

STAND. COM. REP. NO.

1143

Honolulu, Hawaii

March 24 2011

RE: S.B. No. 753  
S.D. 2  
H.D. 1

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

Sir:

Your Committee on Economic Revitalization & Business, to which was referred S.B. No. 753, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to support the high technology industry in Hawaii by extending the high technology income tax credit for qualified research activities (Research Credit) to December 31, 2015. This bill also requires a qualified high technology business that claims the Research Credit to file an annual survey with the Department of Taxation (DOTAX) and establishes annual reporting requirements related to the Research Credit for DOTAX.

The Hawaii Strategic Development Corporation, High Technology Development Corporation, Novasol, The Chamber of Commerce of Hawaii, Oceanit, and Pukoa Scientific supported this bill. DOTAX supported the intent of this measure. The Tax Foundation of Hawaii submitted comments. A concerned individual opposed this bill.

Upon further consideration and in light of concerns raised during the public hearing, your Committee has amended this measure by:

SB753 HD1 HSCR ERB HMS 2011-3275



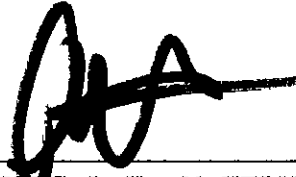
- (1) Repealing existing provisions establishing certification requirements for the Research Credit;
- (2) Restoring the definitions of "qualified high technology business" and "qualified research" to read as they currently exist in statute;
- (3) Deleting invention disclosures and adding full patents submitted to the list of items relating to filed intellectual property that must be included in the annual survey;
- (4) Establishing a fine for failure to file the annual survey by its due date;
- (5) Prohibiting a qualified high technology business from filing a return to claim the Research Credit until the business has filed the annual survey with DOTAX;
- (6) Changing the deadline by which DOTAX must submit a report to the Legislature on the summary descriptive statistics by category relating to the Research Credit to December 21 of each year;
- (7) Requiring DOTAX to allow the Department of Business, Economic Development, and Tourism (DBEDT) to access information collected on the Research Credit;
- (8) In lieu of DOTAX, requiring DBEDT to use information collected on the Research Credit to study the effectiveness of the Research Credit and submit annual reports to the Legislature;
- (9) Changing the deadline by which DBEDT must submit the annual report on the effectiveness of the Research Credit to the Legislature to December 21 of each year;
- (10) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (11) Making technical, nonsubstantive amendments for style, clarity, and consistency.

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



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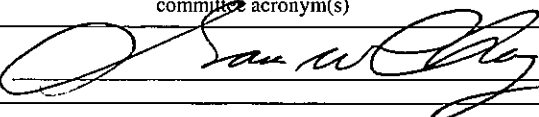
ANGUS L.K. MCKELVEY, Chair



HSCR 1143

State of Hawaii  
House of Representatives  
The Twenty-sixth Legislature

Record of Votes of the Committee on Economic Revitalization & Business

Bill/Resolution No.: <b>SB 753, SD2 (SSCR 753)</b>	Committee Referral: <b>ERB, FIN</b>	Date: <b>3/17/11</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. AWANA, Karen L.				✓
4. BROWER, Tom	✓			
5. EVANS, Cindy	✓			
6. HASHEM, Mark J.	✓			
7. NISHIMOTO, Scott Y.				✓
8. TOKIOKA, James Kunane	✓			
9. TSUJI, Cliff	✓			
10. MARUMOTO, Barbara C.	✓			
11. PINE, Kymberly Marcos				✓
<b>TOTAL (11)</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>3</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				