

Honolulu, Hawaii

, 2020

FEB 14

RE: H.B. No. 2138
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2138 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to increase the aggregate cap amount of the tax credit for research activities from \$5,000,000 to \$25,000,000, to apply to taxable years beginning after December 31, 2020.

Your Committee received testimony in support of this measure from Oceanit; Chamber of Commerce Hawaii; Makai Ocean Engineering, Inc.; and Maui Chamber of Commerce. Your Committee received comments on this measure from the Department of Taxation, Hawaii Technology Development Corporation, and Tax Foundation of Hawaii.

While your Committee finds that this measure will support the growth of Hawaii's technology industry by providing necessary additional capital to assist businesses with their research and development activities, there may not be an ability to raise the aggregate cap amount of the tax credit for research activities to \$25,000,000 this fiscal year, and as such requests your Committee on Finance to examine an increase of \$10,000,000 from the cap.



Your Committee has amended this measure by:

- (1) Changing the aggregate cap amount of the tax credit for research activities to an unspecified amount; and
- (2) Changing its effective date to July 1, 2112, to encourage further discussion.

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. 2138, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2138, 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,



ANGUS L.K. MCKELVEY, Chair



