

Honolulu, Hawaii

APR 26 2013

RE: S.B. No. 1349
S.D. 2
H.D. 1
C.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1349, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to support and foster the growth of jobs in the research and development industry in Hawaii. More specifically, this measure:

- (1) Reestablishes the income tax credit for qualified research activities that applies to taxable years December 31, 2013, to December 31, 2017;
- (2) Requires the Department of Business, Economic Development, and Tourism to conduct studies to measure the effectiveness of the tax credit and submit reports to the Legislature; and



- (3) Updates certain provisions of the income tax credit for qualified research activities to conform to section 41 of the Internal Revenue Code.

Your Committee on Conference finds that the reestablishment of the qualified research activities tax credit will allow Hawaii research and development companies to remain competitive with mainland companies and generate and sustain lucrative high technology jobs in Hawaii.

Your Committee on Conference has amended this measure by:

- (1) Inserting language to ensure consistency between the calculation of the amount of the tax credit under section 41 of the Internal Revenue Code, the application of the federal tax provisions in section 41 of the Internal Revenue Code, and the requirement that a business claim a federal tax credit for the same qualified research activities under section 41 of the Internal Revenue Code;
- (2) Limiting the federal tax provisions in section 41 of the Internal Revenue Code to expenses incurred for qualified research activities after December 31, 2012;
- (3) Limiting the tax credit to taxable years from December 31, 2012, to December 31, 2019;
- (4) Making the measure effective on July 1, 2013; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

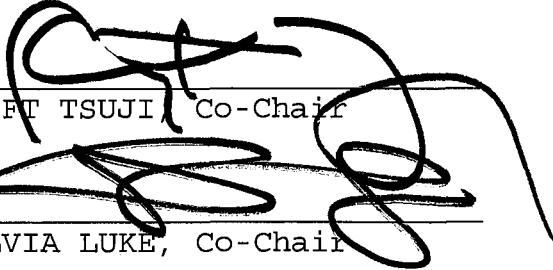
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1349, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1349, S.D. 2, H.D. 1, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

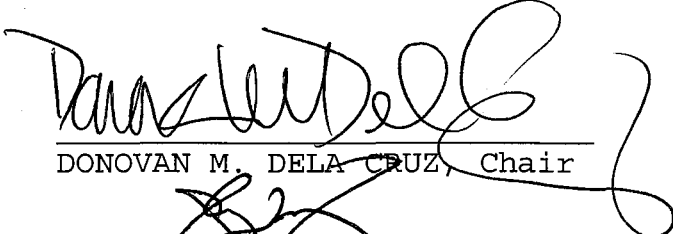
ON THE PART OF THE SENATE



CLIFT TSUJI, Co-Chair



SYLVIA LUKE, Co-Chair



DONOVAN M. DELA CRUZ, Chair



GLENN WAKAI, Co-Chair



DAVID Y. IGE, Co-Chair



