structural reforms in this bill, and we urge the Committee to set the aggregate annual cap at no less than \$10 million. The pro-rata distribution mechanism adopted in HD2 SD1 is sound policy, but it can only function as intended if the pool is large enough to provide meaningful credits to the companies it is designed to support. At the prior \$5 million level, pro-rata distribution would divide an already insufficient amount into even smaller pieces. This bill reflects careful work by the House and the Senate EDT Committee and addresses the structural problems that undermined this credit under Act 139 (2024).

The Fiscal Case for This Credit: Every tax credit represents foregone revenue, and this Committee rightly scrutinizes whether the return justifies the cost. The data here is clear. DBEDT's 2024 report shows that Hawai'i's qualified high technology businesses pay average research salaries of \$117,972, more than double the statewide median annual wage of \$53,269 (DBEDT Occupational Employment & Wage Statistics, May 2024). These are the kind of high-wage, resident-held jobs that generate income tax revenue, reduce demand for social services, and create demand for local contractors and professional services. A credit of at least \$10 million supporting this level of economic activity is not a

subsidy; it is an investment with measurable, compounding returns in tax revenue, workforce retention, and economic diversification.

What Went Wrong Under Act 139 (2024): Act 139 reverted to an incremental-only formula that was intended to target credits toward new research spending. In practice, it gutted the program. DBEDT's August 2025 report documents the results: the average credit per company fell from \$0.45–\$0.56 million to just \$0.15 million, a 70% decline, and \$2.4 million of the \$5 million cap went unclaimed. The State collected less revenue from a weaker credit, not more, because the credit was no longer large enough to influence the investment decisions it was designed to incentivize. Eight fewer companies applied. From a fiscal standpoint, Act 139 produced the worst possible outcome: reduced economic activity with no offsetting revenue gain.

What HD2 SD1 Gets Right. HD2 SD1's structural reforms are well-crafted. Removing the base amount limitation restores the 20% calculation on total qualified research expenses, making the credit meaningful again for companies with sustained R&D programs. The SD1 amendment adopting pro-rata distribution is a significant improvement: it replaces the chaotic first-come, first-served system with proportional allocation based on each company's share of total statewide qualified research expenses, ensuring fairness, predictability, and full utilization. However, pro-rata distribution and an adequate cap must go together. At the prior \$5 million cap, the fund was exhausted in seconds from 2020–2023 under the old first-come system; under pro-rata at \$5 million, every company would simply receive a fraction too small to influence investment decisions. A cap of at least \$10 million is necessary for the pro-rata mechanism to deliver credits large enough to matter and would position Hawai'i competitively against states like Florida (\$9M), Maryland (\$12M), and Michigan (\$100M).

Independent Research Supports This Approach: UHERO's 2021 brief on the Hawai'i R&D tax credit, reviewing decades of published economics research, concluded that R&D tax credits are effective at increasing private research spending, that the effect is strongest for small and mid-size firms (which is all Hawai'i has), and that the \$5 million cap was too low to make a meaningful difference. UHERO recommended raising the cap to at least \$20 million. A cap of \$10 million or more with pro-rata distribution is directly responsive to that analysis. Separately, UHERO's February 2026 report confirms that Hawai'i's affordability crisis cannot be solved by reducing costs alone; we must also grow industries that pay well.

Hawai'i ranked 49th out of 50 states in private R&D spending as a share of output. The R&D tax credit and the SBIR matching program are the only two tools in the State's innovation toolkit. HD2 SD1 fixes the structural problems that Act 139 created. But the fix only works if the cap is large enough to support it. At \$5 million with pro-rata, every company gets less than the credit is worth applying for. At \$10 million or more, the pro-rata mechanism delivers credits that actually

change investment decisions. That is the difference between a program that exists on paper and one that keeps companies and jobs in Hawai'i.

Oceanit urges the Committee to pass HB2546 HD2 SD1 with an aggregate annual cap of no less than \$10 million.



TESTIMONY IN SUPPORT OF H.B. No. 2546 HD2
RELATING TO RESEARCH ACTIVITIES TAX CREDIT
House Committee on Economic Development & Technology

Nalu Scientific

DATE: Wednesday, April 1, 2026 TIME: 10:03 AM PLACE: Conference Room 211 &
Videoconference State Capitol 415 South Beretania Street

Aloha Chair Ilagan, Vice Chair Hussey, and Members of the Committee,
Nalu Scientific supports H.B. No. 2546 HD2 to restore Hawai'i's research activities tax Credit. I summarize the reasons for my support in the following points:

1. Hawai'i's economy cannot run on tourism alone. Tourism spending peaked in 1989 adjusted for inflation. R&D companies create high-wage jobs rooted in innovation, not visitor volume—jobs that persist through downturns.
2. R&D spending ripples through the whole economy. Certified QHTBs spent \$3.8M on local contractors and services in 2024. When R&D companies grow, electricians, construction firms, accountants, and service providers grow with them.
3. We're losing the talent we invest in. Hawai'i educates its young people, then watches them leave. R&D employers pay an average of \$117,972 for research positions—careers that keep families here. 97% of QHTB employees are Hawai'i residents.
4. The cost of inaction exceeds the cost of the credit. A \$15M credit supporting 900+ high-wage jobs generate tax revenue and local spending. A weakened credit that leaves \$2.4M on the table will generate nothing.
5. Pro-rata distribution makes the program fair. Every qualified company gets a proportional share—no more racing to click "submit" in the first second the portal opens.

