

## ACT 141

S.B. NO. 3000

A Bill for an Act Relating to Innovation Business.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that in order to keep our community vibrant and our economy expanding, Hawaii will need to focus on sectors that will bring new dollars to Hawaii's economy. A research innovation sector that fosters a research environment to fuel innovative ideas and promote entrepreneurship will better position Hawaii for future economic growth and expansion. There is no question that innovation as a result of research and development contributes greatly to economic growth. It is oftentimes the catalyst for change, job creation, and a higher standard of living. Expanding Hawaii's research and development industry will bring in new dollars to our State's economy and create a wide range of high-skilled, high-paying jobs for our young people so they may continue to live and work in Hawaii. The research and development sector is vital to Hawaii's future economic growth.

The purpose of this Act is to build on the successes of Hawaii's science and technology industries and establish a research and development program and a research and development special fund with the intention of turning research and development into commercially viable products and services to expand and diversify Hawaii's economy.

SECTION 2. Chapter 206M, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

**“§206M-A Research and development program established.** (a) There is established within the development corporation, the research and development program, to help Hawaii-based small businesses optimize research and development performed in Hawaii.

(b) Subject to available funds, the research and development program shall:

- (1) Apply the research and development special fund to support product development, technology transfer, and commercialization;

- (2) Provide capital to support accelerated commercialization activities for qualified Hawaii-based small businesses;
  - (3) Provide capital to sustain high-potential infrastructure development to assist qualified Hawaii-based small businesses towards commercial success;
  - (4) Promote efforts that reverse the loss of qualified workers to other states by providing jobs to retain existing Hawaii technology employees and enable highly qualified scientists and engineers to return to living-wage jobs in Hawaii;
  - (5) Promote efforts that keep technology companies in Hawaii by limiting the need to seek out-of-state venture capital, which dilutes local ownership and increases the probability of high-potential technology companies moving from Hawaii; and
  - (6) Provide grants of up to \$300,000 for critical product development that enables a qualified Hawaii-based small business to achieve significant product development and technical milestones.
- (c) To receive funding, a Hawaii-based small business shall submit to the development corporation proof of the federal research and development tax credits received. Proof shall be in the form of copies of the small business Internal Revenue Service Form 6765 Credit for Increasing Research Activities as filed. The business shall be eligible to receive a grant in an amount equal to the average of the federal tax credit for the prior three tax years.
- (d) In reviewing grant applications pursuant to this section, the development corporation shall analyze each application to determine whether the item to be undertaken will be economically viable and beneficial to the State.
- (e) The development corporation may adopt rules pursuant to chapter 91 necessary to carry out the purposes of this section.
- (f) For purposes of this section:  
 “Hawaii-based small business” means a company:
- (1) Headquartered in the State;
  - (2) Doing business in the State for not less than five years; and
  - (3) Employing fifteen or more residents with income subject to taxation pursuant to chapter 235.
- “Resident” shall have the same meaning as in section 235-1.

**§206M-B Research and development special fund; established.** There is established in the treasury of the State of Hawaii the research and development special fund to be administered by the development corporation pursuant to section 206M-A.”

**SECTION 3.** There is appropriated out of the general revenues of the State of Hawaii the sum of \$1,000,000 or so much thereof as may be necessary for fiscal year 2018-2019 to be deposited into the research and development special fund.

**SECTION 4.** There is appropriated out of the research and development special fund the sum of \$1,000,000 or so much thereof as may be necessary for fiscal year 2018-2019 for the purposes set out in section 206M-A, Hawaii Revised Statutes.

The sum appropriated shall be expended by the Hawaii technology development corporation for the purposes of this Act.

**SECTION 5.** In codifying the new sections added by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

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**SECTION 6.** New statutory material is underscored.<sup>1</sup>

**SECTION 7.** This Act shall take effect on July 1, 2018.

(Approved July 5, 2018.)

### **Note**

1. Edited pursuant to HRS §23G-16.5.