

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

TESTIMONY REGARDING SB 2266 RELATING TO TAX CREDITS

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 7, 2008

TIME: 1:15PM

ROOM: 224

This legislation amends the definition of "qualified high technology business" (QHTB) for purposes of the High Technology Business Investment tax credit to preclude as a qualifying entity, any entity that qualifies for the refundable 15% Motion Picture credit. This bill also amends the 15% Motion Picture credit by requiring that a qualified production hire 75% of its talent and crew from the local community.

The Department of Taxation has strong concerns with this measure.

I. STRONG SUPPORT FOR THE MOTION PICTURE INDUSTRY

The Department strongly supports the existing tax incentives for the motion picture industry and the economic activity this incentive has brought to Hawaii. Likewise, the Department also recognizes that additional incentives could help even further with continuing to build up Hawaii's talent and labor forces that provide services to this industry. However, the Legislature must ensure that the Hawaii Film Office, which implements a majority of this credit, is sufficiently staffed to carry out any extension of the existing credit.

II. THIS LEGISLATION COULD DRASTICALLY IMPACT THE GROWING FILM INDUSTRY

HAWAII INCENTIVES WOULD NO LONGER BE ATTRACTIVE—The State, including the Department of Taxation and especially the Hawaii Film Office, have worked diligently in promoting Hawaii's Motion Picture tax credit as a streamlined, competitive, and viable alternative to other tax incentives, including the Act 221 investment tax credit. Larger motion pictures that seek to film in Hawaii for a short period of time have sought out the Motion Picture tax credit because of its ease of use. Under this legislation, a motion picture would be precluded from qualifying for the

Motion Picture credit unless it hires 75% of local talent and crew. The Department is concerned that this requirement will preclude mainland productions from coming to Hawaii and investing outside dollars into Hawaii's economy with a production if its talent and labor choices will be substantially limited, as they will be under this bill. One very serious unintended impact of this legislation is that large-scale studio productions with the multi-million dollar budgets to invest in Hawaii will look elsewhere if the studio's creative abilities are in any way limited.

Hawaii must be focused on remaining competitive and attractive to the motion picture industry if this industry is a focus for expansion in Hawaii. This legislation will greatly impact Hawaii's attractiveness.

SMALL COMPANIES WILL BE HURT MOST—Another impact could be to drive out smaller local production companies. As this bill is drafted, a qualified production must hire 75% locally. Moreover, a production that qualifies for the Motion Picture credit is precluded from being a QHTB for Act 221 investment tax credit purposes. Assuming a local production with a meager budget of \$200,000 and a staff of all local talent, this production qualifies for the Motion Picture credit and is now specifically precluded from qualifying for the Act 221 investment tax credit. However, the smaller local industry is highly dependent upon the Act 221 investment tax credit that provides a 100% tax incentive for start-up money just to survive. Stated another way, a small local production company that otherwise qualifies for the Motion Picture credit cannot afford to wait for a 15% refundable credit. Small local productions need investment cash immediately, which can only be incentivized through the Act 221 investment credit for which this company will no longer qualify.

BUDGET IMPACTS COULD BE SEVERE IF LARGE PRODUCTIONS ARE FORCED TO CLAIM ACT 221—And, this legislation unwinds the budget neutrality that led to the passage of the 15% refundable Motion Picture credit. Act 88's revenue neutrality was made possible because the generous 15% credit would be claimed by larger-scale, multi-million dollar productions because it was easier and returned attractive revenues to the production. And, it was projected that the large-scale productions would stop claiming the 100% Act 221 investment tax credit. Under this bill, the budget neutral theory could be unwound because the large-scale productions that are from the mainland with non-local talent will be forced to claim the 100% Act 221 investment tax credit to the detriment of the general fund.

In essence, this legislation could result in an increase of large-scale productions with the time and resources to seek out investors to apply for the generous 100% investment tax credit; and a likely decrease in claims of the 15% Motion Picture credit because likely only smaller local companies will be in a position to claim the credit if mainland productions won't hire locally to the extent contemplated by this bill.

III. REVENUE ESTIMATE

This legislation will result in an indeterminate revenue impact due to lack of information relating to the shifting that will occur between credit claims.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGL
GOVERNO
THEODORE E. LI
DIRECTO
MARK K. ANDERSON
DEPUTY DIRECTO

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION
Thursday, February 7, 2008
1:15 p.m.
State Capitol, Conference Room 229

in consideration of
SB 2266
RELATING TO TAX CREDITS.

Chair Fukunaga, Vice-Chair Espero, and members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports the overriding intent of SB 2266, which is to ensure that as many of our local residents as possible are able to work on film productions. However, we must oppose SB2266 because we believe that the language as written may pose significant problems to implement, and we feel strongly that the existing educational and workforce development efforts of §235-17, HRS, Motion Picture, Digital Media, and Film Production Income Tax Credit, significantly benefit Hawaii's growing/thriving film industry.

We have serious concerns about several proposed amendments within this bill. SB 2266 seeks to change the qualifications of §235-7.3, HRS, Royalties Derived from Patents, Copyrights, or Trade Secrets Excluded from Gross Income. The intent of SB 2266 is to disqualify those businesses or productions that qualify for §235-17, HRS, Motion Picture, Digital Media, and Film Production Income Tax Credit from also benefiting from §235-7.3, HRS and 235-110.9, HRS. Further, SB 2266 seeks to mandate a 75% minimum hiring requirement from the local community for §235-17, HRS and eliminate the educational and workforce development requirements of this section.