We respectfully urge the Committee to pass H.B. No. 2546. Thank you for the opportunity to testify.

Respectfully submitted,

Isar Mostafanezhad
Founder and CEO at Nalu Scientific

Written Statement of
Trung Lam, Executive Director

before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 am
Conference Room 211 & Videoconference

In consideration of
HB2546 HD2 SD1
RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee.

HTDC is committed to advancing Hawai'i as a premier technology innovation hub, particularly in the space and ocean sectors. This bill is of significant interest to HTDC because it directly impacts the research and development ecosystem that underpins the growth of high technology businesses in the state. By enhancing the research activities tax credit, the measure supports the development and commercialization of innovative technologies that align with HTDC's mission and legislative priorities, including the blue economy, advanced manufacturing, and aerospace.

Allowing taxpayers to claim all qualified research expenses on a pro-rata basis, without regard to prior-year expenses removes a key barrier for emerging companies, particularly startups and small businesses that may not have consistent year-over-year R&D expenditures. This change encourages sustained investment in research and innovation, fostering a more dynamic technology sector.

HTDC urges the committee to support HB2546 HD2 SD1. Mahalo for this opportunity to testify.



Statement of

Pacific Impact Zone Solutions Inc.

before the

Senate Committee on Ways and Means

Wednesday, April 1, 2026

10:03 AM

State Capitol, Conference Room 211 & Videoconference

In consideration of

HB 2546 HD2, SD1**RELATING TO HAWAI'I TECHNOLOGY DEVELOPMENT CORPORATION**

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means.

Pacific Impact Zone Solutions Inc. **SUPPORTS** HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

Pacific Impact Zone is working with the Hawaii Technology Development Corporation through a public-private partnership to establish a shared-use advanced manufacturing facility that supports companies transitioning from research and development into production. The companies we engage, including those in ocean technology, advanced materials, and dual-use systems, depend on sustained and predictable R&D investment to reach commercialization. Under the current structure, limitations in the tax credit create uncertainty for multi-year development efforts and reduce the ability of companies to scale in Hawai'i. By removing the prior-year base calculation and increasing the cap, this bill provides the predictability and flexibility needed for companies to commit to long-term R&D activity in the state. This directly strengthens the pipeline of companies that will utilize advanced manufacturing



infrastructure, create high-quality jobs, and keep innovation and production rooted in Hawai'i.

Thank you for the opportunity to offer these comments.



Testimony on HB2546 HD2 SD1

RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES.

DATE: 04/01/2026 10:03 AM

ROOM: CR 211 & Videoconference

COMMITTEE: Senate Committee on Economic Development and Tourism

Dear chair DeCoite, vice chair Wakai and members of the committee,

CivicNexus supports HB2546 HD2 SD1. This measure would make Hawaii's research activities tax credit more practical and predictable by allowing qualified research expenses to be claimed without regard to prior-year expenses, increasing the statewide cap, and replacing a first-come, first-served structure with a proportional allocation process if the cap is reached. It would also create a clearer certification timeline through DBEDT.

For Hawaii technology companies, that kind of predictability matters. Research and product development often require sustained investment before revenue is realized. A more usable and transparent credit can better support companies that are building in Hawaii, hiring locally, and developing new products here.

CivicNexus respectfully supports HB2546 SD1 and appreciates the Committee's consideration.

Mahalo,
Seichi Nagai
CEO, CivicNexus

Statement of
Gregory Wong
Co-Founder and Engineer at WaiHome LLC
before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB2546 HD2 SD1
RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means

WaiHome SUPPORTS HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

As a Hawaii-based company that has successfully leveraged over \$2M in federal NSF and NOAA grants to develop local wastewater solutions, we have seen firsthand how R&D investment translates into high-wage engineering jobs and third-party validation with UH Mānoa. **This bill provides the necessary 'fuel' for startups like WaiHome to reinvest in our local talent and continue solving Hawaii's cesspool crisis.** By expanding this credit, the State is making a strategic investment in economic diversification and the long-term retention of our local scientific workforce.

Thank you for the opportunity to offer these comments,



Gregory Wong
Co-founder and Engineer
WaiHome LLC

**Testimony to the Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair**

**Wednesday, April 1, 2026, at 10:03AM
Conference Room 211 & Videoconference**

RE: HB2546 HD2 SD1 Relating to Tax Credit for Research Activities

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 2546 House Draft 2 Seante Draft 1 (HB2546 HD2 SD1), which strengthens Hawaii's Research Activities Tax Credit by increasing the annual cap on credits certified by the Department of Business, Economic Development & Tourism.

