
A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

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

1 SECTION 1. The legislature recognizes that research and
2 development is the core of innovation. Without innovation,
3 there is no technology industry, and the subsequent growth of
4 our economy is stunted with the lack of new products, services,
5 or processes. During the research and development stage, ideas
6 and theories are tested to determine feasibility. With an
7 increasingly interconnected and competitive global economy,
8 fostering and encouraging innovation are essential to creating
9 new jobs in high technology and traditional sectors.

10 In recent years, innovation has led to new jobs in many
11 different sectors as diverse as defense/dual-use,
12 software/information technology, life sciences/biotechnology,
13 and clean energy. At the same time, innovations ripple through
14 the economy, creating jobs for workers through the development
15 of an advanced infrastructure, such as clean energy solutions,
16 broadband networks, and new devices and products in service
17 industries such as healthcare and tourism.



1 The current law parallels enhancements tailored to Hawaii's
2 unique position and the Internal Revenue Code, providing support
3 for scientific experimentation at twenty per cent of the cost of
4 the qualified research. The program cost to the State averaged
5 about \$11,000,000 per year over the last nine years and, in
6 2006, the program provided funding to over four hundred
7 companies. This tax credit has been a great source of support
8 for local companies, especially to research and development
9 companies that are still in the start-up stages.

10 The purpose of this Act is to extend the income tax credit
11 for qualified research activities for an additional five years
12 and place an annual aggregate cap on the tax credit. This Act
13 also requires the department of taxation to collect data on the
14 tax credit, including the amount of credits claimed and the
15 financial impact of the credit.

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

18 1. By amending subsection (c) to read:

19 "(c) There shall be allowed to each qualified high
20 technology business subject to the tax imposed by this chapter
21 an income tax credit for qualified research activities equal to
22 the credit for research activities provided by section 41 of the



1 Internal Revenue Code and as modified by this section~~[-]~~, up to
2 an annual maximum of \$ of credits in the aggregate for
3 all qualified taxpayers. The credit shall be deductible from
4 the taxpayer's net income tax liability, if any, imposed by this
5 chapter for the taxable year in which the credit is properly
6 claimed."

7 2. By amending subsection (j) to read:

8 "(j) This section shall not apply to taxable years
9 beginning after December 31, [~~2010-~~] 2015."

10 SECTION 3. The department of taxation shall collect data
11 on the income tax credit for qualified research activities
12 provided under section 235-110.91, Hawaii Revised Statutes,
13 including the amount of tax credits claimed and the financial
14 impact of the tax credit.

15 SECTION 4. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall effect on July 1, 2030.



Report Title:

High Technology; Research Tax Credit; Aggregate Cap

Description:

Extends the income tax credit for qualified research activities for five years and places an annual aggregate cap on the tax credit. Effective July 1, 2030. (HB1642 HD2)

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