

---

# A BILL FOR AN ACT

RELATING TO INNOVATION BUSINESS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The legislature finds that in order to keep our  
2 community vibrant and our economy expanding, Hawaii will need to  
3 focus on sectors that will bring new dollars to Hawaii's  
4 economy. A research innovation sector that fosters a research  
5 environment to fuel innovative ideas and promote  
6 entrepreneurship will better position Hawaii for future economic  
7 growth and expansion. There is no question that innovation as a  
8 result of research and development contributes greatly to  
9 economic growth. It is oftentimes the catalyst for change, job  
10 creation, and a higher standard of living. Expanding Hawaii's  
11 research and development industry will bring in new dollars to  
12 our State's economy and create a wide range of high-skilled,  
13 high-paying jobs for our young people so they may continue to  
14 live and work in Hawaii. The research and development sector is  
15 vital to Hawaii's future economic growth.

16       The purpose of this Act is to build on the successes of  
17 Hawaii's science and technology industries and establish a  
18 research and development program and a research and development



1 special fund with the intention of turning research and  
2 development into commercially viable products and services to  
3 expand and diversify Hawaii's economy.

4 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is  
5 amended by adding two new sections to be appropriately  
6 designated and to read as follows:

7 "§206M-A Research and development program established.

8 (a) There is established within the development corporation,  
9 the research and development program, to help Hawaii-based small  
10 businesses optimize research and development performed in  
11 Hawaii.

12 (b) Subject to available funds, the research and  
13 development program shall:

14 (1) Apply the research and development special fund to  
15 support product development, technology transfer, and  
16 commercialization;

17 (2) Provide capital to support accelerated  
18 commercialization activities for qualified Hawaii-  
19 based small businesses;



- 1        (3) Provide capital to sustain high-potential  
2        infrastructure development to assist qualified Hawaii-  
3        based small businesses towards commercial success;
- 4        (4) Promote efforts that reverse the loss of qualified  
5        workers to other states by providing jobs to retain  
6        existing Hawaii technology employees and enable highly  
7        qualified scientists and engineers to return to  
8        living-wage jobs in Hawaii;
- 9        (5) Promote efforts that keep technology companies in  
10       Hawaii by limiting the need to seek out-of-state  
11       venture capital, which dilutes local ownership and  
12       increases the probability of high-potential technology  
13       companies moving from Hawaii; and
- 14       (6) Provide grants of up to \$300,000 for critical product  
15       development that enables a qualified Hawaii-based  
16       small business to achieve significant product  
17       development and technical milestones.
- 18       (c) To receive funding, a Hawaii-based small business  
19       shall submit to the development corporation proof of the federal  
20       research and development tax credits received. Proof shall be  
21       in the form of copies of the small business Internal Revenue



Service Form 6765 Credit for Increasing Research Activities as  
filed. The business shall be eligible to receive a grant in an  
amount equal to the average of the federal tax credit for the  
prior three tax years.

(d) In reviewing grant applications pursuant to this  
section, the development corporation shall analyze each  
application to determine whether the item to be undertaken will  
be economically viable and beneficial to the State.

(e) The development corporation may adopt rules pursuant  
to chapter 91 necessary to carry out the purposes of this  
section.

(f) For purposes of this section:

"Hawaii-based small business" means a company:

(1) Headquartered in the State;

(2) Doing business in the State for not less than five  
years; and

(3) Employing fifteen or more residents with income  
subject to taxation pursuant to chapter 235.

"Resident" shall have the same meaning as in section 235-1.

§206M-B Research and development special fund;

established. There is established in the treasury of the State



1 of Hawaii the research and development special fund to be  
2 administered by the development corporation pursuant to section  
3 206M-A."

4 SECTION 3. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of \$1,000,000 or so much  
6 thereof as may be necessary for fiscal year 2018-2019 to be  
7 deposited into the research and development special fund.

8 SECTION 4. There is appropriated out of the research and  
9 development special fund the sum of \$1,000,000 or so much  
10 thereof as may be necessary for fiscal year 2018-2019 for the  
11 purposes set out in section 206M-A, Hawaii Revised Statutes.

12 The sum appropriated shall be expended by the Hawaii  
13 technology development corporation for the purposes of this Act.

14 SECTION 5. In codifying the new sections added by  
15 section 2 of this Act, the revisor of statutes shall substitute  
16 appropriate section numbers for the letters used in designating  
17 the new sections in this Act.

18 SECTION 6. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 2018.



**Report Title:**

Hawaii Technology Development Corporation; Research and Development Program; Research and Development Special Fund; Appropriation

**Description:**

Establishes the research and development program in the Hawaii technology development corporation to help Hawaii-based small businesses optimize research and development performed in Hawaii. Establishes the research and development special fund. Appropriates funds for the purposes of the research and development program. (CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

