

Honolulu, Hawaii APR 0 3' ²⁰²² RE: S.B. No. 2599 S.D. 1 H.D. 2

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 2599, S.D. 1, H.D. 1, 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:

- 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) Increasing the annual aggregate cap; and
- (4) Requiring certification on a first-come, first-served basis, to be determined on the date a complete application is received.

Your Committee received testimony in support of this measure from Oceanit; Nalu Scientific, LLC; and two individuals. Your Committee received comments on this measure from the Department of



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Taxation; Department of Business, Economic Development, and Tourism; Department of Budget and Finance; Hawai'i Technology Development Corporation; Makai Ocean Engineering; and Tax Foundation of Hawaii.

Your Committee has amended this measure by:

- Clarifying that the tax credit shall not be eligible for research that has been funded through tax exempt receipts, such as a grant or forgivable loan;
- (2) Changing the cap for an eligible taxpayer and its related entities per taxable year and the annual aggregate cap for all taxpayers to unspecified amounts; and
- (3) Making a technical, nonsubstantive amendment for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2599, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2599, S.D. 1, H.D. 2.

> Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA



State of Hawaii House of Representatives The Thirty-first Legislature



Record of Votes of the Committee on Finance

Bill/Resolution No.: SB 2599 SD1 HD1 EC	Pee Referral: Date: A - 4 - 22			
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)				
2. YAMASHITA, Kyle T. (VC)				
3. BRANCO, Patrick Pihana				
4. ELI, Stacelynn K.M.				
5. HOLT, Daniel				
6. ILAGAN, Greggor				
7. KOBAYASHI, Bertrand				
8. MARTEN, Lisa				
9. NISHIMOTO, Scott Y.				
10. PERRUSO, Amy A.				
11. SAYAMA, Jackson D.			1. 1	
12. TAM, Adrian K.				
13. TODD, Chris				
14. WILDBERGER, Tina				
15. McDERMOTT, Bob				
TOTAL (15)	14			
The recommendation is: Adopted Not Adopted If joint referral,				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				