We strongly discourage any amendments to §235-7.3, HRS, Royalties Derived from Patents, Copyrights, or Trade Secrets Excluded from Gross Income, §235-110.9

HRS, High Technology Business Investment Tax Credit and §235-17, HRS, Motion Picture, Digital Media, and Film Production Income Tax Credit. We have previously received advice from the Department of the Attorney General that a local hiring requirement may pose issues of constitutionality. Additionally, if we are not able to provide sufficient local crew to meet the requirement of the incentive, then §235-17, HRS, will cease to be an incentive and in fact will act as a disincentive for productions as they will choose filming locations in alternative jurisdictions that have a deeper crew base. SB 2266 seeks to eliminate the education/workforce development mandate, a critically important component of developing our local industry and ensuring that our film students and workforce have a robust industry in which to engage. We strongly recommend that this education/workforce development mandate, which has demonstrated great success thus far, remain intact.

We discourage any amendments to §235-17, HRS, (Act 88), §235-7.3, HRS, and §235-110.9, HRS, (Act 221/215) as we believe that these laws work in concert with each other to stimulate Hawaii's economy and develop the state's film and digital media industry. Act 221/215 works extremely well for those production entities that need to raise capital and Act 88 for those who have the resources but are just looking for the most cost efficient jurisdiction to expend those resources.

Thank you for this opportunity to offer these comments.



The Senate
The Twenty-Fourth Legislature
Regular Session of 2008

Committee on Economic Development and Taxation

Committee on Tourism and Government Operations

Thursday, February 7, 2008
1:15 p.m., State Capitol, Conference Room 224

TO: Senator Carol Fukunaga, Chair, Committee on Economic Development & Taxation
Senator Will Espero, Vice Chair, Committee on Economic Development & Taxation
Senator Clarence K. Nishihara, Chair, Committee on Tourism and Government Operations
Senator Donna Mercado Kim, Vice Chair, Committee on Tourism and Government Operations

FR: Brenda Ching, Executive Director, Screen Actors Guild Hawaii Branch
Glenn Cannon, President, Screen Actors Guild Hawaii Branch

RE: Testimony in Opposition of Senate Bill 2266, Relating to Tax Credits

Dear Chairs, Vice Chairs and Members of the Committees:

The Screen Actors Guild Hawaii Branch appreciates the committees' interest and support of Hawaii's film industry but **opposes SB 2266**.

We have been counseled by the Attorney General's office that a Hawaii residency stipulation is facially discriminatory and would leave the measure vulnerable to a constitutional challenge.

Thank you for the opportunity to provide these comments.

Musicians' Association of Hawaii

LOCAL No. 677, American Federation of Musicians

MICHAEL J. LARGARTICHA
President

BRIEN MATSON
Vice President

MARSHA SCHWEITZER
Secretary-Treasurer



The Senate
Twenty-Fourth Legislature
Regular Session of 2008

Committee on Economic Development and Taxation

Committee on Tourism and Government Operations

Thursday, February 7, 2008
1:15 p.m. State Capitol, Conference Room 224

TO: Senator Carol Fukunaga, Chair, Committee on Economic Development and Taxation
Senator Will Espero, Vice Chair, Committee on Economic Development and Taxation
Senator Clarence K. Nishihara, Chair, Committee on Tourism and Government Operations
Senator Donna Mercado Kim, Vice Chair, Committee on Tourism and Government Operations

FROM: Brien Matson, Vice President, Musicians' Association of Hawaii, Local 677

RE: Testimony in Opposition of Senate Bill 2266 – Relating to Tax Credits

Dear Chairs, Vice Chairs and Members of the Committees:

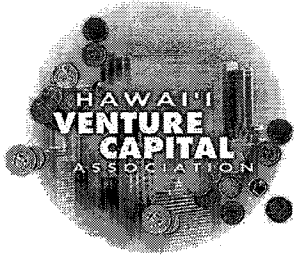
The Musicians' Association of Hawaii, Local 677 is appreciative of the Committee's support of and interest in Hawaii's film industry. However, we are opposed to SB 2266 for the following reason:

According to the Hawaii State Attorney General's office, a stipulation of Hawaii residency would leave the bill vulnerable to a constitutional challenge.

Thank you for your time.

testimony

From: hvca.org [laidlawt001@hawaii.rr.com]
Sent: Wednesday, February 06, 2008 8:02 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

TOM LAIDLAW
691 Paopua Loop, Kailua, Hawaii 96734
Phone (808) 554-2041

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. I understand that the SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: TOM LAIDLAW

SUBJECT: Testimony relating to TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital

media industry. Great progress has been made in Hawaii in this tech sector. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have also been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Tom Laidlaw
laidlawt001@hawaii.rr.com

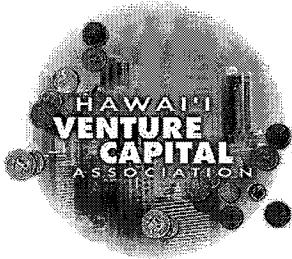
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testimony

From: hvca.org [joemas@hawaii.rr.com]
Sent: Wednesday, February 06, 2008 8:07 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

JOE MASTRANTONIO
3618 Anela Pl., Honolulu, Hawaii 96822
Phone (808) 722-2621 Fax (866) 541-2043

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JOE MASTRANTONIO

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital

media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Joe Mastrantonio
joemas@hawaii.rr.com

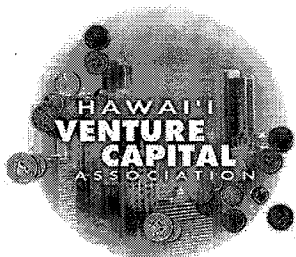
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From: hvca.org [joe@archinoetics.com]
Sent: Wednesday, February 06, 2008 6:42 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

