

JAN 19 2024

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that upgrading and
2 modernizing equipment necessary for data storage will improve
3 the resilience against physical damage caused by weather-related
4 events and cybersecurity threats and ensure the continued,
5 uninterrupted provision of services to Hawaii businesses, state
6 government and satellite agencies, and residents.

7 Leveraging modern and up-to-date technology to support
8 critical operation systems is a significant benefit of data
9 center operations, where one of the core missions is to stay at
10 the forefront of technological advancements, enabling reliable
11 data access 99.999 per cent of the time.

12 In mid-2023, dozens of Hawaii business in health care,
13 airline, and finance fields, and state agencies, were
14 operationally disrupted due to a local data outage, frustrating
15 customers and residents.

16 Over the last decade, Hawaii has adopted various tax
17 incentives to encourage the development of high-technology



1 businesses in the State. The focus on high-technology is
2 commendable and recognized as a policy direction that will yield
3 greater investment from within and outside of the State.

4 Accordingly, the purpose of this Act is to temporarily
5 reinstate the technology infrastructure renovation tax credit
6 and expand the definition of "technology-enabled infrastructure"
7 to include data servers.

8 SECTION 2. Section 235-110.51, Hawaii Revised Statutes, is
9 amended by amending subsections (h) and (i) to read as follows:

10 "(h) The tax credit allowed under this section shall [~~not~~]
11 be available for taxable years beginning after [~~December 31,~~
12 ~~2010.~~]:

13 (1) December 31, 2000, but shall not be available for
14 taxable years beginning after December 31, 2010; and

15 (2) December 31, 2023, but shall not be available for
16 taxable years beginning after December 31, 2026.

17 (i) As used in this section:

18 "Data server" means a computer system used to hold large
19 amounts of electronic data and provide database management and
20 access services to client computers on a computer network.



1 "Net income tax liability" means income tax liability
2 reduced by all other credits allowed under this chapter.

3 "Renovation costs" means costs incurred after December 31,
4 2000, to plan, design, install, construct, and purchase
5 technology-enabled infrastructure equipment to provide a
6 commercial building with technology-enabled infrastructure.

7 "Technology-enabled infrastructure" means:

8 (1) Either:

9 [+1+] (A) High speed telecommunications systems that
10 provide [~~Internet~~] internet access, direct satellite
11 communications access, and videoconferencing
12 facilities; or

13 (B) Data Servers;

14 (2) Physical security systems that identify and verify
15 valid entry to secure spaces, detect invalid entry or
16 entry attempts, and monitor activity in these spaces;

17 (3) Environmental systems to include heating, ventilation,
18 air conditioning, fire detection and suppression, and
19 other life safety systems; and

20 (4) Backup and emergency electric power systems."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act, upon its approval, shall apply to
4 taxable years beginning after December 31, 2023.

5

INTRODUCED BY: _____

A handwritten signature in black ink, written over a horizontal line. The signature is stylized and appears to be 'J. P. ...'.

S.B. NO. 2527

Report Title:

Technology Infrastructure Renovation Tax Credit; Reinstatement;
Technology-Enabled Infrastructure; Data Servers

Description:

For taxable years beginning after December 31, 2023, temporarily reinstates the Technology Infrastructure Renovation Tax Credit and expands the definition of "technology-enabled infrastructure" to include data servers.

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

