A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. Section 235-110.91, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(a) Section 41 (with respect to the credit for increasing research activities) and section 280C(c) (with respect to certain expenses for which the credit for increasing research activities are allowable) of the Internal Revenue Code shall be operative for the purposes of this chapter as provided in this section; provided that the federal tax provisions in section 41 of the Internal Revenue Code, as that section was enacted on December 31, 2011, irrespective of any subsequent changes to section 41 of the Internal Revenue Code, shall remain in effect for purposes of determining the state income tax credit under this section; provided further that the federal tax provisions in section 41 of the Internal Revenue Code, as enacted on December 31, 2011, irrespective of any subsequent amendments to section 41 of the Internal Revenue Code, shall apply only to
expenses incurred for qualified research activities after December 31, 2012[−]; provided further that, for tax years beginning after December 31, 2018, there shall be allowed a Hawaii state income tax credit of one and one-quarter times any credit as calculated under the federal tax provisions in section 41 of the Internal Revenue Code as enacted on December 31, 2011."

2. By amending subsection (c) to read:
"(c) There shall be allowed to each qualified high technology business subject to the tax imposed by this chapter an income tax credit for qualified research activities equal to the credit for research activities provided by section 41 of the Internal Revenue Code and as modified by this section; provided that, in addition to any other requirements established in this section, in order to qualify for the tax credit established in this section, the qualified high technology business shall also claim a federal tax credit for the same qualified research activities under section 41 of the Internal Revenue Code, as enacted on December 31, 2011, irrespective of any subsequent amendments to section 41 of the Internal Revenue Code. The credit shall be deductible from the taxpayer's net income tax
liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed; provided further that, for tax years beginning after December 31, 2018, there shall be allowed a Hawaii state income tax credit of one and one-quarter times any credit as calculated under the federal tax provisions in section 41 of the Internal Revenue Code as enacted on December 31, 2011."

3. By amending subsection (n) to read:

"(n) This section shall not apply to taxable years beginning after December 31, 2019."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on December 31, 2012, and shall apply to taxable years beginning after December 31, 2018.
Report Title:
Taxation; State Tax Credit for Research Activities; Increase; Extension

Description:
Increases the state tax credit for research activities to one and one-quarter times the allowable federal tax credit. Repeals December 31, 2019 sunset. (HB339 HD1)

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