
A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY TAX INCENTIVES.

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

1 SECTION 1. The legislature finds that pursuant to Act 221,
2 Session Laws of Hawaii 2001 (Act 221), the legislature renewed
3 its commitment to the growth and development of high technology
4 businesses in Hawaii. Act 221 expanded additional tax
5 incentives to qualified high technology businesses to provide a
6 direct means of addressing the urgent need for venture financing
7 for tech start-ups.

8 The legislature further finds that pursuant to section
9 232E-3, Hawaii Revised Statutes, the Tax Review Commission is
10 tasked with conducting a systematic review of Hawaii's tax
11 structure. Recently, in the 2005-2007 Report of the Tax Review
12 Commission, the costs and benefits of the high technology
13 business investment tax credit were addressed. The high
14 technology business investment tax credit was established to
15 stimulate investment in Hawaii technology companies and to
16 hasten development of a local technology industry. Under the
17 existing law, an investor is permitted to recover the total



1 amount invested over a period of at least five years. The tax
2 credit was established in 2001 and is currently set to sunset on
3 December 31, 2010.

4 In its report, the commission stated that definitive
5 results could not be calculated because of the inability to
6 gather current data on the costs associated with the tax credit
7 or the operations of qualified high technology businesses.
8 Specifically, data after tax year 2003 was unavailable on the
9 amount of the tax credits claimed and the employment statistics
10 of qualified high technology businesses. It appears that the
11 appropriate information is being filed with the department of
12 taxation, but the department has not been able to issue the
13 desired reports.

14 The legislature firmly reiterates its commitment to a
15 diversified economy designed to provide residents with high paid
16 quality jobs and a commensurate lifestyle. As pointed out by
17 New York Times columnist Thomas Friedman, "[i]n a globally
18 integrated economy, our workers will get paid a premium only if
19 they or their firms offer a uniquely innovative product or
20 service, which demands a skilled and creative labor force to
21 conceive, design, market, and manufacture - and a labor force
22 that is constantly able to keep learning. We can't go on



1 lagging other major economies in every math/science/reading test
2 and every ranking of Internet penetration and think that we're
3 going to field a work force able to command premium wages." (New
4 York Times, December 12, 2006). Accordingly, the legislature
5 believes that the department of taxation must work in
6 conjunction with the State's efforts to upgrade Hawaii's
7 workforce to include more highly-skilled, high-wage workers
8 through the dissemination of pertinent information on the value
9 of the high-tech tax incentives provided to qualified high
10 technology businesses within the State.

11 The purpose of this Act is to provide greater transparency
12 and effective evaluation of high-tech tax incentives by
13 requiring the department of taxation to report on relevant
14 information and data collected as of July 1, 2004, and
15 thereafter, so that meaningful performance measurements of the
16 effectiveness of the tax incentives can be accomplished. This
17 will enhance legislative oversight by facilitating the proper
18 evaluation of the true costs and benefits associated with the
19 tax incentives and by determining the best means of ensuring
20 that the tax incentives meet their intended objectives.

21 SECTION 2. Section 231-3.4, Hawaii Revised Statutes, is
22 amended by amending subsection (a) to read as follows:



1 "(a) The department of taxation shall publish reports on
2 the following:

- 3 (1) Hawaii income patterns--individuals;
4 (2) Hawaii income patterns--corporations, proprietorships,
5 and partnerships; and
6 (3) Tax credits.

7 In addition, the department of taxation shall prepare a report
8 on information collected as of July 1, 2004, and annually
9 thereafter pertaining to qualified high technology businesses
10 and related tax incentives provided under sections 235-7.3, 235-
11 9.5, 235-110.51, 235-110.9, and 235-110.91.

12 In preparing the report, the department of taxation shall
13 publish summary descriptive statistics on the aforementioned
14 sections; provided that no fewer than three taxpayers shall be
15 included in any category. The department of taxation shall
16 submit its annual report and summary statistics to the
17 legislature and the public by September 1 of each year. The
18 information published, as required by this section, shall be
19 public.

20 The department shall make each of these reports available
21 in both paper form and commonly accessible electronic forms for
22 a reasonable fee."



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$, or so
3 much thereof as may be necessary for fiscal year 2007-2008, and
4 the same sum, or so much thereof as may be necessary for fiscal
5 year 2008-2009, for additional resources as may be necessary to
6 prepare reports on information collected as of July 1, 2004, and
7 annually thereafter, pertaining to qualified high technology
8 businesses and related tax incentives provided under sections
9 235-7.3, 235-9.5, 235-110.51, 235-110.9, and 235-110.91, Hawaii
10 Revised Statutes.

11 The sums appropriated shall be expended by the department
12 of taxation for the purposes of this Act.

13 SECTION 4. New statutory material is underscored.

14 SECTION 5. This Act shall take effect on July 1, 2007.



Report Title:

High Technology Tax Incentives; Reports

Description:

Requires the department of taxation to report annually on information collected from July 1, 2004, and thereafter on qualified high technology businesses and related tax incentives to properly evaluate their effectiveness; appropriates unspecified amounts for the department to initiate and begin implementation. (SD1)

