
A BILL FOR AN ACT

RELATING TO RESEARCH ACTIVITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 235-110.91, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (f) to read:

4 "(f) If in any taxable year the annual amount of certified
5 credits reaches [~~\$5,000,000~~] \$15,000,000 in the aggregate, the
6 department of business, economic development, and tourism shall
7 immediately discontinue certifying credits and notify the
8 department of taxation. In no instance shall the department of
9 business, economic development, and tourism certify a total
10 amount of credits exceeding [~~\$5,000,000~~] \$15,000,000 per taxable
11 year. To comply with this restriction, the department of
12 business, economic development, and tourism shall certify
13 credits on a first come, first served basis.

14 The department of taxation shall not allow the aggregate
15 amount of credits claimed to exceed that amount per taxable
16 year."

17 2. By amending subsections (n) and (o) to read:



1 "(n) This section shall not apply to taxable years
2 beginning after December 31, [~~2024.~~] 2029.

3 (o) As used in this section:

4 "Qualified high technology business" [~~shall have the same~~
5 ~~meaning as in section 235-7.3(e).~~] means a small business that
6 conducts more than fifty per cent of its activities in qualified
7 research in the State and is registered to do business in the
8 State.

9 "Qualified research" shall have the same meaning as in
10 section 41(d) of the Internal Revenue Code.

11 "Qualified research expenses" shall have the same meaning
12 as in section 41(b) of the Internal Revenue Code; provided that
13 it shall not include research expenses incurred outside of the
14 State.

15 "Small business" means a company with no more than five
16 hundred employees, including affiliates."

17 SECTION 2. Act 261, Session Laws of Hawaii 2019, is
18 amended by amending section 5 to read as follows:

19 "SECTION 5. This Act shall take effect upon its approval;
20 provided that:



1 (1) Section 2 shall apply to taxable years beginning after
2 December 31, 2019; and

3 (2) Part II shall take effect on December 31, [~~2024.~~]
4 2029."

5 SECTION 3. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on July 1, 3000, and
8 shall apply to taxable years beginning after December 31, 2023.



Report Title:

Tax Credit for Research Activities; Small Business

Description:

Narrows the qualifying criteria for research activities tax credits to applicants who are small businesses registered in the State. Increases the maximum amount of tax credits that can be certified per year. Extends the sunset date of the research activities tax credit by five years. Effective 7/1/3000. (HD1)

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