

Honolulu, Hawaii

Feb 29, 2008

RE: H.B. No. 2961
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2961, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to evaluate the impact of various high technology tax incentives on Hawaii's economy. This bill, among other things:

- (1) Authorizes the Department of Taxation (DOTAX) to conduct various analyses and evaluations of existing and proposed tax incentives;
- (2) Directs DOTAX to study the economic impacts and effectiveness of the high technology business investment tax credit and the tax credit for research activities; and
- (3) Appropriates funds for this purpose.

DOTAX testified in support of this bill. HiSciTech and Tax Foundation of Hawaii offered comments.

Your Committee has amended this bill by:

- (1) Expanding DOTAX's study to include the impact of the technology infrastructure renovation tax credit as well

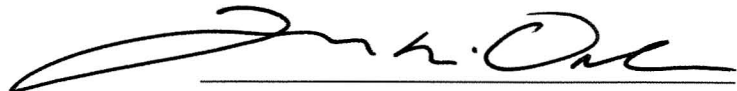


as the exclusion from taxation of income earned and proceeds derived from stock options from qualified high technology businesses;

- (2) Deleting the appropriation amount and inserting a defective date of July 1, 2020, to encourage further discussion; and
- (3) 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. 2961, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2961, H.D. 2.

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



MARCUS R. OSHIRO, Chair