JOE COOPER
Archinoetics, LLC
700 Bishop, Suite 2000, Honolulu, Hawaii 96813
Phone (808) 741-1684 Fax (888) 279-0289

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JOE COOPER, ARCHINOETICS, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

2/6/2008

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Joe Cooper
Archinoetics, LLC
joe@archinoetics.com

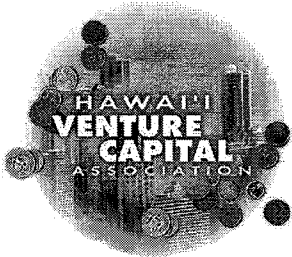
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From: hvca.org [laurence.bejerana@mac.com]
Sent: Wednesday, February 06, 2008 6:34 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

LAURENCE BEJERANA
94-703 Meheula Pkwy, Suite 57B, Mililani, Hawaii 96789
Phone (808) 625-5193

Wednesday, February 06, 2008

Ladies and gentlemen:

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TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: LAURENCE BEJERANA

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

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Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Laurence Bejerana
laurence.bejerana@mac.com

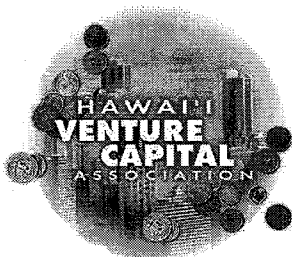
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From: hvca.org [kekoa22@aol.com]
Sent: Wednesday, February 06, 2008 9:49 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

GEORGE B. FURTADO
Claim Check
91-1774 Kama'aha Ave., Kapolei, Hawaii 96707
Phone (808) 664-7592

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: GEORGE B. FURTADO, CLAIM CHECK

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

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2/6/2008

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George B. Furtado
Claim Check
kekoa22@aol.com

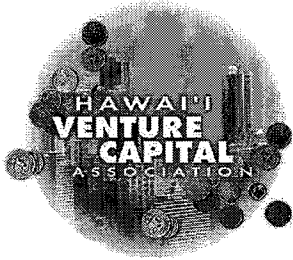
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From: hvca.org [rob@hawaiiangels.org]
Sent: Wednesday, February 06, 2008 10:05 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

ROBERT J. ROBINSON
Hawaii Angels
900 Fort Street Mall, Suite #1800 Pioneer Plaza, Honolulu, Hawaii
96813
Phone (808) 447-9247

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

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TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: ROBERT J. ROBINSON, HAWAII ANGELS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

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Robert J. Robinson
Hawaii Angels
rob@hawaiiangels.org

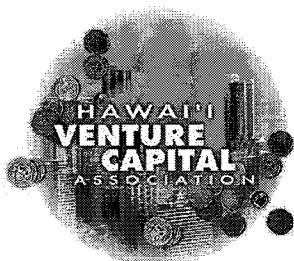
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From: hvca.org [lishan@clearwire.net]
Sent: Wednesday, February 06, 2008 10:17 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

LISHAN CHONG
Edutainment Resources, Inc.
1021 Smith Street, Suite 225, Honolulu, Hawaii 96817
Phone (808) 524-1505 Fax (808) 524-1367

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: LISHAN CHONG, EDUTAINMENT RESOURCES, INC.

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

2/6/2008

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Lishan Chong
Edutainment Resources, Inc.
lishan@clearwire.net

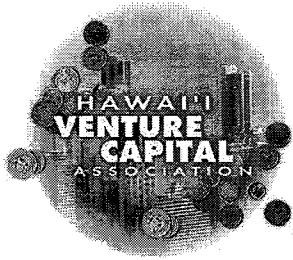
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testimony

From: hvca.org [ngrekin@m4law.com]
Sent: Wednesday, February 06, 2008 9:25 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

NANCY N. GREKIN
McCorriston Miller Mukai MacKinnon
5 Waterfront Plaza, 4th Floor, Suite 500 Ala Moana Blvd., Honolulu,
Hawaii 96813
Phone (808) 529-7419

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: NANCY N. GREKIN, MCCORRISTON MILLER MUKAI MACKINNON

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Nancy N. Grekin
McCorriston Miller Mukai MacKinnon
ngrekin@m4law.com

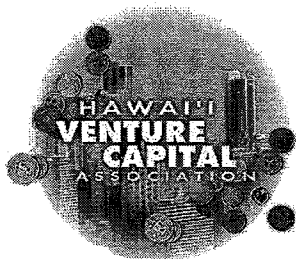
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Sent: Tuesday, February 05, 2008 10:57 PM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

RICHARD COX
91-1068 Pa'aoloulu Way, Kapolei, Hawaii 96707
Phone (808) 539-3817

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: RICHARD COX

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital

media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Richard Cox
rcox@hawaii.edu

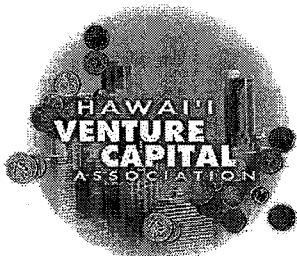
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Re: RELATING TO TAX CREDITS (SB2266)

BILL SPENCER
Hawaii Venture Capital Association
805 Kainui Dr., Honolulu, Hawaii 96734
Phone (808) 262-7329 Fax (808) 263-4982

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: BILL SPENCER, HAWAII VENTURE CAPITAL ASSOCIATION

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

2/6/2008

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Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Bill Spencer
Hawaii Venture Capital Association
bspencer@hawaii.rr.com

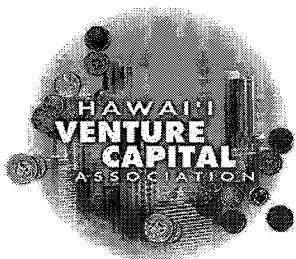
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Re: RELATING TO TAX CREDITS (SB2266)

MIKE CURTIS
1829 Bertram Street, Honolulu, Hawaii 96816
Phone (808) 735-1513

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: MIKE CURTIS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital

2/6/2008

media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Mike Curtis
mcurtis@hawaii.rr.com

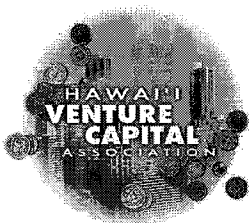
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Re: RELATING TO TAX CREDITS (SB2266)

AURORA JULIANA ARIEL, PHD
Aeos, Inc.
25 Apuhihi Lane , Suite 16M, Kihei, Hawaii 96753
Phone (310) 591-8799 Fax (413) 521-8799

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: AURORA JULIANA ARIEL, PHD, AEOS, INC.

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

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Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

2/6/2008

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Aurora Juliana Ariel, PhD
Aeos, Inc.
info@aeos.ws

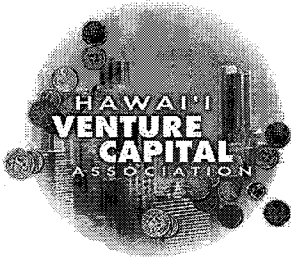
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From: hvca.org [dave@thepeoplebridge.com]
Sent: Wednesday, February 06, 2008 1:59 PM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

DAVE KOZUKI
People Bridge
2800 Woodlawn Drive, Suite 155, Honolulu, Hawaii 96822
Phone (808) 772-7282

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: DAVE KOZUKI, PEOPLE BRIDGE

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) -

SUPPORT OF SB2266,
set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

While I beleive digital media is a great growth area for Hawaii on many levels, I am not

2/6/2008

convinced that the original intent of giving credits to these types of productions are being addressed for a large number of cases.

I would support continued credits if the following criteria were imposed:

1. The project revenue/audience will be primary from out of state. So, for example, local commercials would not qualify for the credit.
2. There is a true business case for returns on the project, allocated to investors through equity in the project. In other words, investors are investing because it is a viable business investment, not to just get tax credits.
3. No rebates, paybacks, or other types of payments will be made to investors until revenues from the project exceed all expenses.

I can state from direct experience that many media projects offer little or no equity for the local investor, so there is no upside for the investor, creating little value to our local investor ecosystem. In addition, because no upside is offered, the risk is also reduced, with cash incentives to investors that come directly at the expense of the taxpayers.

My software company ended 2007 with no matching tax advantaged investment. Think of it, we are strong enough to get investors in our business who believe in our business model and upside potential - however, when competing with media deals that offer no equity and instead offer rebates, we were not able to get local equity investors involved. This illustrates the problem with the way many film deals are structured.

Thank you very much for your consideration of my views and my testimony on this bill.

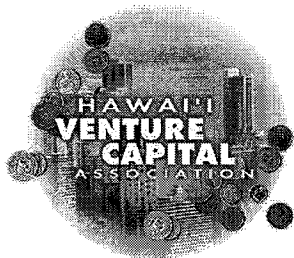
Respectfully submitted,

Dave Kozuki
People Bridge
dave@thepeoplebridge.com

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From: hvca.org [rcheng@oceanit.com]
Sent: Wednesday, February 06, 2008 11:30 AM
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Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

RUSSEL CHENG
Oceanit
828 Fort St. Mall, Suite 600, Honolulu, Hawaii 96813
Phone (808) 954-4199

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: RUSSEL CHENG, OCEANIT

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Russel Cheng
Oceanit
rcheng@oceanit.com

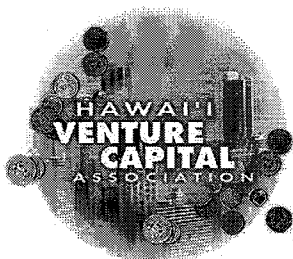
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From: hvca.org [hajim@hawaii.rr.com]
Sent: Wednesday, February 06, 2008 10:51 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



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Re: RELATING TO TAX CREDITS (SB2266)

GB HAJIM
Island Planet One Productions
29-2171 Old Mamalahoa Hwy, Hakalau, Hawaii 96710
Phone (808) 963-5482
Wednesday, February 06, 2008

Aloha Honorable Representatives,

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: GB HAJIM, ISLAND PLANET ONE PRODUCTIONS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose any measure that would exclude digital media productions from the definition of qualified high tech business.

Almost every single dollar raised by my company from the tax credits has gone into wages for unprivileged youth in economically depressed areas. These credits have helped me provide internships and then jobs to youth who otherwise could not afford to go to college. Let me be clear, if you cut this funding opportunity for digital media, then you will be ending the college careers of some youth here on the Big Island.

I am in support of closing the loop hole for Hollywood based productions, but for us here in the islands these tax credits are a vital lifeline.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

GB Hajim
Island Planet One Productions
Hakalau HI
963-5482

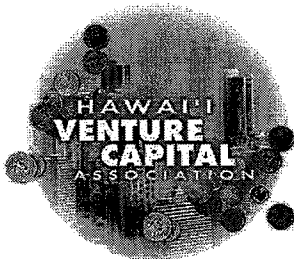
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Sent: Wednesday, February 06, 2008 10:13 AM
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Re: RELATING TO TAX CREDITS (SB2266)

ERIC CARLSON
Produced By You.com, LLC
2800 Woodlawn Dr., Suite 262, Honolulu, Hawaii 96822
Phone (808) 258-0491 Fax (808) 395-7625

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: ERIC CARLSON, PRODUCED BY YOU.COM, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

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Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Eric Carlson
Produced By You.com, LLC
eric@producedbyyou.com

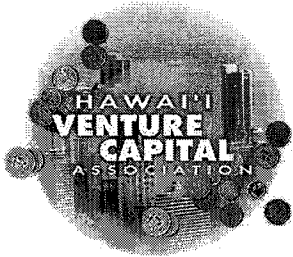
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Re: RELATING TO TAX CREDITS (SB2266)

MICHAEL RIVERO
Home Baked Entertainment
98-871 C Kaonohi St., Aiea, Hawaii 96701
Phone (808) 484-0962

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: MICHAEL RIVERO, HOME BAKED ENTERTAINMENT

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

By now you have been made aware of the concerns of local media producers regarding the impact of excluding media from the definition of high-tech development in Act 221/215.

