
A BILL FOR AN ACT

RELATING TO INNOVATION BUSINESS.

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

1 SECTION 1. The legislature finds that in order to keep our
2 community vibrant and our economy expanding, Hawaii will need to
3 focus on sectors that will bring new dollars to Hawaii's
4 economy. A research innovation sector that fosters a research
5 environment to fuel innovative ideas and promote
6 entrepreneurship will better position Hawaii for future economic
7 growth and expansion. There is no question that innovation as a
8 result of research and development contributes greatly to
9 economic growth. It is oftentimes the catalyst for change, job
10 creation, and a higher standard of living. Expanding Hawaii's
11 research and development industry will bring in new dollars to
12 our State's economy and create a wide range of high-skilled,
13 high-paying jobs for our young people so they may continue to
14 live and work in Hawaii. The research and development sector is
15 vital to Hawaii's future economic growth.

16 The purpose of this Act is to build on the successes of
17 Hawaii's science and technology industries and establish a



1 research and development program and a research and development
2 special fund with the intention of turning research and
3 development into commercially viable products and services to
4 expand and diversify Hawaii's economy.

5 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is
6 amended by adding two new sections to be appropriately
7 designated and to read as follows:

8 **"§206M-A Research and development program; established.**

9 (a) There is established within the development corporation,
10 the research and development program, to help Hawaii-based small
11 businesses optimize research and development performed in
12 Hawaii.

13 (b) Subject to available funds, the research and
14 development program shall:

15 (1) Apply the research and development special fund to
16 support product development, technology transfer, and
17 commercialization;

18 (2) Provide capital to support accelerated
19 commercialization activities for qualified Hawaii-
20 based small businesses;



1 (3) Provide capital to sustain high-potential business
2 infrastructure development to assist qualified Hawaii-
3 based small businesses towards commercial success; and

4 (4) Provide grants of up to \$ for critical product
5 development that enables a qualified Hawaii-based
6 small business to achieve significant product
7 development and technical milestones.

8 (c) To receive funding, a Hawaii-based small business
9 shall submit to the development corporation proof of the federal
10 research and development tax credits received. Proof of receipt
11 of the federal research and development tax credits received
12 shall be in the form of copies of the small business' Internal
13 Revenue Service Form 6765 Credit for Increasing Research
14 Activities as filed. The business shall then be eligible to
15 receive an amount equal to the average of the federal tax credit
16 for the past three tax years.

17 (d) The development corporation may adopt rules pursuant
18 to chapter 91 necessary to carry out the purposes of this
19 section.

20 (e) For the purposes of this section:

21 "Hawaii-based small business" means a company that:



- 1 (1) Is headquartered in the State;
- 2 (2) Has done business in the State for no less than five
- 3 years; and
- 4 (3) Employs one or more residents with income subject to
- 5 taxation pursuant to chapter 235.

6 "Resident" shall have the same meaning as in section 235-1.

7 **§206M-B Research and development special fund;**

8 **established.** There is established in the treasury of the State
9 of Hawaii the research and development special fund to be
10 administered by the development corporation pursuant to section
11 206M-A."

12 SECTION 3. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$ or so much
14 thereof as may be necessary for fiscal year 2018-2019 to be
15 deposited into the research and development special fund.

16 SECTION 4. There is appropriated out of the research and
17 development special fund the sum of \$ or so much thereof
18 as may be necessary for fiscal year 2018-2019 for the purposes
19 set out in section 206M-A, Hawaii Revised Statutes.

20 The sum appropriated shall be expended by the Hawaii
21 technology development corporation for the purposes of this Act.



1 SECTION 5. In codifying the new sections added by
2 section 2 of this Act, the revisor of statutes shall substitute
3 appropriate section numbers for the letters used in designating
4 the new sections in this Act.

5 SECTION 6. New statutory material is underscored.

6 SECTION 7. This Act shall take effect on July 1, 2112.



Report Title:

Hawaii Technology Development Corporation; Research and Development Program; Research and Development Special Fund; Appropriation

Description:

Establishes the research and development program in the Hawaii technology development corporation to help Hawaii-based small businesses optimize research and development performed in Hawaii. Establishes the research and development special fund. Appropriates funds for the purposes of the research and development program. Effective 7/1/2112. (SD2)

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