
A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

3 1. By amending subsection (b) to read:

4 "(b) All references to Internal Revenue Code sections
5 within sections 41 and 280C(c) of the Internal Revenue Code
6 shall be operative for purposes of this section[~~, provided that~~
7 ~~references to the base amount in section 41 of the Internal~~
8 ~~Revenue Code shall not apply, and credit for all qualified~~
9 ~~research expenses may be taken without regard to the amount of~~
10 ~~expenses for previous years]."~~

11 2. By amending subsections (n) and (o) to read:

12 "(n) This section shall not apply to taxable years
13 beginning after December 31, [~~2024.~~] 2029.

14 (o) As used in this section:

15 "Qualified high technology business" [~~shall have the same~~
16 ~~meaning as in section 235-7.3(e).~~] means a small business that
17 conducts more than fifty per cent of its activities in qualified



1 research in the State and is registered to do business in the
2 State.

3 "Qualified research" shall have the same meaning as in
4 section 41(d) of the Internal Revenue Code.

5 "Qualified research expenses" shall have the same meaning
6 as in section 41(b) of the Internal Revenue Code; provided that
7 it shall not include research expenses incurred outside of the
8 State.

9 "Small business" means a company with no more than five
10 hundred employees."

11 SECTION 2. Act 261, Session Laws of Hawaii 2019, is
12 amended by amending section 5 to read as follows:

13 "SECTION 5. This Act shall take effect upon its approval;
14 provided that:

15 (1) Section 2 shall apply to taxable years beginning after
16 December 31, 2019; and

17 (2) Part II shall take effect on [~~December 31, 2024.~~]
18 January 1, 2030."

19 SECTION 3. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 4. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2023.



Report Title:

Tax Credit; Research Activities

Description:

Repeals the provision that made references to the base amount in the Internal Revenue Code inapplicable to the research activities tax credit and allowed credits for all qualified research expenses to be taken without regard to previous years' expenses. Narrows the qualifying criteria for research activities tax credits to applicants who are small businesses registered in the State. Extends the sunset date of the research activities tax credit to 12/31/2029. (CD1)

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