
A BILL FOR AN ACT

RELATING TO LIFE SCIENCES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the life sciences
2 industry plays a significant role in the diversification and,
3 therefore, the sustainability of Hawaii's economy. Ground-
4 breaking medical studies have already been conducted in Hawaii
5 by the Cancer Research Center and Pacific Health Research
6 Institute.

7 Hawaii's unique location and ethnic diversity provide
8 indispensable advantages to companies conducting clinical
9 trials. Life sciences companies that conduct these trials often
10 create more and higher paying jobs that will help to keep local
11 graduates employed in the State. In addition, conducting these
12 trials in Hawaii will put our State on the cutting edge of drug
13 development, bringing in research funding from Asia and North
14 America.

15 Providing a specific tax incentive to the life sciences
16 industry would particularly help Hawaii companies that are
17 pioneering pharmaceutical and other health products at a time



1 that they are entering phases three and four of their clinical
2 trials.

3 The purpose of this Act is to advance the important
4 specialization components of the Hawaii life sciences industry
5 by providing a tax incentive for life sciences companies to
6 conduct clinical trials in Hawaii.

7 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 **"§235- Clinical trials tax credit.** (a) Any law to the
11 contrary notwithstanding, there shall be allowed to each
12 taxpayer subject to the taxes imposed by this chapter, a
13 qualified clinical trial tax credit that shall be deductible
14 from the taxpayer's net income tax liability, if any, imposed by
15 this chapter for the taxable year in which the credit is
16 properly claimed. The amount of the credit shall be:

17 (1) Fifteen per cent of the qualified clinical trial costs
18 incurred by a qualified clinical trial in any county
19 of the State with a population that exceeds seven
20 hundred thousand; or

21 (2) Twenty per cent of the qualified clinical trial costs
22 incurred by a qualified clinical trial in any county



1 of the State with a population of seven hundred
2 thousand or less.

3 A qualified clinical trial occurring in more than one county may
4 prorate its expenditures based upon the amounts spent in each
5 county; provided that the population basis differs enough to
6 change the percentage of the tax credit.

7 In the case of a partnership, S corporation, estate, or
8 trust, the tax credit allowable is for qualified clinical trial
9 costs incurred by the entity for the taxable year. The cost
10 upon which the tax credit is computed shall be determined at the
11 entity level. Distribution and share of credit shall be
12 determined by rule.

13 If a deduction is taken under section 179 (with respect to
14 election to expense depreciable business assets) of the Internal
15 Revenue Code of 1986, as amended, no tax credit shall be allowed
16 for those costs for which the deduction is taken. The basis for
17 eligible property for depreciation of accelerated cost recovery
18 system purposes for state income taxes shall be reduced by the
19 amount of credit allowable and claimed.

20 (b) The credit allowed under this section shall be claimed
21 against the net income tax liability for the taxable year.



1 (c) If the tax credit under this section exceeds the
2 taxpayer's income tax liability, the excess of credits over
3 liability shall be refunded to the taxpayer; provided that no
4 refunds or payment on account of the tax credits allowed by this
5 section shall be made for amounts less than \$. All claims,
6 including any amended claims, for tax credits under this section
7 shall be filed on or before the end of the twelfth month
8 following the close of the taxable year for which the credit may
9 be claimed. Failure to comply with the foregoing provision
10 shall constitute a waiver of the right to claim the credit.

11 (d) To qualify for this tax credit, a clinical trial
12 shall:

13 (1) Meet the definition of a qualified clinical trial
14 specified in subsection (1);

15 (2) Have qualified clinical trial costs totaling at least
16 \$ _____ ;

17 (3) Provide evidence of reasonable efforts to hire local
18 researchers and staff; and

19 (4) Provide evidence of financial or in-kind contributions
20 or educational or workforce development efforts, in
21 partnership with related trade and business
22 development organizations, educational institutions,



1 or both, toward the furtherance of the local science,
2 technology, and health industries.

3 (e) After June 30, 2009, no qualified clinical trial cost
4 that has been financed by investments for which a credit was
5 claimed by any taxpayer pursuant to sections 235-110.9 or 235-
6 110.91 shall be eligible for credits under this section.

