Honolulu, Hawaii

MAR 0 3 2023

RE: S.B. No. 951
        S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

    Your Committee on Ways and Means, to which was referred S.B.
No. 951, S.D. 1, 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 facilitate the
administration of the tax credit for research activities.

    Specifically, the measure:

(1) Limits to $1,500,000 the amount of tax credits for
     research activities that an eligible taxpayer and the
     taxpayer's related entities may receive per taxable
     year;

(2) Consolidates the survey and certification requirements
     for tax credits for research activities;

(3) Increases from $5,000,000 to $15,000,000 the annual
     aggregate cap on tax credits for research activities
     that the Department of Business, Economic Development,
     and Tourism may certify;

(4) Requires certification of the tax credits for research
     activities on a first-come, first-served basis to be

based on the date that a complete application is
received, subject to certain conditions; and

(5)   Extends from December 31, 2024, to December 31, 2029,
        the sunset date for the tax credit.

Your Committee received written comments in support of this
measure from High Technology Development Corporation and Makai
Ocean Engineering, Inc.

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

Your Committee finds that the tax credit for research
activities makes the State competitive in the global technology
industry. Your Committee believes that updating the statutory
provisions relating to the tax credit, as proposed by this
measure, will ensure that offering the tax credit continues to
facilitate efforts to diversify the State's economy and promote
job creation.
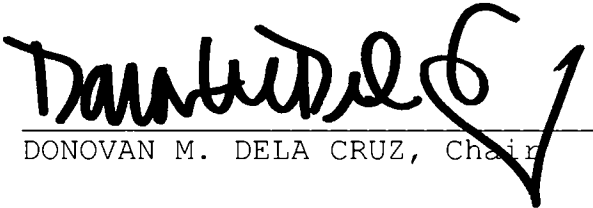
Your Committee has amended this measure by:

(1)   Deleting the requirement that a high technology business
        shall maintain and operate a physical place of business
        in the State where at least seventy-five per cent of the
        business' employees are located;

(2)   Inserting a definition of "small business", to mean "a
        company with no more than five hundred employees,
        including affiliates";

(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. 951, S.D. 1, as amended herein, and recommends that it pass
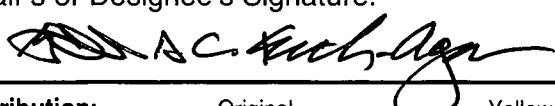Third Reading in the form attached hereto as S.B. No. 951, S.D. 2.

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

_____
DONOVAN M. DELA CRUZ, Chair

The Senate
Thirty-Second Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB951, SD1	EET, WAM	2/27/23

☐ 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			
AQUINO, Henry J.C.	X			
DECOITE, Lynn				X
INOUYE, Lorraine R.	X			•
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.				X
KIM, Donna Mercado	X			
LEE, Chris	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	11			2

Recommendation:
☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

[signature]

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