

JAN 15 2025

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 businesses in the health
13 care, airline, and finance fields as well as 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 as follows:

10 1. By amending subsections (b) and (c) to read:

11 "(b) The amount of the credit shall be four per cent of
12 the renovation costs incurred during the taxable year [~~for each~~
13 ~~commercial building located~~] in Hawaii.

14 (c) In the case of a partnership, S corporation, estate,
15 trust, or [~~any developer of a commercial building,~~] other entity
16 taxed as a partnership for federal income tax purposes, the tax
17 credit allowable is for renovation costs incurred by the entity
18 for the taxable year. The cost upon which the tax credit is
19 computed shall be determined at the entity level. Distribution
20 and share of credit shall be determined pursuant to section
21 235-110.7(a)."



1 2. By amending subsections (h) and (i) to read:

2 "(h) The tax credit allowed under this section shall ~~[not]~~
3 be available for taxable years beginning after December 31,
4 ~~[2010-]~~ 2025, but shall not be available for taxable years
5 beginning after December 31, 2027.

6 (i) As used in this section:

7 "Data server" means a computer system that is designed and
8 configured for the process, storage, retrieval, and management
9 of electronic data and that provides database management and
10 access services to client computers on a computer network.

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

13 "Renovation costs" means costs incurred after December 31,
14 2000, to: plan, design, install, construct, ~~and~~ repair,
15 replace, monitor, test, or purchase technology-enabled
16 infrastructure machinery and equipment ~~to~~; or provide a
17 commercial building with technology-enabled infrastructure.

18 "Technology-enabled infrastructure" means:

19 (1) Either:

20 ~~[(1)]~~ (A) High speed telecommunications systems that
21 provide ~~[Internet]~~, in whole or in part, internet



1 access, direct satellite communications access,
2 and videoconferencing facilities; or

3 (B) Data servers;

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

7 (3) Environmental systems to include heating, ventilation,
8 air conditioning, fire detection and suppression, and
9 other life safety systems; and

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

11 SECTION 3. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on July 1, 2025, and
14 shall apply to taxable years beginning after December 31, 2025.

15

INTRODUCED BY:





Report Title:

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

Description:

For taxable years beginning after December 31, 2025, temporarily reinstates the Technology Infrastructure Renovation Tax Credit and expands the definition of "technology-enabled infrastructure" to include data servers.

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