Time and again we hear of the advantages of diversifying Hawaii's economy as agriculture declines and tourism suffers the vicissitudes of both the economy and world events.

Towards that end, Hawaii's media producers have all worked hard to create a local digital media industry, both at the educational level (such as UH's ACM) and at the business level with small companies such as my own. We are working to train Hawaii's young people to work in this new field and at the same time, to create an industry which will provide jobs for these graduates, so that their valuable training is not lured away to support other economies.

We are just getting started. It seems unwise, indeed reckless, to change the rules and cripple the progress we have already made at this time.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Michael Rivero
Home Baked Entertainment
rivero@hbentertain.com

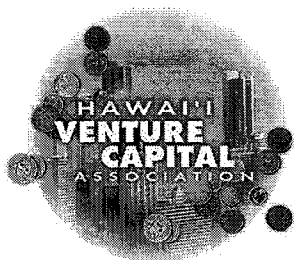
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HAWAII VENTURE CAPITAL ASSOCIATION
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testimony

From: hvca.org [jking@mauitvnews.com]
Sent: Wednesday, February 06, 2008 10:46 AM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



Hawaii Venture Capital Association

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Re: RELATING TO TAX CREDITS (SB2266)

JEFF KING
Island News Technologies, LLC
P.O. Box 500, Kihei, Hawaii 96753
Phone (808) 891-6397 Fax (808) 879-2798

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JEFF KING, ISLAND NEWS TECHNOLOGIES, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

Our QHTB, Island News Technologies, LLC, exists exclusively because of the opportunity that arose through the passage of Act 221/215. Because of that, Maui TV News has become a valuable and important tool for the gathering and dissemination of information about, by and for Maui - and made available to the world through the Internet at www.mauitvnews.com, and across the State of Hawaii on Oceanic Digital Cable Channel 110 on News on Demand. Eliminating digital media from the QHTB qualifications - at this critical stage of our growth - would likely be a deadly blow to investor efforts.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Jeff King
Island News Technologies, LLC
jkking@mauitvnews.com

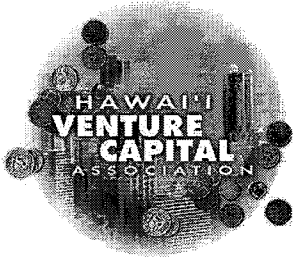
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HAWAII VENTURE CAPITAL ASSOCIATION
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testimony

From: hvca.org [dfisher@gmail.com]
Sent: Wednesday, February 06, 2008 5:01 PM
To: windcon@hawaii.rr.com
Subject: RELATING TO TAX CREDITS (SB2266)



Hawaii Venture Capital Association
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Re: RELATING TO TAX CREDITS (SB2266)

DAVID B. FISHER
PO Box 792138, Paia, Hawaii 96779
Phone (808) 572-2323

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: DAVID B. FISHER

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital

media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

David B. Fisher
Maui Center Director
Hawaii SBDC Network (Maui)
2006 SBA Financial Services Champion State of Hawaii
1998 SBA Minority Small Business Advocate

dfisher@gmail.com

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JOE COOPER
Archinoetics, LLC
700 Bishop, Suite 2000, Honolulu, Hawaii 96813
Phone (808) 741-1684 Fax (888) 279-0289

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JOE COOPER, ARCHINOETICS, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Joe Cooper
Archinoetics, LLC
joe@archinoetics.com

LAURENCE BEJERANA
94-703 Meheula Pkwy, Suite 57B, Mililani, Hawaii 96789
Phone (808) 625-5193

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: LAURENCE BEJERANA

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Laurence Bejerana
laurence.bejerana@mac.com

MIKE CURTIS
1829 Bertram Street, Honolulu, Hawaii 96816
Phone (808) 735-1513

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: MIKE CURTIS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Mike Curtis
mcourtis@hawaii.rr.com

AURORA JULIANA ARIEL, PHD
Aeos, Inc.
25 Apuhihi Lane , Suite 16M, Kihei, Hawaii 96753
Phone (310) 591-8799 Fax (413) 521-8799

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: AURORA JULIANA ARIEL, PHD, AEOS, INC.

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Aurora Juliana Ariel, PhD
Aeos, Inc.
info@aeos.ws

ROBERT J. ROBINSON
Hawaii Angels
900 Fort Street Mall, Suite #1800 Pioneer Plaza, Honolulu, Hawaii 96813
Phone (808) 447-9247

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: ROBERT J. ROBINSON, HAWAII ANGELS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Robert J. Robinson
Hawaii Angels
rob@hawaiiangels.org

GEORGE B. FURTADO
Claim Check
91-1774 Kama'aha Ave., Kapolei, Hawaii 96707
Phone (808) 664-7592

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: GEORGE B. FURTADO, CLAIM CHECK

