Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii  

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1314 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the provisions of the high technology research income tax credit and extend its operation.

Specifically, this measure:

(1) Amends the tax credit for research activities so that references to the base amount in section 41 of the Internal Revenue Code shall not apply, and credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years; and

(2) Extends the tax credit for research activities through 2024.

Your Committee received testimony in support of this measure from Gabriel Health, Inc.; Hawaii Aerospace Corporation; Makai Ocean Engineering, Inc.; Nalu Scientific, LLC; Oahu County Committee on Legislative Priorities of the Democratic Party of Hawaii; Oceanit; Smart Yields; Tapiki; and eight individuals.
Your Committee received comments on this measure from the Department of Taxation, Hawaii Technology Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that this measure is intended to support the growth of Hawaii's technology industry.

Your Committee has amended this measure by:

(1) Applying the measure to taxable years beginning after December 31, 2019;

(2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and

(3) Making technical nonsubstantive amendments for purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1314, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1314, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on behalf of the members of the Committee on Ways and Means,

DONOVAN M. DELA CRUZ, Chair
**The Senate**  
**Thirtieth Legislature**  
**State of Hawai'i**  

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

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<th>Bill / Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
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<tbody>
<tr>
<td>SB 1314</td>
<td>WAM</td>
<td>2/20/19</td>
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☐ The Committee is reconsidering its previous decision on this measure.  
If so, then the previous decision was to:  

The Recommendation is:  
☐ Pass, unamended  
☐ Pass, with amendments  
☐ Hold  
☐ Recommit

<table>
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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
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<td>DELA CRUZ, Donovan M. (C)</td>
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<td>KEITH-AGARAN, Gilbert S.C. (VC)</td>
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<td>ENGLISH, J. Kalani</td>
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<td>HARIMOTO, Breene</td>
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<td>INOUYE, Lorraine R.</td>
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<td>KAHELE, Kaiali'i</td>
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<td>MORIWAKI, Sharon Y.</td>
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<td>RIVIERE, Gil</td>
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<td>FEVELLA, Kurt</td>
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**TOTAL**  

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Recommendation:  
☑ Adopted  
☐ Not Adopted

Chair's or Designee's Signature:  

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*Only one measure per Record of Votes*