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# A BILL FOR AN ACT

RELATING TO TAXATION.

**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~~] \_\_\_\_\_ 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~~] \_\_\_\_\_ 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(c).~~] means a for-profit  
6 corporation, limited liability company, partnership, limited  
7 partnership, sole proprietorship, or other legal entity that:

8           (1) Is registered to do business in the State;

9           (2) Is independently owned and operated;

10          (3) Employs fewer than five hundred full-time or part-time  
11 employees in the State, including affiliates; and

12          (4) Conducts more than fifty per cent of its activities in  
13 qualified research.

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

16          "Qualified research expenses" shall have the same meaning  
17 as in section 41(b) of the Internal Revenue Code; provided that  
18 it shall not include research expenses incurred outside of the  
19 State."

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



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

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

5 (2) Part II shall take effect on [~~December 31, 2024.~~]  
6 January 1, 2030."

7 SECTION 3. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 4. This Act shall take effect on January 1, 2060,  
10 and shall apply to taxable years beginning after December 31,  
11 2023; provided that, on December 31, 2029, section 1 of this Act  
12 shall be repealed and section 235-110.91, Hawaii Revised  
13 Statutes, shall be reenacted in the form in which it read on the  
14 day prior to the effective date of this Act.



**Report Title:**

Tax Credit; Research Activities

**Description:**

Amends the tax credit for research activities by: (1) increasing the total amount of certified credits to an unspecified amount; (2) extending the sunset date of the credit to 12/31/29; and (3) amending the definition of qualified high technology businesses that are eligible to claim the credit. Takes effect 1/1/2060.  
(SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