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

George B. Furtado
Claim Check
kekoa22@aol.com

RICHARD COX
91-1068 Pa'aoloulu Way, Kapolei, Hawaii 96707
Phone (808) 539-3817

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: RICHARD COX

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Richard Cox
rcox@hawaii.edu

BILL SPENCER
Hawaii Venture Capital Association
805 Kainui Dr., Honolulu, Hawaii 96734
Phone (808) 262-7329 Fax (808) 263-4982

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: BILL SPENCER, HAWAII VENTURE CAPITAL ASSOCIATION

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Bill Spencer
Hawaii Venture Capital Association
bspencer@hawaii.rr.com

**RANN WATUMULL
Hawaii Film Partners
377 Keahole Street , Suite E-202, Honolulu, Hawaii 96825
Phone (808) 255-4353**

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 30 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: RANN WATUMULL, HAWAII FILM PARTNERS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

Hawaii Film Partners is the co-producer of the hit series Flight 29 Down that is currently airing on Discovery Kids and in over 25 foreign territories. We have also built an animation studio in Hawaii Kai and are producing an animated cartoon series that will air on the Nickelodeon Channel. This project marks the first time that a show will be animated in Hawaii and will air on national TV. We are currently providing full time employment for seven animators in Hawaii. During our production of Flight 29 Down we employ about 60 people.

All of these projects have been possible only through the Act 221/215 inclusion of performing arts. We are investor funded and are providing creative media jobs to people in Hawaii. without this act, none of the projects or jobs would be in existence.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy. It would essentially put our company out of business or force us to move out of State.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Rann Watumull
Hawaii Film Partners
rannw@mac.com

JOE MASTRANTONIO
3618 Anela Pl., Honolulu, Hawaii 96822
Phone (808) 722-2621 Fax (866) 541-2043

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JOE MASTRANTONIO

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Joe Mastrantonio
joemas@hawaii.rr.com

TOM LAIDLAW
691 Paopua Loop, Kailua, Hawaii 96734
Phone (808) 554-2041

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. I understand that the SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: TOM LAIDLAW

SUBJECT: Testimony relating to TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Great progress has been made in Hawaii in this tech sector. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have also been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Tom Laidlaw
laidlawt001@hawaii.rr.com

NANCY N. GREKIN
McCorriston Miller Mukai MacKinnon
5 Waterfront Plaza, 4th Floor, Suite 500 Ala Moana Blvd., Honolulu, Hawaii 96813
Phone (808) 529-7419

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: NANCY N. GREKIN, MCCORRISTON MILLER MUKAI MACKINNON

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Nancy N. Grekin
McCorriston Miller Mukai MacKinnon
ngrekin@m4law.com

DAVE KOZUKI
People Bridge
2800 Woodlawn Drive, Suite 155, Honolulu, Hawaii 96822
Phone (808) 772-7282

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: DAVE KOZUKI, PEOPLE BRIDGE

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) -

SUPPORT OF SB2266,
set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

While I beleive digital media is a great growth area for Hawaii on many levels, I am not convinced that the original intent of giving credits to these types of productions are being addressed for a large number of cases.

I would support continued credits if the following criteria were imposed:

1. The project revenue/audience will be primary from out of state. So, for example, local commercials would not qualify for the credit.
2. There is a true business case for returns on the project, allocated to investors through equity in the project. In other words, investors are investing because it is a viable business investment, not to just get tax credits.
3. No rebates, paybacks, or other types of payments will be made to investors until revenues from the project exceed all expenses.

I can state from direct experience that many media projects offer little or no equity for the local investor, so there is no upside for the investor, creating little value to our local investor eco-system. In addition, because no upside is offered, the risk is also reduced, with cash incentives to investors that come directly at the expense of the taxpayers.

My software company ended 2007 with no matching tax advantaged investment. Think of it, we are strong enough to get investors in our business who believe in our business model and upside potential - however, when competing with media deals that offer no equity and instead offer rebates, we were not able to get local equity investors involved. This illustrates the problem with the way many film deals are structured.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Dave Kozuki
People Bridge
dave@thepeoplebridge.com

LISHAN CHONG
Edutainment Resources, Inc.
1021 Smith Street, Suite 225, Honolulu, Hawaii 96817
Phone (808) 524-1505 Fax (808) 524-1367

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: LISHAN CHONG, EDUTAINMENT RESOURCES, INC.

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Lishan Chong
Edutainment Resources, Inc.
lishan@clearwire.net

ERIC CARLSON
Produced By You.com, LLC
2800 Woodlawn Dr., Suite 262, Honolulu, Hawaii 96822
Phone (808) 258-0491 Fax (808) 395-7625

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: ERIC CARLSON, PRODUCED BY YOU.COM, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exlude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regretable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Eric Carlson
Produced By You.com, LLC
eric@producedbyyou.com

MICHAEL RIVERO
Home Baked Entertainment
98-871 C Kaonohi St., Aiea, Hawaii 96701
Phone (808) 484-0962

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: MICHAEL RIVERO, HOME BAKED ENTERTAINMENT

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

By now you have been made aware of the concerns of local media producers regarding the impact of excluding media from the definition of high-tech development in Act 221/215.

Time and again we hear of the advantages of diversifying Hawaii's economy as agriculture declines and tourism suffers the vicissitudes of both the economy and world events.

Towards that end, Hawaii's media producers have all worked hard to create a local digital media industry, both at the educational level (such as UH's ACM) and at the business level with small companies such as my own. We are working to train Hawaii's young people to work in this new field and at the same time, to create an industry which will provide jobs for these graduates, so that their valuable training is not lured away to support other economies.