HB2546 HD2 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Military & Defense. This bill catalyzes innovation-driven economic activity, strengthens Hawaii's strategic role in research, technology, and defense-related industries, and improves national defense.

A robust R&D ecosystem expands opportunities for local companies to participate in federal and defense-aligned research contracts, including industries such as cybersecurity, ocean technologies, communications systems, and advanced materials. By increasing the credit cap, HB 2546 HD2 SD1 helps more local technology companies lower the cost barriers for firms engaging in innovation, enabling Hawaii-based organizations to compete for federal defense and technology grants and contracts that have multiplier effects on local jobs and investment.

A strong R&D climate in Hawaii attracts and retains scientists, engineers, technologists, and defense-related professionals, roles that not only diversify our economic base but also contribute to the state's military readiness. As federal defense spending continues to be a major economic driver in the state, strengthening the local innovation ecosystem ensures that more of those funds translate into value for local professionals and businesses.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.



Chamber *of* Commerce HAWAII



We respectfully ask to pass House Bill 2546 House Draft 2 Senate Draft 1. Thank you for the opportunity to testify.



Senate Committee on Ways and Means

Wednesday, April 1, 2026

10:03 AM

State Capitol, Conference Room 211 & Videoconference

In consideration of

HB 2546 HD2, SD1

RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means

Hawaii Fish Company (HFC) strongly supports HB 2546 HD2, SD1. The proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies, and the amendment to. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures. **Importantly, Section 1. (3) requires the credit to be divided between all qualified high technology businesses for that calendar year in proportion to the amount of qualified research expenses claimed if the annual statewide cap is reached. This levels the application process for all applicants.**

Established in 1978, HFC is Hawai'i's oldest land-based commercial fish farm, and a federal SBIR awardee and Hawaii SBIR matching grant awardee since 1993. In 2000, HFC was awarded the U.S. Small Business Administration's Tibbitts Award as a national model of excellence for the SBIR program and inducted into the SBIR Hall of Fame in Washington DC. Our continuing SBIR success, with fourteen awards to date, has been made possible by the HTDC training workshops and supplemental research support received from the HSBIR matching grant program.

Despite 33 years of successful R&D in Hawaii, to date, we have never been able to claim any research activities tax credit under the existing first-come first-served credit system. The addition of Section 1. (3) will make it possible for all qualified Hawaii R&D companies regardless of size to benefit from this important research activities tax credit.

Thank you for the opportunity to testify in strong support of HB2546 HD2, SD1.



Small Kine Farm

PO Box 600, Kailua, HI 96734

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www.smallkinefarm.com

Statement of
Fung Yang President Small Kine Farm
before the
WAM

April 1st, 2026

10:03PM

State Capitol, Conference Room 211 & Videoconference

In consideration of
HB2546, HD2, SD1
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Chair Todd, Vice Chair Takenouchi, and Members of the Committee.

Small Kine Farm **supports** HB2546 that allows taxpayers to claim credits for all qualified research expenses without regard to prior-year expenses; amending from March 31 to March 1, the deadline for qualified high technology businesses to submit a written, certified statement to the Department of Business, Economic Development, and Tourism identifying its qualified expenditures and research activities tax credits claimed in the previous taxable year; increasing the annual statewide cap amount for the tax credit; requiring the tax credit to be divided between all qualified high technology businesses for that year on a proportional basis if the annual statewide cap is reached; and requiring DBEDT to establish an annual application period and notify each qualified high technology business applicant of the credit amount certified. Applies to costs incurred beginning after 12/31/2025. Effective 7/1/3050. (SD1)

HTDC core programs develop infrastructure, capital, and talent to facilitate the development of technology and manufacturing jobs in Hawai'i. Following their mission, HTDC programs aim to provide technical and financial support for innovative small businesses from the startup stage through growth and export.

My company is the only USDA Certified organic mushroom farm in the State. HTDC has helped us to start and stay competitive from the very beginning. I am hoping to see more small businesses who can benefit from their help with more staff and more



Small Kine Farm

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funding. They are playing an important role in our economy. I am currently employing 5 full time and 1 part time workers at the farm. Last year revenue was \$350,000.

Thank you for the opportunity to offer these comments.



Hawaii's Finest Macadamia Nuts ~ Chocolates ~ Confections

Statement of
Grace Iwashita, Treasurer
Purdyco, Ltd dba Island Princess
before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB 2546 HD2, SD1
RELATING TO HAWAI'I TECHNOLOGY DEVELOPMENT CORPORATION

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means.

Purdyco, Ltd. **SUPPORTS** HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

As a Hawai'i-based company engaged in manufacturing and product innovation, Purdyco, Ltd. continuously invests in improving production processes, developing new products, and enhancing quality standards to remain competitive in both local and global markets. These efforts require significant upfront investment and ongoing experimentation.

The proposed changes to the tax credit will provide greater predictability and support for companies like ours to continue investing in innovation here in Hawai'i. Strengthening this program will help diversify the state's economy, support local job creation, and ensure that companies can continue to grow without relocating these activities elsewhere.

Thank you for the opportunity to offer these comments.

A Division of Purdyco Ltd.
2846 Ualena Street • Honolulu, Hawaii 96819-1910
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Website : www.IslandPrincessHawaii.com



Statement of
Charna Rae Naeole, General Manager
COHI, Inc. dba Coffees of Hawaii
before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB 2546 HD2, SD1
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means.

COHI, Inc. **SUPPORTS** HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

As the only coffee farm on the island of Moloka'i, COHI, Inc. is vertically integrated from cultivation to roasting and distribution. Our operations require ongoing research in agricultural practices, crop optimization, processing methods, and product development to improve yield, quality, and sustainability in a challenging and unique growing environment.

The proposed changes to allow full qualification of research expenses without regard to prior-year spending are especially important for agricultural businesses, where research investments are long-term and subject to variability. This bill would provide meaningful support for continued innovation in Hawai'i agriculture and help ensure that local companies can remain competitive.

Strengthening the research activities tax credit will encourage continued investment in local industries, support rural economic development, and help diversify Hawai'i's economy beyond tourism.

Thank you for the opportunity to offer these comments.

COHI, Inc.
1630 Farrington Ave., PO Box 37, Kualapuu HI 96757-0037
Tel: 808-567-9490 Fax: 808-567-9180



Statement of
Batdelger Jaavaa, CFO
Hawaiian King Candies, LLC
before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB 2546 HD2, SD1
RELATING TO HAWAI'I TECHNOLOGY DEVELOPMENT CORPORATION

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means.

Hawaiian King Candies, LLC **SUPPORTS** HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

As a local manufacturer with over four decades of history producing value-added food products in Hawai'i, we continuously invest in research and development to improve shelf life, packaging, food safety processes, and new product offerings that meet evolving consumer demand. These efforts are essential to maintaining competitiveness in both local and export markets.

Allowing companies to claim all qualified research expenses without regard to prior-year spending will enable us to scale innovation more effectively without being penalized for prior investments. Additionally, increasing and restructuring the credit will help ensure broader access for companies actively investing in Hawai'i's economy.

Thank you for the opportunity to offer these comments.



Statement of
Todd J. Robertson
President/CEO
Hyperspective
before the Senate Committee on Ways and Means

Wednesday, April 1, 2026, 10:03 AM
State Capitol, Conference Room 211 & Videoconference

**In consideration of HB 2546 HD2, SD1 RELATING TO HAWAI'I
TECHNOLOGY DEVELOPMENT CORPORATION**

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on
Ways and Means.

My name is Todd J. Robertson, President and CEO of Hyperspective Studios, Inc. On behalf of Hyperspective, we **strongly support HB 2546 HD2, SD1** as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

Hyperspective is a digital media company in Hawai'i, and we have developed technology and supported technology companies in Hawai'i for more than 26 years. We have employed over 100 people in Hawai'i in various capacities, providing opportunities to locals to grow meaningful careers in the creative and technology sector. That is why we strongly support this bill.

Mahalo for the opportunity to testify.

Todd J. Robertson
President/CEO
Hyperspective Studios, Inc.

HYPERPECTIVE STUDIOS, INC.
643 ILALO STREET
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**TESTIMONY ON HOUSE BILL NO 2546, HD2, SD1 RELATING TO
RESEARCH ACTIVITIES TAX CREDIT**

Position: **Support**

To the honorable Senator Donovan Dela Cruz, Chair; the honorable Senator Sharon Moriwaki, Vice Chair; and Members of the Committee on Ways and Means.


Please accept this testimony in **strong support** of this bill to restore Hawai'i's research activities tax credit, which will help to promote and attract more companies to invest in research & development activities across the state.

- **Hawai'i's economy cannot run on tourism alone.** Tourism spending peaked in 1989 adjusted for inflation. During times of economic instability, we see visitor traffic decline as less people want to, and can afford to, travel. This of course affects economies built heavily around hospitality and tourism affecting income security. R&D companies create high-wage jobs rooted in innovation, not visitor volume—jobs that persist through downturns.
- **R&D spending ripples through the whole economy.** Certified qualified high technical businesses (QHTBs) spent \$3.8M on local contractors and services in 2024. When R&D companies grow, electricians, construction firms, accountants, and service providers grow with them.
- **We're losing the talent we invest in.** Hawai'i educates its young people, then watches them leave. R&D employers pay an average of \$117,972 for research positions—careers that keep families here. 97% of QHTB employees are Hawai'i residents. Our small startup company has hosted 6 years of paid internships resulting in 5 full-time positions within our company and the City & County being filled by local University of Hawai'i Schools graduates, allowing them to stay in their home state.
- **The cost of inaction exceeds the cost of the credit.** A \$15M credit supporting 900+ high-wage jobs generates tax revenue and local spending. A weakened credit that leaves \$2.4M on the table generates nothing.
- **Pro-rata distribution makes the program fair.** Every qualified company gets a proportional share—no more racing to submit before another. We appreciate the change in language to ensure all qualified businesses for the year receive a proportionate dividend of the credit based on their qualified expenses.

