

STAND. COM. REP. NO. **357** -22

Honolulu, Hawaii

FEB 15 , 2022

RE: H.B. No. 2226
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 2226 entitled:

"A BILL FOR AN ACT RELATING TO THE TAX CREDIT FOR RESEARCH
ACTIVITIES,"

begs leave to report as follows:

The purpose of this measure is to amend the tax credit for
research activities by:

- (1) Adding a cap for an eligible taxpayer and its related
entities per taxable year;
- (2) Consolidating the survey and certification requirements
for the tax credit;
- (3) Amending the annual aggregate cap; and
- (4) Requiring certification on a first-come, first-served
basis.

Your Committee received testimony in support of this measure
from the Hawaii Technology Development Corporation; Oceanit; and
Nalu Scientific, LLC. Your Committee received comments on this
measure from the Department of Taxation, Department of Budget and
Finance, and Tax Foundation of Hawaii.

2022-1274 HB2226 HD1 HSCR HMSO



Your Committee finds that the tax credit for research activities is important to the success of local research and high technology companies, as it allows these companies to remain competitive with mainland companies. This measure provides further clarity and consistency in the administration of the tax credit to foster job growth and diversify the State's economy.

Your Committee has amended this measure by:

- (1) Clarifying that the determination of when the Department of Business, Economic Development, and Tourism certifies a credit is based on the date, rather than the date and time, a completed application is received;
- (2) Clarifying that the Department of Business, Economic Development, and Tourism shall certify any remaining credits on a pro rata first-come, first-served basis if the total amount of allowable certified credits is not expended within the first twenty-four hours that applications are made available; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2226, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2226, H.D. 1, and be referred to your Committee on Finance.

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


SEAN QUINLAN, Chair



