

STAND. COM. REP. NO.

433

Honolulu, Hawaii

FEB 15 2013

RE: S.B. No. 1349

S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committees on Economic Development, Government Operations and Housing and Technology and the Arts, to which was referred S.B. No. 1349 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

beg leave to report as follows:

The purpose and intent of this measure is to re-establish the income tax credit for qualified research activities conducted in the State that was codified as section 235-110.91, Hawaii Revised Statutes, and that sunset on December 31, 2010. The measure also includes a reporting mechanism to measure the effectiveness of the tax credit.

Your Committees received testimony in support of this measure from Pukoa Scientific; Oceanit Laboratories, Inc.; Navatek, Ltd.; Makai Ocean Engineering, Inc.; and one individual. Your Committees received comments on this measure from the Department of Taxation; Hawaii Strategic Development Corporation; High Technology Development Corporation; and the Tax Foundation of Hawaii.

Your Committees received testimony that the qualified research activities tax credit is important to the success of local research and high technology companies as it allowed these companies to remain competitive with mainland companies. The tax credit also fostered job growth and encouraged the purchase of goods and services in Hawaii. Re-enacting the tax credit will



allow local companies to remain competitive and create more high technology jobs in Hawaii.

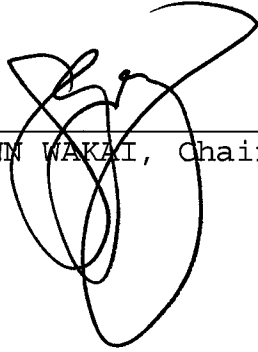
Your Committees have amended this measure by:

- (1) Clarifying that Internal Revenue Code sections 41 and 208C are operative for purposes of the re-enacted tax credit section;
- (2) Deleting the definition of "basic research";
- (3) Amending the definition of a "qualified high technology business";
- (4) Amending the definition of "qualified research";
- (5) Adding a definition for "qualified research expenses";
- (6) Adding additional information that shall be included in the annual survey;
- (7) Requiring the Department of Business, Economic Development, and Tourism, instead of the Director of Taxation, to conduct a survey of electronic forms and study users of the tax credit and report the results to the Legislature; and
- (8) Re-establishing the qualified research activities tax credit through December 31, 2017, rather than December 31, 2015.

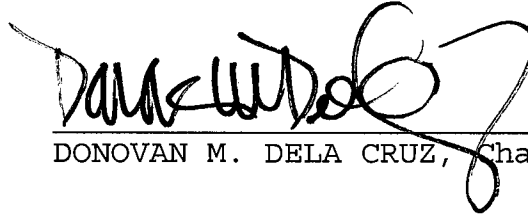
As affirmed by the records of votes of the members of your Committees on Economic Development, Government Operations and Housing and Technology and the Arts that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1349, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1349, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Economic
Development, Government
Operations and Housing and
Technology and the Arts,



GLENN WAKAI, Chair



DONOVAN M. DELA CRUZ, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Technology and the Arts
TEC

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1349	EGH/TEC, WAM	2/14/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	/			
NISHIHARA, Clarence K. (VC)	/			
GABBARD, Mike	/			
TOKUDA, Jill N.				/
SLOM, Sam	/			
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Clarence K. Nishihara</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes