

Honolulu, Hawaii

**February 13**, 2018

RE: H.B. No. 2556  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2556 entitled:

"A BILL FOR AN ACT RELATING TO INNOVATION BUSINESS,"

begs leave to report as follows:

The purpose of this measure is to expand and diversify Hawaii's economy by:

- (1) Establishing a research and development program within the Hawaii Technology Development Corporation to help Hawaii-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawaii;
- (2) Requiring the research and development program to, among other things, provide capital to support accelerated commercialization activities and provide grants for critical product development; and
- (3) Establishing a research and development special fund to provide funding for the research and development program.

The Chamber of Commerce Hawaii, Oceanit, Oahu County  
Committee on Legislative Priorities of the Democratic Party of



Hawaii, Navatek, Makai Ocean Engineering, Inc., and three concerned individuals testified in support of this measure. The Hawaii Technology Development Corporation testified in support of the intent of this measure. The Department of Budget and Finance and Hawaii Strategic Development Corporation provided comments.

Your Committee has amended this measure by:

- (1) Deleting statutory language stating that some of the purposes of the research and development program were to reverse the loss of a qualified workforce and to keep technology companies in Hawaii as that language would be more appropriately placed in a purpose section;
- (2) Clarifying that grants provided by the research and development program are for Hawaii-based small businesses;
- (3) Specifying that the proof of receipt of federal research and development tax credits by a Hawaii-based small business to qualify to receive funding from the research and development program be in the form of copies of the small business Federal Form 6765 credit for Increasing Research Activities as filed;
- (4) Clarifying that businesses meeting the requirements to receive funding from the research and development program shall be eligible to receive funding rather than automatically receive the funding;
- (5) Clarifying that the amount of funds received from the research and development program shall be equal to the average of the federal tax credit received for the prior three tax years;
- (6) Defining a small business as a business employing one-hundred individuals or less;
- (7) Changing its effective date to July 1, 2112, to facilitate further discussion; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2556, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2556, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,

*Cindy Evans*

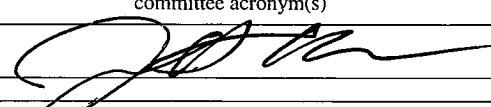
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CINDY EVANS, Chair



State of Hawaii  
House of Representatives  
The Twenty-ninth Legislature

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: <b>HB2996</b>	Committee Referral: <b>EDB/ FIN</b>	Date: <b>2/7/18</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)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. EVANS, Cindy (C)	/			
2. KEOHOKALOLE, Jarrett (VC)	/			
3. HOLT, Daniel	/			
4. ICHiyAMA, Linda				/
5. JOHANSON, Aaron Ling	/			
6. YAMASHITA, Kyle T.	/			
7. MATSUMOTO, Lauren Kealohilani	/			
TOTAL (7)	6			1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				