

Honolulu, Hawaii

RE: FEB 15 2023  
S.B. No. 951  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,  
to which was referred S.B. No. 951 entitled:

"A BILL FOR AN ACT RELATING TO THE TAX CREDIT FOR RESEARCH  
ACTIVITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Add a cap for the amount of tax credits for research activities that an eligible taxpayer and the taxpayer's related entities may receive per taxable year;
- (2) Consolidate the survey and certification requirements for tax credits for research activities;
- (3) Amend the annual aggregate cap on tax credits for research activities that the Department of Business, Economic Development, and Tourism may certify; and
- (4) Require certification of the tax credits for research activities on a first-come, first-served basis to be based on the date that a complete application is received, subject to certain conditions.

Your Committee received testimony in support of this measure from the Hawai'i Technology Development Corporation; Oceanit; Makai



Ocean Engineering, Inc.; Pacific International Center High Tech Research; Hawaii Aerospace Corporation; and one individual. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the technology industry is a fiercely competitive global industry. Your Committee believes that the Hawaii tax credit for research activities is critical to allow the State to compete in the global market as research activities support the local technology industry, create good paying jobs, and keep local talent in the State. This measure will allow the tax credit for research activities to continue to diversify the economy and create good paying jobs in the State by adding a cap for the amount of tax credits for research activities that an eligible taxpayer may receive per taxable year, consolidating the survey and certification requirements, amending the annual aggregate cap on tax credits for research activities, and tightening qualifying criteria to focus on supporting local companies.

Your Committee has amended this measure by:

- (1) Reducing the cap for the amount of tax credits for research activities that an eligible taxpayer and the taxpayer's related entities may receive per taxable year from \$2,500,000 to \$1,500,000;
- (2) Requiring every qualified high technology business be registered to do business in the State and occupy a business location and address in the State where at least seventy-five per cent of the company's employees are located to be eligible to receive tax credits for research activities;
- (3) Extending the sunset date for tax credits for research activities from December 31, 2024 to December 31, 2029; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is



attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 951, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 951, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy, Economic  
Development, and Tourism,

  
\_\_\_\_\_  
LYNN DECOITE, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Energy, Economic Development, and Tourism**  
**EET**

Bill / Resolution No.:* <b>SB 951</b>	Committee Referral: <b>EET, WAM</b>	Date: <b>2/9/23</b>		
<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
DECOITE, Lynn (C)	✓			
WAKAI, Glenn (VC)	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
FEVELLA, Kurt	✓			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes