
A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

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

1 SECTION 1. The legislature recognizes that research and
2 development is the core of innovation. Without innovation,
3 there is no technology industry, and the subsequent growth of
4 our economy is stunted with the lack of new products, services,
5 or processes. During the research and development stage, ideas
6 and theories are tested to determine feasibility. With an
7 increasingly interconnected and competitive global economy,
8 fostering and encouraging innovation are essential to creating
9 new jobs in high-tech and traditional sectors.

10 In recent years, innovation has led to new jobs in many
11 different sectors as diverse as defense/dual-use,
12 software/information technology, life sciences/biotechnology,
13 and clean energy. At the same time, innovations ripple through
14 the economy, creating jobs for workers through the development
15 of an advanced infrastructure, such as clean energy solutions,
16 broadband networks, and new devices and products in the service
17 industries such as healthcare and tourism.



1 The current law parallels enhancements tailored to Hawaii's
2 unique position and the Internal Revenue Code, providing support
3 for scientific experimentation at twenty per cent of the cost of
4 the qualified research. The program cost to the State averaged
5 about \$11,000,000 per year over the last nine years, and in
6 2006, the program provided funding to over four hundred
7 companies. This tax credit has been a great source of support
8 for local companies, especially to research and development
9 companies that are still in the start-up stages.

10 The purpose of this Act is to extend the income tax credit
11 for qualified research activities for an additional five years
12 and place an annual aggregate cap on the tax credit.

13 SECTION 2. Section 235-110.91, Hawaii Revised Statutes, is
14 amended as follows:

15 1. By amending subsection (c) to read:

16 "(c) There shall be allowed to each qualified high
17 technology business subject to the tax imposed by this chapter
18 an income tax credit for qualified research activities equal to
19 the credit for research activities provided by section 41 of the
20 Internal Revenue Code and as modified by this section[~~-~~], up to
21 an annual maximum of \$ _____ of credits in the aggregate for
22 all qualified taxpayers. The credit shall be deductible from



1 the taxpayer's net income tax liability, if any, imposed by this
2 chapter for the taxable year in which the credit is properly
3 claimed."

4 2. By amending subsection (j) to read:

5 "(j) This section shall not apply to taxable years
6 beginning after December 31, [~~2010-~~] 2015."

7 SECTION 3. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 4. This Act shall effect on July 1, 2112.



Report Title:

High Technology; Research Tax Credit; Aggregate Cap

Description:

Extends the income tax credit for qualified research activities for five years and places an annual aggregate cap on the tax credit. Effective July 1, 2112. (HB1642 HD1)

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