We are just getting started. It seems unwise, indeed reckless, to change the rules and cripple the progress we have already made at this time.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Michael Rivero
Home Baked Entertainment

rivero@hbentertain.com

JEFF KING
Island News Technologies, LLC
P.O. Box 500, Kihei, Hawaii 96753
Phone (808) 891-6397 Fax (808) 879-2798

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: JEFF KING, ISLAND NEWS TECHNOLOGIES, LLC

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

Our QHTB, Island News Technologies, LLC, exists exclusively because of the opportunity that arose through the passage of Act 221/215. Because of that, Maui TV News has become a valuable and important tool for the gathering and dissemination of information about, by and for Maui - and made available to the world through the Internet at www.mauitvnews.com, and across the State of Hawaii on Oceanic Digital Cable Channel 110 on News on Demand. Eliminating digital media from the QHTB qualifications - at this critical stage of our growth - would likely be a deadly blow to investor efforts.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Jeff King
Island News Technologies, LLC
jking@mauitvnews.com

RUSSEL CHENG
Oceanit
828 Fort St. Mall, Suite 600, Honolulu, Hawaii 96813
Phone (808) 954-4199

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: RUSSEL CHENG, OCEANIT

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

Russel Cheng
Oceanit
rcheng@oceanit.com

DAVID B. FISHER
PO Box 792138, Paia, Hawaii 96779
Phone (808) 572-2323

Wednesday, February 06, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: DAVID B. FISHER

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

David B. Fisher
Maui Center Director
Hawaii SBDC Network (Maui)
2006 SBA Financial Services Champion State of Hawaii
1998 SBA Minority Small Business Advocate

dfisher@gmail.com

GB HAJIM
Island Planet One Productions
29-2171 Old Mamalahoa Hwy, Hakalau, Hawaii 96710
Phone (808) 963-5482
Wednesday, February 06, 2008

Aloha Honorable Representatives,

I hereby submit the following testimony regarding SB2266. The SENATE Economic Development and Taxation Committee is set to hear this bill on Thursday, February 07, 2008 at 1:15 pm in Senate Conference Room 224.

I would appreciate if you would make and deliver copies of my testimony to Room 216 for this hearing. Thank you.

TO: THE SENATE ECONOMIC DEVELOPMENT AND TAXATION COMMITTEE, Senator Carol Fukunaga, Chair (telefax - (808) 586-6659)

FROM: GB HAJIM, ISLAND PLANET ONE PRODUCTIONS

SUBJECT: Testimony relating to RELATING TO TAX CREDITS (SB2266) - Strong Opposition To SB2266, set to be heard on 2/7/2008 at 1:15 pm in Conference Room 224

I strongly oppose any measure that would exclude digital media productions from the definition of qualified high tech business.

Almost every single dollar raised by my company from the tax credits has gone into wages for unprivileged youth in economically depressed areas. These credits have helped me provide internships and then jobs to youth who otherwise could not afford to go to college. Let me be clear, if you cut this funding opportunity for digital media, then you will be ending the college careers of some youth here on the Big Island.

I am in support of closing the loop hole for Hollywood based productions, but for us here in the islands these tax credits are a vital lifeline.

I encourage this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you very much for your consideration of my views and my testimony on this bill.

Respectfully submitted,

GB Hajim
Island Planet One Productions
Hakalau HI
963-5482

testimony

From: GB Hajim [hajim@hawaii.rr.com]
Sent: Wednesday, February 06, 2008 11:17 AM
To: testimony
Subject: Aloha

Aloha e Carol

I have faxed my testimony opposing SB2266 (Excluding media productions from the definition of "qualified high tech business"), but I thought I'd write you a more personal note.

Our film has raised less than \$1 million dollars and less than half of that was raised through the High Tech Tax Credits, but the monies raised have gone a long way in inspiring the local kids of East Hawaii. Our production even received an INDE Award for "Inspiring the Youth of Hawaii." One mother of a high schooler that received an internship broke down in tears when she heard her daughter was given an animation internship with our film. Ms. Arurang said, "When I was young I was as talented as my daughter, I drew all the time. When I graduated Hilo High, there was no opportunity, so I joined the military, had a family and NEVER DREW AGAIN. Thank you for me and my daughter."

This is why I am making this film: to create a sustainable environment for the digital media to grow in East Hawaii. So that the best and brightest of our youth do not have to leave the island to get a job that uses the gifts they have been given. To allow the kids here to dream big.

Maybe the tax incentive has been too good for Hollywood, but don't throw the baby out with the bath water.

Most Hollywood productions are in the tens of millions of dollars. Independent productions are under \$10 million. Maybe limit the amount per company to \$10 million? Maybe add that the tax credit money has to be used for wages not infrastructure?

We have used almost all of our tax credit monies to train and pay wages to our animators. Almost all are Big Island born and raised. Three out of five of my current employees used the money to pay for their college tuition.

Whatever you decide, don't take this educational and inspirational opportunity away from the Big Island.

Malama pono

GB Hajim
Director
strange frame: Love & Sax
How fortunate are those who can frame the beauty of the strange.
www.strangeframe.com
an Island Planet One Production, LLC
(a Hawaii State Qualified High Technology Business)
PO Box 373 Hakalau Hawaii 96710
cell (808) 960-7619

TESTIMONY OF WILLIAM G. MEYER, III REGARDING
S.B. 2266
Relating to Tax Credits

TO: Senate Committee on Economic Development and Taxation

RE: S.B. 2266

DATE: February 6, 2008

This testimony is submitted for the purposes of the Hearing before the Senate Committee on Economic Development and Taxation currently scheduled for Thursday, February 7, 2008 at 1:15 p.m. in Conference Room 229, State Capitol, 415 South Beretania Street.

My name is William G. Meyer, III. I am a Honolulu attorney and my practice is limited to intellectual property matters, including entertainment law. I represent both national and local television and motion picture producers and production companies. My practice area includes advising entertainment companies regarding the availability of entertainment industry related tax incentives, including the incentives available pursuant to Act 221/215 and Act 88.

