

# HAWAII STATE R&D TAX CREDIT

## ELIGIBILITY

In order to qualify for this credit, taxpayers must be a qualified high technology business (QHTB) as defined under section 235-7.3(c), HRS in Hawaii and must meet the following requirements:

1. The credit must be certified by the Department of Taxation. The certified statement is obtained by filing Form N-346A **before** the last day of the third month following the close of the taxable year.
2. The QHTB must complete an annual survey as prescribed by the Department of Business, Economic Development, and Tourism (DBEDT).
3. Taxpayers must qualify and claim the Federal R&D credit (using federal Form 6765) prior to claiming the Hawaii R&D credit as it is the baseline for calculating the Hawaii R&D credit.

Taxpayers can claim the R&D Tax Credit to use as a tax offset. The credit is refundable.

## CALCULATING THE BENEFIT

The Hawaii R&D Credit is claimed using HI Form N-346. Form N-346 is submitted with the annual Hawaii state return.

The credit is calculated by multiplying the federal tax credit for increasing research activities by a fraction, the numerator of which is the amount of eligible research expenses for research conducted in Hawaii and the denominator of which is the amount of expenses eligible for the federal tax credit for increasing research activities.

## UTILIZATION

The tax credit may be used to offset the Hawaii tax liability. Any amount in excess of the tax liability may be refundable.

The deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year.

## SUMMARY OF STATE CREDIT

- Form: **N-346**
- Effective: **2013**
- Expiration: **December 31, 2024**
- Calc Rate: **% of R&D conducted in Hawaii multiplied by the total federal credit**
- Carry-forward: **No**
- Offset: **State tax liability**
- Refund: **Yes**

\*Assuming 100% of the QREs are conducted in Hawaii.

YR	TOTAL QRES	CREDIT CALCULATION	HI CREDIT
2019	\$750k	1) Calculate Federal Credit:	\$18.6k
Prior Year Amounts		(a) Base Amount: $[(650 + 500 + 400) / 3] \times 50\% = 258.3$	
		(b) $750 - 258.3 = 491.7$	
2018	\$650k	(c) $491.7 \times 14\% = \$68.8k$	
2017	\$500k	2) % of Federal QREs in HI = 27%	
2016	\$400k	3) HI Tax Credit for Research Activities = $27\% \times 68.8$	