
A BILL FOR AN ACT

RELATING TO SCIENCE AND TECHNOLOGY.

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

1 SECTION 1. Section 235-110.9, Hawaii Revised Statutes, is
2 amended by amending subsection (f) to read as follows:

3 "(f) The department shall:

4 (1) Maintain records of the names and addresses of the
5 taxpayers claiming the credits under this section and
6 the total amount of the qualified investment costs
7 upon which the tax credit is based;

8 (2) Verify the nature and amount of the qualifying
9 investments;

10 (3) Total all qualifying and cumulative investments that
11 the department certifies; and

12 (4) Certify the amount of the tax credit for each taxable
13 year and cumulative amount of the tax credit.

14 Upon each determination made under this subsection, the
15 department shall issue a certificate to the taxpayer verifying
16 information submitted to the department, including qualifying
17 investment amounts, the credit amount certified for each taxable
18 year, and the cumulative amount of the tax credit during the



1 credit period. The taxpayer shall file the certificate with the
2 taxpayer's tax return with the department.

3 The director of taxation may assess and collect a fee to
4 offset the costs of certifying tax credits claims under this
5 section. All fees collected under this section shall be
6 deposited into the tax administration special fund established
7 under section 235-20.5.

8 The department shall notify any taxpayer filing a claim for
9 a tax credit under this section of whether the claim shall be
10 audited within six months of filing the claim. If the
11 department determines that it will audit the claim, the audit
12 shall be completed before the end of the twelfth month following
13 the notification of the audit to the taxpayer. If the taxpayer
14 chooses to appeal the assessment pursuant to chapter 232 to the
15 board of review, then the taxpayer shall receive a date for
16 hearing before the board within six months of the filing of the
17 appeal with the respective board."

18 SECTION 2. Section 235-110.91, Hawaii Revised Statutes, is
19 amended by amending subsection (e) to read as follows:

20 "(e) The department shall:

21 (1) Maintain records of the names and addresses of the
22 taxpayers claiming the credits under this section and



1 the total amount of the qualified research and
2 development activity costs upon which the tax credit
3 is based;

4 (2) Verify the nature and amount of the qualifying costs
5 or expenditures;

6 (3) Total all qualifying and cumulative costs or
7 expenditures that the department certifies; and

8 (4) Certify the amount of the tax credit for each taxable
9 year and cumulative amount of the tax credit.

10 Upon each determination made under this subsection, the
11 department shall issue a certificate to the taxpayer verifying
12 information submitted to the department, including the
13 qualifying costs or expenditure amounts, the credit amount
14 certified for each taxable year, and the cumulative amount of
15 the tax credit during the credit period. The taxpayer shall
16 file the certificate with the taxpayer's tax return with the
17 department.

18 The director of taxation may assess and collect a fee to
19 offset the costs of certifying tax credit claims under this
20 section. All fees collected under this section shall be
21 deposited into the tax administration special fund established
22 under section 235-20.5.



1 The department shall notify any taxpayer filing a claim for
2 a tax credit under this section of whether the claim shall be
3 audited within six months of filing the claim. If the
4 department determines that it will audit the claim, the audit
5 shall be completed before the end of the twelfth month following
6 the notification of the audit to the taxpayer. If the taxpayer
7 chooses to appeal the assessment pursuant to chapter 232 to the
8 board of review, then the taxpayer shall receive a date for
9 hearing before the board within six months of the filing of the
10 appeal with the respective board."

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act shall apply to appeals on tax credits
13 claimed against taxes or creditable expenses incurred in taxable
14 years beginning after December 31, 2005.

15 SECTION 5. This Act shall take effect upon its approval.

PROPOSED

Report Title:

Tax Audit and Procedures; High Technology Amendments

Description:

Adds reasonable time limitations on various steps of audit and appeal process for claims for the high technology business investment tax credit and the tax credit for research activities. (SD1)