Simonpietri Enterprises LLC is an O'ahu-based small business that has been researching and developing innovative ways to recycle some of the most challenging wastes generated in Hawai'i into a variety of products for use in Hawai'i. Along the way we have hosted 6 years of paid STEM internships providing education and training to the next generation of skilled technical and innovative research workers and bills like this are one of the reasons a small company like ours can continue to do so.

We appreciate the opportunity to testify on this measure, and urge your support for **HB2546, HD2, SD1**.

Sincerely,



Marie-Joelle Simonpietri

President

About Simonpietri Enterprises LLC

Simonpietri Enterprises is a Kailua, Hawaii-based woman- and veteran-owned small business with ten employees, focused on technical innovation and first-of-kind project development of emerging clean and renewable technologies. Since founding in 2006, we have helped dozens of small and large industrial companies in Hawaii, the continental U.S., Australia, and Canada improve the environmental and economic sustainability of their operations through technical and business advice in renewable energy conversion, waste reduction and re-use, and greenhouse gas lifecycle impact reduction. Simonpietri Enterprises' founder and employees have participated in the strategy, planning, design, financing, development, construction, and energy efficiency/greenhouse gas reduction/sustainability renovation for over \$400 million in new renewable and first-of-kind sustainable fuel projects over the past 15 years. Since launching the Aloha Carbon waste-to-fuel technical development process in August 2020, Simonpietri Enterprises is now developing renewable fuel production facilities in its own right, starting with the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF) in Kapolei, Hawaii to divert wastes generated in Honolulu from landfilling and transform it to renewable fuel, organic fertilizer, and recycled-material building products.



Statement of
Hermann Kugeler
Vice President of Business Development
Makai Ocean Engineering, Inc.

before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 1, 2026
10:03 am

In consideration of
HB2546
RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee

Makai Ocean Engineering, Inc. (Makai) **STRONGLY SUPPORTS HB2546.**

Makai appreciates that this bill adopts a much fairer distribution method for the tax credit. Allowing qualified applicants to receive a prorated share makes the process far more equitable than the prior first-come, first-served approach. This is a very good change that will provide broader and more predictable support for Hawaii's technology community. This approach ensures that both startups and established businesses have an equal opportunity to access funding, rather than favoring only those who can submit within seconds.

Makai supports this bill's efforts to address key issues with the current research credit, including:

- Increasing the annual cap, to allow more applicants to receive the tax credit.
- Removing the reference to the base amount in IRS Section 41, which currently limits eligibility for many innovative tech firms.
- Improving the allocation method so access to the credit is distributed more fairly among qualified applicants.

About Makai Ocean Engineering

Makai is a locally-owned and operated technology company that has been based in Hawai'i for over 50 years. We are currently performing R&D on a variety of exciting ocean technology projects, including Machine Learning software, autonomous underwater vehicles, ocean thermal energy conversion (OTEC), seawater air conditioning (SWAC), and subsea cable systems.

Makai has been successful in bringing in tens of millions of dollars in R&D funds from federal and international sponsors to Hawai'i, helping to stem the tide of "brain drain" of talented kama'aina kids going to the mainland. Makai is not unique among Hawaii technology companies in this. There is a tech community here that has made a strong economic impact in terms of high



paying jobs, and demonstrated success in commercializing R&D, which has increased taxable revenue for the state, and brought home kama'aina scientists and engineers.

Why HB2546 Matters

This bill allows Hawaii companies like Makai to outshine mainland peers in competitive federal R&D projects, bring home R&D dollars that greatly exceed the initial investment, and create a critical mass and a truly vibrant industry of innovative R&D companies in Hawaii. It helps expand and diversify Hawaii's economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

Conclusion

This is why we **STRONGLY SUPPORT HB2546**. The updated distribution approach is a meaningful improvement that makes the program fairer, more accessible, and less dependent on submission timing. Makai respectfully urges the committee to pass this measure.

Statement of
Julia Park
Cofounder & President
Hawaii Fibers
before the
Senate Committee on Ways and Means

Wednesday, April 1, 2026
10:03 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB 2546 HD2, SD1
RELATING TO HAWAI'I TECHNOLOGY DEVELOPMENT CORPORATION

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means.

Hawaii Fibers **SUPPORTS** HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

Hawaii Fibers SUPPORTS HB 2546 HD2, SD1.

Hawaii Fibers is building Hawai'i's first industrial hemp fiber processing operation. We are currently pre-revenue and investing heavily in research and development to figure out how to grow, process, and manufacture hemp materials locally.

This work is capital-intensive and requires significant upfront R&D before any revenue is generated. Under the current structure, companies like ours are penalized as we increase investment.

Allowing us to claim all qualified research expenses—without regard to prior years—directly supports our ability to build and scale in Hawai'i. It improves capital efficiency, accelerates innovation, and helps bring new agriculture and manufacturing jobs to the state.

This bill makes it more feasible for companies like ours to stay, build, and create a new industry in Hawai'i.

Thank you for the opportunity to offer these comments.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Makes Tax Credit for Research Activities Apply to Gross, Not Incremental, Research Expenses

BILL NUMBER: HB 2546 SD1

INTRODUCED BY: EDT

EXECUTIVE SUMMARY: Amends the tax credit for research activities by: allowing taxpayers to claim credits for all qualified research expenses without regard to prior-year expenses; amending from March 31 to March 1, the deadline for qualified high technology businesses to submit a written, certified statement to the Department of Business, Economic Development, and Tourism identifying its qualified expenditures and research activities tax credits claimed in the previous taxable year; increasing the annual statewide cap amount for the tax credit; requiring the tax credit to be divided between all qualified high technology businesses for that year on a proportional basis if the annual statewide cap is reached; and requiring DBEDT to establish an annual application period and notify each qualified high technology business applicant of the credit amount certified. Applies to costs incurred beginning after 12/31/2025. Effective 7/1/3050.

SYNOPSIS: Amends section 235-110.91, HRS, by providing that references to the base amount in section 41 of the Internal Revenue Code shall not apply for purposes of computing the state credit, and a credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years.

Also raises the aggregate cap on the credit from \$5 million to an unspecified amount per year. The aggregate cap amount shall be divided between all qualified high technology businesses for that year in proportion to the amount of qualified research expenses claimed by all qualified high technology businesses; provided that: (1) DBEDT shall establish an annual application period ending on March 1 of each year at 5:00 p.m. Hawaii Standard Time; provided that the department shall determine the opening date of the application period by rule; (2) By May 31 of each year the department of business, economic development, and tourism shall notify each qualified high technology business applicant of the credit amount certified; and (3) If the total credits applied for by all qualified high technology businesses are less than or equal to the aggregate cap, each qualified high technology business shall receive the full amount of the credit applied for, subject to verification of qualified research expenses.

EFFECTIVE DATE: July 1, 3050, applying to taxable years beginning after December 31, 2025.

STAFF COMMENTS: The legislature by Act 270, SLH 2013, reestablished the income tax credit for qualified research activities that expired on 12/31/10. The prior version of that law, under Act 221, SLH 2001, offered a credit for qualified research activities that was a flat percentage of qualified research expenses in Hawaii without regard to the federal base amount

(the federal credit is supposed to be an incentive to increase research activities, so the federal credit is based on incremental research expenses). When Act 270 brought the credit back, it did so as an incremental credit, like the federal credit.

Act 261, SLH 2019, amended the credit by reinserting the phrase “provided that references to the base amount shall not apply and credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years.”

Act 139, SLH 2024, deleted the phrase that was inserted by Act 261, SLH 2019, thereby reinstating conformity to the federal tax credit in that it once again became an incremental credit. As indicated above, the base amount requires a lookback to determine incremental research activities eligible for the tax credits. Additionally, Act 139 narrowed the credit eligibility to small business (less than 500 employees).

This bill is proposed to undo the 2024 amendment.

Substantively, over the last decade, Hawaii has adopted various tax incentives to encourage the development of high technology businesses in the state. The acts provided investment and research credits as well as income exclusions providing tax relief to high tech businesses and individuals associated with high tech businesses. While the focus on high technology in the last few years is commendable, it fails to recognize that investments are made with the prospect that the venture will yield a profit. If the prospects for making a profit are absent, no amount of tax credits will attract investment from outside Hawaii’s capital short environment. People do not invest to lose money. It should be remembered that until Hawaii’s high cost of living can be addressed, all the tax incentives in the world will not make a difference in attracting new investment to Hawaii. The only attractive aspect for resident investors to plow money into such activities is the fact that the credit provides a way to avoid paying state taxes.

At a minimum, lawmakers should carefully examine the results that have come out of this 20-year-old incentive to see if the State has gotten its money’s worth. If it hasn’t, how can an extension or increase in the credit be justified?

Digested: 3/30/2026



AI.FISH

TO: Senator Dela Cruz, Chair, Committee on Ways and Means
Senator Moriwaki, Vice Chair, Committee on Ways and Means
FROM: Jimmy Freese, CEO, Ai.Fish
RE: H.B. 2546 HD2, SD1 – Relating to Tax Credit for Research Activities
HEARING DATE: April 1, 2026

LATE

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means,

I am Jimmy Freese, CEO of Ai.Fish, a Hawai'i-based ocean technology company with fifteen employees that uses AI-powered computer vision and electronic monitoring systems for fisheries management and marine conservation. Ai.Fish strongly supports HB2546 HD2, SD1.

