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STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2527, S.D. 1, Relating to Taxation.

**BEFORE THE:**

House Committee on Higher Education and Technology

**DATE:** Friday, March 15, 2024  
**TIME:** 2:00 p.m.  
**LOCATION:** State Capitol, Room 309

Chair Perruso, Vice-Chair Kapela, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 2527, S.D. 1 for your consideration.

S.B. 2527, S.D. 1 amends section 235-110.51, Hawaii Revised Statutes (HRS), to temporarily reinstate the Technology Infrastructure Renovation Tax Credit. The bill currently has a placeholder effective date of July 1, 2050, but would apply to taxable years 2025 and 2026.

The bill expands the definition of "technology-enabled infrastructure" to include data servers, defined as computer systems "designed and configured for the process, storage, retrieval, and management of electronic data and provide database management and access services to client computers on a computer network." The bill also expands the definition of renovation costs to include costs to "repair, replace, monitor, or test" technology-enabled infrastructure. The bill further expands the credit by deleting the limitation that costs be incurred for commercial buildings.

If the committee advances this bill with a functional effective date, the Department can administer S.B. 2527, S.D. 1 as written.

Thank you for the opportunity to provide comments on this measure.



**TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
HIGHER EDUCATION & TECHNOLOGY**

**SB 2527, SD1  
Relating to Taxation**

Friday, March 15, 2024  
2:00 PM  
State Capitol, Conference Room 309

Ruthie Griffin  
Director, Enterprise Architecture and Planning  
Hawaiian Electric

Dear Chair Perruso, Vice Chair Kapela, and Members of the Committee,

My name is Ruthie Griffin, and I am testifying on behalf of Hawaiian Electric in support of SB 2527, SD1, Relating to Taxation to temporarily reinstate the technology infrastructure renovation tax credit and expand the definition of “technology-enabled infrastructure” to include data servers.

Hawaiian Electric strives to provide resilient services to our community, which requires us to keep our technology infrastructure modernized and to implement effective systems to protect us from growing cybersecurity threats and from physical damage caused by weather-related events. Reinstating the tax credits makes these efforts more cost effective for Hawaiian Electric, thereby increasing our ability to provide more cost-effective services to our customers and the community.

Accordingly, Hawaiian Electric supports SB 2527, SD1. Thank you for this opportunity to testify.



**IN SUPPORT OF SB 2527, SD1  
RELATING TO TAXATION**

House Committee on Higher Education & Technology  
The Honorable Amy A. Perruso, Chair  
The Honorable Jeanne Kapela, Vice Chair

Friday, March 15, 2024; 2:00 p.m.  
Conference Room 309 & Videoconference  
Hawaii State Capitol; 415 South Beretania Street

Chair Perruso, Vice Chair Kapela, and members of the Committee,

Thank you for this opportunity to offer our support for SB 2527, SD1, Relating to Taxation. My name is Richard Zheng, President and CEO of Servpac.

As a locally owned company established in 2004, Servpac has evolved from a Hawaii telecommunications provider to an all-in-one cloud-based technology solution, offering high speed fiber internet, VoIP phones, cloud computing, data center colocation and managed IT services. We understand the unique challenges that Hawaii's businesses face and we provide customized solutions to keep them connected in a mission-critical world.

Data centers and fiber optic networks are key contributors to the development and expansion of Hawaii's high-tech sector. These infrastructures facilitate the creation of high-paying jobs in the technology industry, thereby diversifying Hawaii's economy.

The 4% tax credit, although temporary, can have enduring effects as Hawaii strives to establish itself as a leader in the digital economy. With the growing demand for data, equipment becomes a vital component of every business, thereby retaining funds and jobs within Hawaii.

The state's emphasis on high-technology is praiseworthy. The policy direction suggests that state investments will attract further investments both locally and internationally, enhancing Hawaii's economic environment.

Mahalo for allowing Servpac to share our perspectives on SB 2527, SD1.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Reinstate Technology Infrastructure Renovation Tax Credit, include data servers

**BILL NUMBER:** SB 2527 SD 1

**INTRODUCED BY:** Senate Committee on Ways and Means

**EXECUTIVE SUMMARY:** For taxable years beginning after December 31, 2024, temporarily reinstates the Technology Infrastructure Renovation Tax Credit and expands the definition of "technology-enabled infrastructure" to include data servers.

**SYNOPSIS:** Amends section 235-110.51(b) and (c), HRS to delete the requirement that costs be incurred for commercial buildings.

Amends section 235-110.51(h), HRS, to add language reinstating the credit for taxable years beginning after December 31, 2024, and before January 1, 2027.

Amends section 235-110.51(i), HRS, to add "data servers" to the definition of "technology-enabled infrastructure" eligible for creditable renovation costs. Adds a definition of "data server" as "a computer system designed and configured for the process, storage, retrieval, and management of electronic data and provide database management and access services to client computers on a computer network."

Amends definition of "renovation costs" in section 235-110.51(i), HRS, to add repair, replace, monitor, test or purchase technology-enabled infrastructure machinery and equipment.

Makes conforming amendments.

**EFFECTIVE DATE:** July 1, 2050, and shall apply to taxable years beginning after December 31, 2024.

**STAFF COMMENTS:** The legislature by Act 221, SLH 2001, enacted a credit of 4% of the "high tech" renovation costs incurred during the taxable year for a commercial building for costs incurred after December 31, 2000, but before January 1, 2006. Act 215, SLH 2004, extended the credit until December 31, 2010. This measure proposes to reestablish the technology infrastructure renovation tax credit that expired on December 31, 2010.