7 (f) To receive the tax credit, the taxpayer shall first
8 pre-qualify the clinical trial for the credit by registering
9 with the department of business, economic development, and
10 tourism. Failure to comply with this provision may constitute a
11 waiver of the right to claim the credit.

12 (g) The director of taxation shall prepare forms as may be
13 necessary to claim a credit under this section. The director
14 may also require the taxpayer to furnish information to
15 ascertain the validity of the claim for the credit made under
16 this section and may adopt rules necessary to effectuate the
17 purposes of this section pursuant to chapter 91.

18 (h) Every taxpayer claiming a tax credit under this
19 section for a qualified clinical trial, no later than ninety
20 days following the end of each taxable year in which qualified
21 clinical trial costs were expended, shall submit a written,



1 sworn statement to the department of business, economic
2 development, and tourism, identifying:

3 (1) All qualified clinical trial costs under subsection
4 (a), if any, incurred in the previous taxable year;

5 (2) The amount of tax credits claimed pursuant to this
6 section, if any, in the previous taxable year; and

7 (3) The number of total hires versus the number of local
8 hires by category (i.e., department) and by county.

9 (i) The department of business, economic development, and
10 tourism shall:

11 (1) Maintain records of the names of the taxpayers and
12 qualified clinical trials thereof claiming the tax
13 credits under subsection (a);

14 (2) Obtain and total the aggregate amounts of all
15 qualified clinical trial costs per trial and per
16 taxable year; and

17 (3) Provide a letter to the director of taxation
18 specifying the amount of the tax credit per qualified
19 clinical trial for each taxable year that a tax credit
20 is claimed and the cumulative amount of the tax credit
21 for all years claimed.



1 Upon each determination required under this subsection, the
2 department of business, economic development, and tourism shall
3 issue a letter to the taxpayer regarding the qualified clinical
4 trial, specifying the qualified clinical trial costs and the tax
5 credit amount qualified for in each taxable year a tax credit is
6 claimed. The taxpayer for each qualified clinical trial shall
7 file the letter with the taxpayer's tax return to the department
8 of taxation. Notwithstanding the authority of the department of
9 business, economic development, and tourism under this section,
10 the director of taxation may audit and adjust the tax credit
11 amount to conform to the information filed by the taxpayer.

12 (j) Total tax credits claimed per qualified clinical trial
13 shall not exceed \$ _____.

14 (k) Qualified clinical trials shall comply with
15 subsections (d), (e), (f), and (h).

16 (l) No taxpayer that claims the credit under this section
17 shall claim any other tax credit under this chapter for the same
18 taxable year.

19 (m) For the purposes of this section:

20 "Qualified clinical trial" means a research study conducted
21 within the State, to answer specific questions about vaccines,
22 new therapies, or new ways of using known treatments to



1 determine whether these new drugs or treatments are both safe
2 and effective.

3 "Qualified clinical trial costs" means the costs incurred
4 by a qualified clinical trial within the State that are subject
5 to the general excise tax under chapter 237 or income tax under
6 this chapter and that have not been financed by any investments
7 for which a credit was or will be claimed pursuant to section
8 235-110.9 or 235-110.91. Qualified clinical trial costs include
9 but are not limited to:

- 10 (1) Costs associated with planning, designing, executing,
11 and analyzing a qualified clinical trial;
- 12 (2) Data, blood, and tissue sampling and analysis, and
13 statistical analysis;
- 14 (3) Hospital, physician, and nursing costs;
- 15 (4) Wages or salaries of researchers and staff;
- 16 (5) Costs of imaging and related technical services;
- 17 (6) Costs associated with clinical trial participants;
- 18 (7) Rentals and fees for use of local facilities and
19 research laboratories; and
- 20 (8) Other direct clinical trial costs specified by the
21 department of taxation."

22 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2020 and
2 shall apply to taxable years beginning after December 31, 2020.



Report Title:

Clinical Trials; Tax Credit

Description:

Provides for an income tax credit amounting to 15 per cent of qualified clinical trial costs incurred, in any county with a population over 700,000, and 20 per cent in any county with a population of 700,000 or less. Establishes criteria to qualify for the tax credit. Caps credit at \$ per clinical trial. (SB436 HD1)

