
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that to keep Hawaii's
2 community vibrant and the economy expanding, Hawaii needs to
3 focus on innovation sectors that will bring new dollars and
4 high-demand jobs to Hawaii's economy. As an island state,
5 research and development in ocean sciences is an intrinsic and
6 essential part of sustainability. Supporting and encouraging
7 more research and development in ocean and marine sciences will
8 foster and fuel innovative ideas and promote entrepreneurship
9 that will better position Hawaii for future economic growth and
10 expansion. Innovation as a result of research and development
11 contributes greatly to economic growth. It is oftentimes the
12 catalyst for change, job creation, and a higher standard of
13 living. Expanding Hawaii's research and development industry in
14 ocean sciences will bring in new dollars to the State's economy
15 and create a wide range of high-skilled, high-paying jobs for
16 young people so they may continue to live and work in Hawaii.



1 Research and development in ocean sciences may be vital to
2 Hawaii's future economic growth.

3 The purpose of this Act is to establish an ocean sciences
4 research income tax credit to foster research and development to
5 expand and diversify Hawaii's economy.

6 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§235- Ocean sciences research; tax credit. (a) There
10 shall be allowed to each small business subject to the taxes
11 imposed by this chapter an ocean sciences research tax credit
12 that shall be deductible from the taxpayer's net income tax
13 liability, if any, imposed by this chapter.

14 (b) The amount of the tax credit shall be equal to the
15 actual cost paid with an investment made into the qualified
16 entity for research and development in the field of ocean
17 sciences; provided that:

18 (1) A qualified entity may form a special purpose entity
19 for the purposes of raising investor capital and
20 claiming the credit on behalf of the qualified entity;



1 (2) The qualified entity, together with all of its special
2 purpose entities, including all partners and members
3 of the qualified entity and its special purpose
4 entities, shall not claim any credit in any one
5 taxable year that exceeds \$ _____ ; provided that
6 if the total amount of credits applied for in any
7 particular year exceeds the aggregate amount of
8 credits allowed for such year under this section the
9 excess shall be treated as having been applied for in
10 the subsequent year and shall be claimed in such year;
11 provided further that no excess shall be allowed to be
12 claimed after December 31, 2025; and

13 (3) In no event shall a qualified entity or any of its
14 special purposes entities, or any other taxpayer claim
15 a credit under this section after December 31, 2025.

16 (c) The credit allowed under this section shall be claimed
17 against the net income tax liability for the taxable year. If
18 the tax credit under this section exceeds the taxpayer's income
19 tax liability, the excess of the tax credit over liability may
20 be used as a credit against the taxpayer's net income tax
21 liability in subsequent years until exhausted. All claims,



1 including amended claims, for a tax credit under this section
2 shall be filed on or before the end of the twelfth month
3 following the close of the taxable year for which the credit may
4 be claimed. Failure to comply with the foregoing provision
5 shall constitute a waiver of the right to claim the credit.

6 (d) The director of taxation shall prepare any forms that
7 may be necessary to claim a credit under this section. The
8 director may also require the taxpayer to furnish information to
9 ascertain the validity of the claim for credit made under this
10 section. The director of taxation may adopt rules pursuant to
11 chapter 91 to effectuate the purposes of this section.

12 (e) Any taxpayer claiming a tax credit under this section,
13 within ninety days of the end of the calendar year in which the
14 credit is properly claimable, shall submit the following
15 information to the department of taxation:

16 (1) The amount of the eligible costs for which the tax
17 credit may be claimed; and

18 (2) The qualified entity that incurred the costs.

19 Failure to timely submit the information shall be subject to a
20 penalty of \$5,000 per month or a fraction thereof, not to exceed
21 \$25,000.



1 (f) This section shall not apply to taxable years
2 beginning after December 31, 2025.

3 (g) No other credit under this chapter shall be claimed
4 for expenses or costs paid with an investment made into a
5 qualified entity for which the credit was claimed under this
6 section.

7 (h) For the purposes of this section:

8 "Net income tax liability" means income tax liability
9 reduced by all other credits allowed under this section.

10 "Qualified entity" means an entity with the principal
11 purpose of research and development in the field of ocean
12 sciences as defined by the National American Industry
13 Classification System code 541715.

14 "Small business" means a business with:

15 (1) Fewer than one hundred employees; and

16 (2) An office located in the State."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act, upon its approval, shall apply to
19 taxable years beginning after January 1, 2050.



Report Title:

Ocean Sciences Research Tax Credit; Income Tax

Description:

Establishes the ocean sciences research tax credit. Effective for tax years beginning after January 1, 2050. (HD1)

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