

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 898
S.D. 1
H.D. 1

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

Sir:

Your Committee on Economic Development & Business Concerns,
to which was referred S.B. No. 898, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HIGH TECHNOLOGY TAX
INCENTIVES,"

begs leave to report as follows:

The purpose of this bill is to allow better evaluation of the effectiveness of high-technology tax incentives by requiring the Department of Taxation (DoTAX) to report summary descriptive statistics on qualified high technology businesses (QHTBs) based on information collected as of July 1, 2004, and annually thereafter.

DoTAX, Hawaii Science & Technology Council, and many concerned individuals supported this bill. The Department of Business, Economic Development, and Tourism, PacificCap Group, High Technology Development Corporation, and many concerned individuals supported the intent of this measure. The Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by:

- (1) Expanding DoTAX's initial report on high technology businesses to include all available information collected from high technology businesses, and not just information from July 1, 2004;



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- (2) Requiring DoTAX to make its initial report by October 1, 2007, and thereafter make annual reports by September 1;
- (3) Adding provisions from a similar measure, H.B. No. 1631, H.D. 2, that passed out of your Committee earlier this session:
 - (A) Expanding DoTAX's reporting to include the identification of each QHTB benefiting from the investment or research tax credits and an evaluation of the effectiveness of the credits;
 - (B) Providing that QHTBs, by claiming the investment or research tax credits, agree to public disclosure of the name of their company; and
 - (C) Requiring QHTBs to report annually to DoTax about their employment positions in the state.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 898, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 898, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business
Concerns,



KYLE T. YAMASHITA, Chair