Substantively, over the last decade, Hawaii has adopted various tax incentives to encourage the development of high technology businesses in the state. The acts provided investment and research credits as well as income exclusions providing tax relief to high tech businesses and individuals associated with high tech businesses. While the focus on high technology in the last few years is commendable, it fails to recognize that investments are made with the prospect that the venture will yield a profit. If the prospects for making a profit are absent, no amount of tax credits will attract investment from outside Hawaii's capital short environment. People do not

Re: SB 2527 SD 1

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invest to lose money. It should be remembered that until Hawaii's high cost of living can be addressed, all the tax incentives in the world will not make a difference in attracting new investment to Hawaii. The only attractive aspect for resident investors to plow money into such activities is the fact that the credit provides a way to avoid paying state taxes.

Digested: 3/13/24



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Higher Education and Technology**  
**Friday, March 15, 2024 at 2:00PM**  
**Conference Room 309**

**RE: SB2527 SD1 Relating to Taxation**

Aloha Chair Perruso, Vice Chair Kapela, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **submits comments on SB2527 SD1**, which would temporarily reinstate the technology infrastructure renovation tax credit.

The Chamber **supports the intent of this measure and requests the bill be amended to include investments to construct broadband facilities in Hawaii**. It's imperative to emphasize the transformative power that access to high-speed fiber internet and related services holds in addressing the digital equity requirements of every household. Broadband is an indispensable tool for facilitating essential functions across various sectors, including commerce, governance, healthcare, education, remote employment, and social connectivity. By ensuring widespread access to robust broadband infrastructure, we take significant strides towards bridging the digital divide, particularly in regions such as rural areas and Hawaiian Homelands. Regulatory burdens and the cost to bring in machinery and equipment to Hawai'i is significantly higher compared to other states. These barriers impede progress and underscore the urgency of implementing measures to alleviate such burdens, thereby fostering greater accessibility and inclusivity in our digital landscape.

Congress took a significant step forward by allocating \$65 billion to assist states and U.S. territories in narrowing the digital divide, primarily through the federal Infrastructure Investment and Jobs Act (IIJA) and the Broadband Equity, Access, and Deployment (BEAD) programs in November 2021. Hawai'i stands to benefit from over \$300 million in federal funding earmarked for broadband deployment and services. While these federal funds offer a temporary injection of resources for broadband infrastructure and services, we support efforts for the State to further leverage federal IIJA and BEAD funds in conjunction with private sector partnerships.

This would be particularly crucial in addressing the digital gap in underserved regions such as Leeward and Windward Oahu and the neighbor islands, where access to broadband is significantly lower than metropolitan areas like Honolulu. Additionally, the temporary reintroduction of tax credits for infrastructure renovations plays a pivotal role in seizing this once-in-a-generation opportunity to extend broadband infrastructure to areas currently lacking services. By strategically combining federal resources, private sector collaboration, and supportive tax incentives, we can ensure that no community is left behind in the digital age.



# Chamber *of* Commerce HAWAII

*The Voice of Business*

For these reasons, The Chamber urges the committee to consider the requested amendments. We are prepared to collaborate with your Committee, the Hawai'i Department of Taxation, and other relevant stakeholders to advance investments in technology. These investments promise significant returns for our state, not only through enhanced revenue but also through the creation of employment opportunities and increased economic activity stimulated by broadband infrastructure investments.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Thank you for the opportunity to testify.



Charter Communications  
Testimony of Rebecca Lieberman, Director of Government Affairs

**HOUSE COMMITTEE ON HIGHER EDUCATION & TECHNOLOGY**

Hawaii State Capitol  
Friday, March 15, 2024

**SUPPORT OF S.B. 2527, S.D. 1 – RELATING TO TAXATION**

Chair Perruso, Vice Chair Kapela, and Members of the Committee.

Thank you for the opportunity to testify in strong support of S.B. 2527, S.D. 1, a bill that would temporarily reinstate the technology infrastructure renovation tax credit.

As the largest broadband provider in the state, Charter supports efforts to expand broadband access. Charter believes that every Hawaii resident should have reliable access to the Internet. We will continue to help bring the benefits of broadband and access to the internet to those who need it most.

Hawaii is slated to receive millions of dollars in federal grants for broadband infrastructure in the immediate future (via the Coronavirus Capital Project Fund and Broadband, Equity, Access, and Deployment Program). This is a unique opportunity for the state to partner with the private sector to connect many unserved residents in rural and remote areas throughout Hawaii. This tax credit would increase network investment and broadband penetration. Providers can reinvest these savings into additional projects in unserved areas, maximizing the benefits of the federal aid. Additionally, the new



economic activity generated by increased broadband network investment will generate substantial offsetting revenues for state and local governments as new employment and economic activity generates tax revenue.

In 2021 and 2022, Charter extended its network to reach an additional 27,000 homes and small businesses in Hawaii, investing more than \$200 million across the state. Charter is a member of DBEDT's weekly Broadband Hui to assist in strategic broadband planning and closing the digital divide. Additionally, Charter participated in the FCC's Emergency Broadband Benefit Program (EBB) and is now participating in the \$14.2 billion federal Affordable Connectivity Program (ACP). The EBB, and now the ACP, helped connect over 59,000 eligible households in Hawaii with high-speed broadband during the COVID-19 pandemic.

Mahalo for the opportunity to provide testimony in support of S.B. 2527, S.D. 1.