

STAND. COM. REP. NO. 1586

Honolulu, Hawaii

April 8, 2011

RE: S.B. No. 753
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 753, S.D. 2, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to:

- (1) Extend the income tax credit for qualified research activities for an additional five years;
- (2) Repeal existing certification requirements for qualified high technology businesses that qualify for the income tax credit for qualified research activities;
- (3) Establish reporting requirements for high technology businesses to enable the Department of Taxation (DOTAX) to measure the effectiveness of the tax credit; and
- (4) Establish a \$1,000 per month penalty for any qualified high technology business that fails to file its annual survey with the Director of Taxation by the due date.

SB753 HD2 HSCR FIN HMS 2011-3699



For purposes of a public hearing on this bill, your Committee circulated a proposed H.D. 2 and notified the public that your Committee would be accepting testimony on the proposed H.D. 2. In addition to the provisions stated above, the proposed H.D. 2:

- (1) Stipulates that Manoa Innovation Center, currently under the control of University of Hawaii (UH) at Manoa, shall be leased to the High Technology Development Corporation (HTDC) for a term of not less than 35 years; and
- (2) Makes technical, nonsubstantive amendments to the bill for clarity, consistency, and style.

The Department of Business, Economic Development, and Tourism; HTDC; Oceanit; The Chamber of Commerce of Hawaii; Eyekon Systems; Convener of Hawaii Dual Use Network; President and CEO of NovaSol; Pukoa Scientific; Concentris Systems LLC; Vice President of Makai Ocean Engineering; Williams Aerospace, Inc.; the President and CEO, the Vice President of Business Operations, the Director of Finance, and the Program Manager of Referentia Systems Incorporated; and a concerned individual supported this bill. DOTAX, UH, Tax Foundation of Hawaii, and a concerned individual commented on this measure.

As recommended by your Committee, this bill:

- (1) Extends the income tax credit for qualified research activities for an additional five years;
- (2) Repeals existing certification requirements for qualified high technology businesses that qualify for the income tax credit for qualified research activities;
- (3) Establishes reporting requirements for high technology businesses to enable DOTAX to measure the effectiveness of the tax credit;
- (4) Establishes a \$2,000 per month penalty for any qualified high technology business that fails to file its annual survey with the Director of Taxation by the due date;
- (5) Deletes the exception to base amounts in relation to the tax credit for increasing research activities so that the base amount will now need to be calculated and the tax credit will be based on that amount;



- (6) Clarifies that a qualified high technology business is prohibited from claiming the tax credit for research activities until it has filed the required annual survey;
- (7) Changes the definition of a qualified high technology business for purposes of the state tax credit for research activities from a business that would qualify for the high technology business investment tax credit to a business that simply conducts more than fifty percent of its activities in qualified research;
- (8) Stipulates that Manoa Innovation Center, currently under the control of UH at Manoa, shall be leased to HTDC for a term of not less than 35 years; and
- (9) Specifies a July 1, 2030, effective date to facilitate continued discussion.

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. 753, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 753, S.D. 2, H.D. 2.

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


MARCUS R. OSHIRO, Chair