Two provisions in this bill are especially important for small technology companies like ours. First, replacing the first-come, first-served allocation with proportional distribution is a critical fix. Under the current system, the annual cap is exhausted almost immediately when the application window opens. Larger companies with dedicated compliance and grant-writing staff can submit within minutes. A fifteen-person company where the CEO is also writing the applications simply cannot compete on that timeline. Over time, this dynamic discourages small companies from even applying—not because they lack qualified research, but because the process is structured in a way that favors scale over substance. Proportional distribution ensures that every qualified company receives a fair share.

Second, removing the federal base-amount calculation levels the playing field for growing companies. Under the current rules, credits are tied to prior-year spending, which penalizes companies that are expanding their R&D investment year over year—exactly what the State wants us to do. A small company scaling up its research gets a smaller credit relative to its effort than a large company with a stable, predictable R&D budget. This bill corrects that by allowing credits for all qualified research expenses regardless of prior years. The SD1 amendments further strengthen the bill by requiring DBEDT to establish a structured annual application period ending March 1 and to notify applicants of their certified credit amounts by May 31, giving companies the predictability they need to plan their R&D budgets.

From a fiscal perspective, the R&D tax credit is an investment that generates returns for the State. Companies conducting qualified research in Hawai'i create high-wage jobs, attract federal funding, and develop exportable technology. Ai.Fish alone employs multiple University of Hawai'i graduates, has hosted many UH interns, and actively recruits Hawai'i-raised talent back from the mainland. Our research has leveraged federal SBIR awards and international contracts—revenue that flows into the local economy. Increasing the cap and improving the allocation method will broaden access for the small companies that are most likely to add their next hire locally and keep their headquarters here as they scale.

We urge the Committee to pass HB2546 HD2, SD1. Mahalo for the opportunity to submit testimony.

Sincerely,

Jimmy Freese
CEO and Co-Founder
Ai.Fish

HB-2546-SD-1

Submitted on: 3/31/2026 6:19:56 AM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Nedbal	Individual	Support	Written Testimony Only

Comments:

I am writing in strong support of HB2546 (HD2), which strengthens Hawai‘i’s research activities tax credit and represents an important step toward diversifying our local economy.

Hawai‘i has long recognized the need to reduce our reliance on tourism by fostering high-value industries that provide stable, well-paying jobs. This bill directly supports that goal by encouraging research, innovation, and development across technology-driven sectors. Allowing taxpayers to claim all qualified research expenses, increasing the annual cap, and establishing a clear certification process through DBEDT will make the credit more effective, predictable, and competitive.

HB2546 will help create and retain high-skilled, high-wage jobs for local residents while also attracting quality talent to Hawai‘i. These types of positions strengthen our workforce, provide meaningful career opportunities for graduates of our local schools, and help reduce brain drain by giving residents reasons to build their careers here at home.

In addition, this measure sends a powerful message beyond our state—that Hawai‘i supports innovation, research, and forward-looking industries. A stronger and more accessible research activities tax credit will encourage companies to establish or expand operations in Hawai‘i, bringing new investment, business partnerships, and long-term economic growth. This aligns with the broader goal of positioning Hawai‘i as a hub for technology and research in the Pacific.

Finally, requiring DBEDT to manage the application and certification process enhances transparency and accountability, ensuring the credit is administered effectively and aligned with the state’s economic development priorities.

For these reasons, I respectfully urge the Committee to pass HB2546 (HD2). This bill is a meaningful investment in Hawai‘i’s future—one that supports innovation, job creation, and economic resilience.

Mahalo for the opportunity to submit testimony.

Respectfully,

Michael Nedbal

HB-2546-SD-1

Submitted on: 3/31/2026 7:52:42 AM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Leah Ablen	Individual	Support	Written Testimony Only

Comments:

Makai Ocean Engineering, Inc. (Makai) **STRONGLY SUPPORTS HB2546.**

About Makai Ocean Engineering

Makai is a locally-owned and operated technology company that has been based in Hawai`i for over 50 years. We are currently performing R&D on a variety of exciting ocean technology projects, including Machine Learning software, autonomous underwater vehicles, ocean thermal energy conversion (OTEC), seawater air conditioning (SWAC), and subsea cable systems.

Makai has been successful in bringing in tens of millions of dollars in R&D funds from federal and international sponsors to Hawai`i, helping to stem the tide of “brain drain” of talented kama`aina kids going to the mainland. Makai is not unique among Hawaii technology companies in this. There is a tech community here that has made a strong economic impact in terms of high paying jobs, and demonstrated success in commercializing R&D, which has increased taxable revenue for the state, and brought home kama`aina scientists and engineers.

Why HB2546 Matters

This bill allows Hawaii companies like Makai to outshine mainland peers in competitive federal R&D projects, bring home R&D dollars that greatly exceed the initial investment, and create a critical mass and a truly vibrant industry of innovative R&D companies in Hawaii. It helps expand and diversify Hawaii’s economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

Conclusion

This is why we **STRONGLY SUPPORT HB2546.** The updated distribution approach is a meaningful improvement that makes the program fairer, more accessible, and less dependent on submission timing. Makai respectfully urges the committee to pass this measure.

