Honolulu, Hawaii

MAR 0 4 2022

RE: S.B. No. 2599
        S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

    Your Committee on Ways and Means, to which was referred S.B. No. 2599 entitled:

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

begs leave to report as follows:

    The purpose and intent of this measure is to amend certain requirements and limitations of the tax credit for research activities.

    More specifically, this measure:

(1)   Establishes a cap on the amount of tax credits for research activities that an eligible taxpayer and the taxpayer's related entities may receive per taxable year;

(2)   Requires every qualified high technology business, to be eligible to receive tax credits for research activities, to submit additional information to the Department of Business, Economic Development, and Tourism;

(3)   Amends the annual aggregate cap on tax credits for research activities that the Department of Business, Economic Development, and Tourism may certify; and

(4)   Requires certification of tax credits for research
       activities on a first-come, first-served basis to be
       based on the date and time that a complete application
       is received, subject to certain conditions.

Your Committee received testimony in support of this measure
from the Hawaii Technology Development Corporation; Oceanit
Laboratories, Inc.; Nalu Scientific, LLC; Simonpietri Enterprises,
LLC; and one individual.

Your Committee received comments on this measure from the
Department of Budget and Finance; Department of Business, Economic
Development, and Tourism; Department of Taxation; and Tax
Foundation of Hawaii.

Your Committee finds that establishing a cap amount on the
tax credit for research activities will allow a greater number of
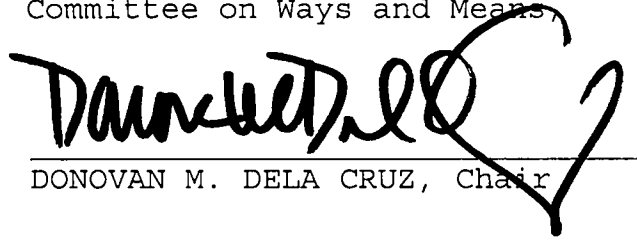companies to receive the tax credit.

Your Committee has amended this measure by:

(1)   Clarifying the entities that are subject to the cap
       amount on the tax credit for research activities;

(2)   Clarifying that the Department of Business, Economic
       Development, and Tourism shall certify the tax credit
       for research activities on a first-come, first-served
       basis, based on the date that a complete application is
       received; provided that complete applications received
       on the same date shall be certified on a pro rata basis;

(3)   Changing the effective date to July 1, 2050, to
       facilitate further discussion on the measure; and

(4)   Making technical nonsubstantive changes for purposes of
       clarity, consistency, and style.

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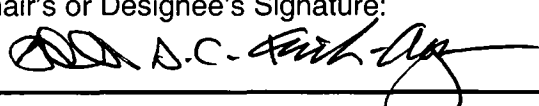be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

_____
DONOVAN M. DELA CRUZ, Chair

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB2599	WAM	2/22/22

☐ The Committee is reconsidering its previous decision on this measure.

   If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended   ☒ Pass, with amendments   ☐ Hold   ☐ Recommit
   2312   2311   2310   2313

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MISALUCHA, Bennette E.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	11			

Recommendation:

☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

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*Only <u>one</u> measure per Record of Votes