

STAND. COM. REP. NO.

2541

Honolulu, Hawaii

FEB 28 2014

RE: S.B. No. 2323  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2323 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to clarify the method of calculating the state tax credit for research activities by qualified high technology businesses, including by specifying that credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years.

The Department of Business, Economic Development, and Tourism; the High Technology Development Corporation; The Chamber of Commerce of Hawaii; Navatek; Pacific Marine and Supply; Oceanit; and twenty-five individuals testified in support of this measure. The Department of Taxation opposed this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that Act 270, Session Laws of Hawaii 2013, requires the Department of Business, Economic Development, and Tourism to administer an annual survey of high technology businesses that claim the tax credit for research activities. The information from the survey will be used to profile the companies that claim the tax credit and incorporated into annual reports to the Legislature that will provide descriptive statistics and measure the effectiveness of the tax credit. Your Committee notes that the Department of Business, Economic Development, and Tourism has indicated that it may lack the resources necessary to

SB2323 SD1 SSCR LRB 14-1716.doc



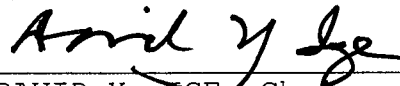
administer the survey and fulfill the reporting requirements, particularly in view of various proposals in separate legislation currently being considered that may place additional responsibilities on the Department for the administration of the tax credit.

Accordingly, your Committee has amended this measure by:

- (1) Appropriating moneys for the Department of Business, Economic Development, and Tourism to establish one full-time, permanent compliance specialist position to assist with the administration of the tax credit;
- (2) Changing the effective date to July 1, 2050, to encourage further discussion on this measure; and
- (3) Making technical nonsubstantive amendments for the purpose of clarity.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2323, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2323, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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DAVID Y. IGE, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2323	WAM	2-25-14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam	✓			
	13	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
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\*Only one measure per Record of Votes