HB-2546-SD-1

Submitted on: 3/31/2026 8:28:02 AM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Adrian Jelffs	Individual	Support	Written Testimony Only

Comments:

Dear Chair, Vice Chair, and Members of the Committee,

I am writing in strong support of HB2546 HD2.

As an employee of a small technology company based in Hawai‘i, I see firsthand the challenges that local tech businesses face in trying to grow and compete. High operating costs, geographic isolation, and limited access to capital make it difficult for companies like ours to invest consistently in research and development. Strengthening the state’s R&D tax credit is a meaningful step toward addressing these challenges.

HB2546 HD2 improves the existing credit in several important ways. By removing the base amount limitation and creating a more predictable and equitable distribution process, the bill allows companies to plan and invest in innovation with greater confidence. For smaller companies in particular, this kind of certainty can make the difference between pursuing new ideas or scaling back due to financial risk.

From my perspective, this bill is not just about tax policy—it is about creating real opportunities for local workers and businesses. Supporting R&D helps companies grow, create high-quality jobs, and retain talent here in Hawai‘i. Many of us want to build our careers locally rather than move to the mainland, but that depends on having a strong and sustainable tech ecosystem.

I believe HB2546 HD2 will help foster that environment by encouraging continued investment in innovation and making Hawai‘i a more competitive place for technology companies. In turn, this contributes to diversifying our economy beyond tourism and building long-term resilience.

Thank you for the opportunity to provide testimony, and for your consideration of this important measure.

Sincerely,

Adrian Jelffs

HB-2546-SD-1

Submitted on: 3/31/2026 8:51:21 AM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Forest Frizzell	Individual	Support	Written Testimony Only

Comments:

I support HB 2546 HD2, SD1 as the proposed amendments to the research activities tax credit directly impact the capacity of local technology businesses to invest in research and development, a cornerstone of economic growth and innovation in Hawai'i's technology ecosystem. Allowing taxpayers to claim all qualified research expenses without regard to prior-year expenses removes a key barrier for emerging and expanding technology companies. This change aligns with best practices in fostering a robust R&D environment, enabling businesses to scale innovation efforts without being penalized for growth or fluctuations in annual expenditures.

Mahalo,

Forest

LATE

HB-2546-SD-1

Submitted on: 3/31/2026 10:25:12 AM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Alex Le Bon	Individual	Support	Written Testimony Only

Comments:

TO: House Committee on Economic Development & Technology

FROM: Alex Le Bon

DATE: March 31, 2026

RE: SUPPORT of HB2546, Relating to Tax Credit for Research Activities

Aloha Chair, Vice Chair, and Members of the Committee,

My name is Alex Le Bon and I am a resident of Oahu. I am writing to express my strong **SUPPORT** for **HB2546**.

This bill is a critical step in modernizing Hawai'i's economy. By increasing the annual tax credit cap from \$5 million to \$15 million and removing the restrictive "prior-year expense" requirement, Hawai'i can finally compete with other states for high-growth technology and research jobs.

I support this bill because:

- **Economic Resilience:** As we saw during the pandemic and the Lahaina wildfires, relying solely on tourism leaves our community vulnerable. Investing in R&D creates a "brain gain" where our local graduates can find high-paying careers right here at home.
- **Fairness for Startups:** Removing the "base-amount" calculation allows new and growing companies to claim credits for all their research efforts, rather than being penalized for expanding.
- **Innovation Hub:** This bill sends a clear signal that Hawai'i is open for innovation in sectors like renewable energy, ocean science, and sustainable agriculture.

I respectfully urge the committee to pass HB2546 to ensure a more stable and prosperous future for the people of Hawai'i.

Mahalo for the opportunity to testify,

Alex Le Bon

LATE

HB-2546-SD-1

Submitted on: 3/31/2026 2:15:05 PM

Testimony for WAM on 4/1/2026 10:03:00 AM

Submitted By	Organization	Testifier Position	Testify
Greg Rocheleau	Individual	Support	Written Testimony Only

Comments:

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

My name is Greg Rocheleau, and I am President and CEO of Makai Ocean Engineering. I am writing in **strong support** of HB2546.

I believe measures like this are important because they help diversify Hawaii's economy and create more opportunities for the next generation. As someone who has built both a career and a family in Hawaii, I care deeply about improving access to meaningful, high-quality careers here at home.

I have also seen firsthand how this tax credit can support Hawaii technology businesses and help companies like ours compete with mainland firms. These kinds of incentives help local companies invest in research and development, invest in personnel, bring outside funding into the state, and continue creating highly skilled jobs in Hawaii. The research and development achieved with state incentives can play an important role in keeping the ownership, and thus long term value, of intellectual property here in Hawai'i.

I also appreciate that this bill improves the way the credit is distributed, making the process fairer and more accessible to qualified businesses.

I respectfully ask for your support for HB2546.

Sincerely,

Greg Rocheleau