

Honolulu, Hawaii
February 27, 2014

RE: H.B. No. 1704
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1704 entitled:

"A BILL FOR AN ACT RELATING TO RESEARCH ACTIVITIES,"

begs leave to report as follows:

The purpose of this measure is to provide that notwithstanding provisions of the Internal Revenue Code made operative for state tax purposes, the state income tax credit for research activities shall be calculated based on all qualified research expenses incurred in the taxable year instead of on the increase of expenses over those incurred in previous years.

The High Technology Development Corporation, The Chamber of Commerce of Hawaii, Pacific Marine & Supply, Makai Ocean Engineering, TeraSys Technologies, Oceanit, Navatek Ltd., and numerous individuals supported this measure. The Department of Taxation opposed this measure. The Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this bill by:

- (1) Changing its effective date to July 1, 2030, to facilitate further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.



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 H.B. No. 1704, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1704, H.D. 1, and be placed on the calendar for Third Reading.

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



SYLVIA LUKE, Chair



