

Honolulu, Hawaii

Feb 6, 2012

RE: H.B. No. 1511
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred H.B. No. 1511 entitled:

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

begs leave to report as follows:

The purpose of this measure is to reauthorize the dormant income tax credit for qualified research activities for an additional five years and to establish a ten per cent tax credit for qualified labor costs.

Testimony in support of the measure was submitted by the High Technology Development Corporation and Archinoetics, LLC. The Hawaii Strategic Development Corporation and the Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that, due to the increasing interconnected and competitive global economy, fostering and encouraging innovation is an essential component of a comprehensive economic strategy for the State. Current state tax law parallels, with enhancements tailored to Hawaii's unique position, the Internal Revenue Code, providing support for innovation at twenty per cent of the cost of qualified research. However, the State's tax credit for qualified research activities became dormant on January 1, 2011. Extension of the credit for an additional five years will provide further support for the role played by innovation as the State's fragile economy continues to recover.



Your Committee also finds that, in order to facilitate the development and growth of Hawaii's commercial high technology industry sector, the High Technology Development Corporation established the Manoa Innovation Center. The High Technology Development Corporation's current land lease with the University of Hawaii expires in 2015. Your Committee further finds that, if the current lease is not extended, the State will lose the Manoa Innovation Center, a technology infrastructure and economic development engine that would be difficult to replace.

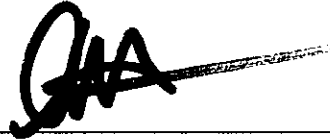
Your Committee amended this measure by:

- (1) Clarifying the purpose section to explain that the income tax credit for qualified research activities is currently dormant, and that the purpose of the measure is to reauthorize the tax credit;
- (2) Deleting the provisions to establish a tax credit for qualified labor costs;
- (3) Making clarifying amendments to the definitions of the terms "qualified high technology business" and "qualified research";
- (4) Requiring the University of Hawaii to extend the High Technology Development Corporation's land lease, with the same terms, for twenty-five years beyond the existing lease's expiration date;
- (5) Providing that the amendments made to section 235-110.91, Hawaii Revised Statutes, by this measure shall be repealed on December 31, 2016; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1511, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1511, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization & Business,



ANGUS L.K. MCKELVEY, Chair



