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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2013-24

RE: Act 270, Session Laws of Hawaii 2013, Relating to Economic Development

On July 9, 2013, Governor Neil Abercrombie signed into law Senate Bill 1349, S.D. 2, H.D. 1, C.D. 1, as Act 270, Session Laws of Hawaii 2013 (Act 270). Act 270 is effective July 1, 2013 and the credit may be claimed for taxable years beginning after December 31, 2012 and sunsets for taxable years beginning after December 31, 2019.

Act 270 reenacts the Hawaii Tax Credit for Research Activities (TCRA), adds, amends, and deletes definitions, establishes new reporting requirements, and requires the Department of Business, Economic Development, and Tourism to conduct studies to measure the effectiveness of the tax credit and to submit reports to the legislature.

In particular, Act 270 adopts Internal Revenue Code (IRC) §41 as of December 31, 2011, with the further requirement that Qualified Research Expenses does not include research expenses incurred outside of the State. If the amount of the credit exceeds the amount of the taxpayer's tax liability (if any) for the applicable tax year, the difference is refunded to the taxpayer.

Act 270 adopts the base amount as set forth under IRC §41(c), such that only the increasing incremental amounts are eligible for the credit. Act 270 also requires that in order for a taxpayer to claim the Hawaii TCRA, said taxpayer must also claim the federal tax credit for increasing research activities under IRC §41.

For more information on this issue, please contact the Rules Office at 808-587-1577 or by e-mail at Tax.Rules.Office@hawaii.gov.

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