

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 3236

S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 3236, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LIFE SCIENCES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Provide for an income tax credit amounting to fifteen per cent of qualified clinical trials incurred, in any county of the State of Hawaii with a population over 700,000, and twenty per cent in any county of the State of Hawaii with a population of 700,000 or less;
- (2) Establish criteria to qualify for the tax credit; and
- (3) Cap the credit at \$8,000,000 per clinical trial.

Testimony in support of this measure was received from the Hawaii Science and Technology Council, the Bio Technology Industry Organization, Cardax Pharmaceuticals, Inc., and Pfizer, Inc. The Department of Taxation (Department) and the Tax Foundation of Hawaii submitted comments.

The Department testified that the revenue impact of this measure is indeterminate, due to the lack of information on the number of qualified clinical trials and the amount of qualified clinical trial costs. The Department noted, however, if the qualified clinical trial cost were \$100,000,000, then annual



revenue loss would be \$15,000,000, and that according to industry estimates, close to three hundred clinical trials are currently underway in Hawaii.

Your Committee supports a wide range of initiatives to expand the science and technology sector in Hawaii and finds this measure offers another promising option. Your Committee is awaiting additional information on the scope of clinical trials now underway in the State and will defer a final decision on the specifics of the tax credit until that information is in hand.

Your Committee has amended this measure by making the proposed tax credit applicable to taxable years beginning after December 31, 2040, for the purpose of further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3236, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 3236, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



