

Honolulu, Hawaii

APR 03, 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:

- (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) 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



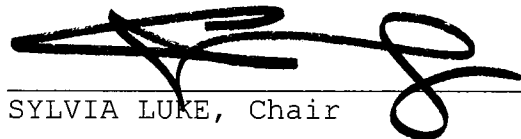
Taxation; Department of Business, Economic Development, and Tourism; Department of Budget and Finance; Hawai'i Technology Development Corporation; Makai Ocean Engineering; and Tax Foundation of Hawaii.

Your Committee has amended this measure by:

- (1) 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 LUKE, Chair



