

Honolulu, Hawaii

MAR 22 , 2024

RE: S.B. No. 2497
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
S.B. No. 2497, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

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

- (1) Changing the total amount of certified credits to an
unspecified sum;
- (2) Extending the sunset date of the tax credit; and
- (3) Narrowing the qualifying criteria for the tax credit to
qualified high technology businesses that are small
businesses registered in the State.

Your Committee received testimony in support of this measure
from the Department of Business, Economic Development, and
Tourism; Hawaii Technology Development Corporation; Makai Ocean
Engineering, Inc.; H Nu Photonics LLC; Oceanit; Chamber of
Commerce Hawaii; Hawaii Food Industry Association; and one
individual. Your Committee received comments on this measure from
the Department of Taxation and Tax Foundation of Hawaii.



Your Committee finds that research activities have been shown to be effective in stimulating regional or state technology and research and development sectors. Your Committee further finds that for the past two years, the existing maximum amount of \$5,000,000 for the tax credit for research activities is often reached very quickly after applications for the tax credit open, leaving many eligible businesses unable to take advantage of the tax credit. This measure will amend the maximum amount of the tax credit for research activities while narrowing the qualifying criteria for the tax credit to small businesses to allow for more research and development companies to qualify for the credit and benefit small businesses in the research sector.

Your Committee has amended this measure by:

- (1) Repealing the provision that excluded the applicability of the base amount in the Internal Revenue Code in determining qualified research expenses;
- (2) Amending the definition of "qualified high technology business";
- (3) Inserting a definition for "small business";
- (4) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider amending the maximum aggregate amount of tax credits for research activities that can be certified per year to \$15,000,000.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2497, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2497, S.D. 2, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



DANIEL HOLT, Chair



