

STAND. COM. REP. NO. 1886

Honolulu, Hawaii
A-15, 2007

RE: S.B. No. 898
S.D. 1
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 S.B. No. 898, S.D. 1, H.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 better evaluate the effectiveness of high-technology tax incentives by requiring:

- (1) The Department of Taxation (DoTAX) to report to the Legislature by October 1, 2007, of summary statistics on all currently available information and data collected from high technology businesses;
- (2) Qualified high technology businesses benefiting from the high technology business investment and research activities tax credits, to submit employment information to DoTAX for taxable years beginning after December 2006; and
- (3) DoTAX to submit to the Legislature annual reports of summary statistics and evaluations of the effectiveness of the tax credits by September 1, 2008, and September 1st of each year thereafter.

SB898 HD2 HSCR FIN HMS 2007-3702



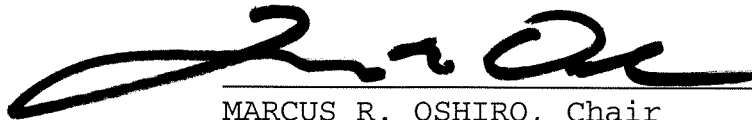
The Department of Business, Economic Development, and Tourism and High Technology Development Corporation testified in support of the intent of this bill. DoTAX, PacificCap Group, Hawaii Venture Capital Association, Hawaii Science and Technology Council, Ambient Micro LLC, Trade West, Inc., Cardax Pharmaceuticals, and several concerned individuals testified in opposition to this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee has amended this bill by:

- (1) Raising the recapture amount from 10 percent to 100 percent of the amount of the total credit claimed in the preceding five taxable years rather than the preceding two taxable years;
- (2) Changing the effective date to 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 S.B. No. 898, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 898, S.D. 1, H.D. 2.

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



MARCUS R. OSHIRO, Chair



