

STAND. COM. REP. NO. 2168

Honolulu, Hawaii

FEB 07 2024

RE: S.B. No. 2497
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,
to which was referred S.B. No. 2497 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the tax
credit for research activities by:

- (1) Increasing the total amount of certified credits to
\$10,000,000 through 2029;
- (2) Extending the sunset date of the credit; and
- (3) Amending the definition of qualified high technology
businesses that are eligible to claim the credit.

Your Committee received testimony in support of this measure
from the Hawaii Technology Development Corporation; Chamber of
Commerce Hawaii; Makai Ocean Engineering, Inc.; Hawaii Fish
Company, Inc.; Oceanit; Hawaii Aerospace Corporation; and PacMar
Technologies.

Your Committee received comments on this measure from the
Department of Taxation, Department of Attorney General, and Tax
Foundation of Hawaii.



Your Committee finds that the original \$5,000,000 annual cap for the income tax credit for research activities was reached almost as soon as online applications were opened. In 2022, out of the twenty-six companies that applied for the tax credit, only nine have received the credit due to the existing annual cap. This measure will support a wider distribution of tax credits to qualified companies for a longer period and will be effective in stimulating the local economy and creating quality jobs in the State.

Your Committee notes that the Senate Draft 1 of this measure contains an unspecified annual cap for the total amount of certified credits. Should your Committee on Ways and Means choose to deliberate on this measure, your Committee respectfully requests that it consider the annual total amount of certified credits to be \$10,000,000 for the tax credit on research activities.

Your Committee has amended this measure by:

- (1) Amending the definition of "qualified high technology business" by removing the word "domiciled";
- (2) Replacing the \$10,000,000 for the total amount of certified credits with an unspecified amount;
- (3) Inserting an effective date of January 1, 2060, to encourage further discussion; and
- (4) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2497, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2497, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,


LYNN DECOITE, Chair



The Senate
Thirty-Second Legislature
State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 2497</i>	<i>EET, WAM</i>	<i>2-1-24</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DECOITE, Lynn (C)	/			
WAKAI, Glenn (VC)				/
FUKUNAGA, Carol	/			
KIM, Donna Mercado	/			
FEVELLA, Kurt				/
TOTAL	<i>3</i>	<i>0</i>	<i>0</i>	<i>2</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Donna Mercado Kim</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes