

STAND. COM. REP. NO. 1111

Honolulu, Hawaii

March 2 2007

RE: H.B. No. 1631
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1631, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT,"

begs leave to report as follows:

The purpose of this bill is to allow the State to measure the success of its High Technology Business Investment Tax Credit by requiring that:

- (1) A qualified high technology business (QHTB), by claiming the investment credit under section 235-110.9, Hawaii Revised Statutes (HRS), or the research activities credit under section 235-110.91, HRS, agrees to public disclosure of the name of their company;
- (2) QHTBs must file an annual report with the Department of Taxation (DoTax) containing information about their employment positions in the State;
- (3) DoTax must report this information in aggregate form to the Legislature each year, as well as the names of QHTBs receiving the credits; and
- (4) DoTax must use this information to evaluate how successful the investment and research credits have been and report its conclusions to the Legislature.

HB1631 HD2 HSCR FIN HMS 2007-2703





DoTax, Hawaii Aquaculture Associates, PacifiCap Group, Oceanic Imaging Consultants, Inc., Archinoetics, LLC, Sunrise Capital, Inc., Oceanit, Hawaii Angels-Maui Chapter, Cardax Pharmaceuticals, Hawaii Science and Technology Council, and numerous individuals testified in opposition to this bill. The Department of Business, Economic Development, and Tourism and Tax Foundation of Hawaii submitted comments on this measure.

Your Committee has amended this bill by:

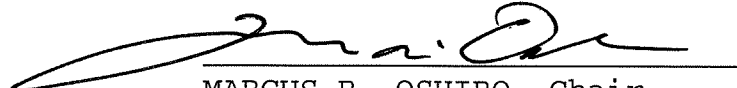
- (1) Requiring the assessment of a \$1,000 per month penalty for each month the annual survey is not filed by a QHTB up to a maximum of three months;
- (2) Requiring DoTax to prepare a report by October 2007, with summarized data submitted by QHTBs in form N-317 for all previous years available that includes summary descriptive statistics regarding the nature of qualified research activities, job creation, and salaries paid by QHTBs;
- (3) Requiring DoTax to ensure that reporting requirements under the annual survey do not duplicate other departmental reporting requirements;
- (4) Specifying that the additional reporting requirements are only applicable to QHTBs and not individual investors; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1631, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1631, H.D. 2.



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Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

HSCR 1111

Record of Votes of the Committee on Finance

Bill/Resolution No.: <i>HB 1631 HD1</i>		Date: <i>2/26/07</i>		
Committee Referral: <i>EDB, FIN</i>		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input type="checkbox"/> Hold		<input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Pass, with amendments, for recommittal for further consideration		
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. BELATTI, Della Au	✓			
4. BROWER, Tom	✓			
5. CARROLL, Mele	✓			
6. CHONG, Pono	✓			
7. HANOHANO, Faye P.	.			✓
8. HAR, Sharon E.	✓			
9. MAGAOAY, Michael Y.	✓			
10. MANAHAN, Joey	✓			
11. MIZUNO, John	✓			
12. NAKASONE, Bob	✓			
13. RHOADS, Karl	✓			
14. SAGUM, Roland D., III	✓			
15. TOKIOKA, James Kunane	✓			
16. AWANA, Karen Leinani	✓			
17. MEYER, Colleen Rose	.			✓
18. WARD, Gene, Ph.D.	.			✓
TOTAL	<i>15</i>	<i>0</i>	<i>0</i>	<i>3</i>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <i>May 3 Lee</i>				
Distribution: Original (White) – Committee Duplicate (Yellow) – HMSO Duplicate (Pink) – Clerk's Office				