I strongly oppose language in this measure that appears to exclude motion picture, digital media and film productions that "qualify" for the refundable production credit under HRS §235-17 from the definition of a Qualified High Tech Business ("QHTB").

This bill is fatally flawed in several respects. First of all, to the extent that it is intended to avoid "double dipping" of the Act 221/215 and Act 88 incentives, existing law already provides that prohibition. Secondly, the language of the bill excludes from the definition of a QHTB any production that "qualifies" for an Act 88 credit whether or not the credit is actually taken which simply makes no sense. Lastly, and most importantly, to the extent that the intent of this measure is to simply exclude "performing arts products" activity from the definition of a QHTB, this measure would turn the clock back, surrender the significant gains that the State of Hawaii has made in economic diversification and growth in this important (entertainment) industry and significantly stifle, if not eliminate, growth of this industry in the State of Hawaii. In this regard, Act 221/215 has enabled several local start-up production companies to obtain funding and grow where before this was not likely. The motion picture, television and digital media industries are critical tech sectors that utilize high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding production companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy

Finally, as this Committee has no doubt been advised, the second portion of this proposed measure imposing a 75% local hire poses serious constitutional questions and would not likely survive a challenge on constitutional grounds.

I encourage this committee to reconsider this proposal and eliminate this measure from SB 2266.

Respectfully submitted,

/S/ William G. Meyer, III

William G. Meyer, III
wmeyer@dwyerlaw.com
Telephone: 534-4412



SENATE BILL 2266: RELATING TO TAX CREDITS

DATE: February 7, 2008
1:15 p.m., Conference Room 229

TO: Senate Committee on Economic Development and Taxation
The Honorable Carol Fukunaga, Chair
The Honorable Will Espero, Vice Chair

FROM: Lisa H. Gibson
President
Hawaii Science & Technology Council

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

The Hawaii Science & Technology Council (HISciTech) strongly opposes language in this measure that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

HISciTech encourages this committee to reconsider this proposal and eliminate this measure from SB2266.

Thank you for the opportunity to testify on this important bill.

Lisa H. Gibson
President

**DOWLING
COMPANY, INC**

February 6, 2008

e-mail testimony to: testimony@capitol.hawaii.gov

Hearing on SB2266, Relating to Tax Credits
Before the Senate Committee on Economic Development and Taxation
on Thursday, Feb. 7, 2008 at 1:15 p.m. in Conference Room 229

Dear Chair Fukunaga, Vice Chair Espero, and members of the Committee:

My name is Everett Dowling and I strongly oppose the language in SB2266 that would exclude media productions from the definition of qualified high tech business.

The intent of including digital media in the definition is to help build a strong "local" digital media industry. Although it is true that well financed mainland production companies have used Act 221/215, several small start-up digital media companies have been able to obtain funding and grow where before this was not likely. Digital media is a critical tech sector that utilizes high tech talents encouraged and developed in our high schools and institutions of higher learning.

Excluding media companies from investment under Act 221/215 would be a regrettable mistake and seriously hurt this growing sector of our economy.

Therefore, I encourage the committee to amend SB2266 by eliminating the language that excludes media productions from the definition of qualified high tech business.

Thank you for the opportunity to testify.



HAWAII COUNCIL *of*
COUNTY FILM COMMISSIONERS

Testimony of
HAWAII COUNCIL OF COUNTY FILM COMMISSIONERS

John Mason, Big Island Film Office, County of Hawaii
Walea Constantinou, Honolulu Film Office, City and County of Honolulu
Art Umezu, Kauai Film Commission, County of Kauai
Benita Brazier, Maui Film Office, County of Maui

SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT and TAXATION
TOURISM and GOVERNMENT

February 7, 2008 - 1:15 pm
State Capitol, Conference Room 224

RE: SB 2266 – RELATING TO TAX CREDITS

Dear Chair Fukunaga, Chair Nishihara and members of the committees:

We thank the legislature for its long-standing and visionary support of Hawaii's film industry. We submit this testimony **in opposition to SB2266**.

While we acknowledge and appreciate the intent of the measure, we have concerns regarding the constitutionality of the bill and support DBEDT's position on the matter as advised to them by the Attorney General's office.

Thank you for the opportunity to provide these comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Motion picture, digital media and film productions

BILL NUMBER: SB 2266, HB 2266 (Identical)

INTRODUCED BY: SB by Fukunaga; HB by Rhoads

BRIEF SUMMARY: Amends HRS sections 235-7.3(c) and 235-110.9(g) to amend the definition of "qualified high technology business" to provide that it shall not include any business or production that qualifies for the motion picture, digital media, and film production income tax credit under HRS section 235-17.

Amends HRS section 235-17(d) to require taxpayers claiming the motion picture, digital media and film production income tax credit to hire at least 75% of its talent and crew from the local community. Deletes the requirement that the taxpayer provide evidence of financial in-kind contributions or educational or workforce development efforts in partnership with related local industry or labor organizations, educational institutions, or both toward the furtherance of local film and television or digital media productions.

EFFECTIVE DATE: Tax years beginning after December 31, 2007

STAFF COMMENTS: The legislature by Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers. The exclusion of income received from royalties was initially established by Act 178, SLH 1999, as an incentive to attract high technology businesses to Hawaii. This section of the law was amended in 2000 by Act 297 which added the inclusion of royalties from "performing arts products" and again amended by Act 221, SLH 2001, to include authors of "performing arts products."

The legislature by Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less where production costs were at least \$200,000. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production.

While this measure prohibits a qualified high technology business for which a motion picture, digital media and film production income tax credit has been claimed to also claim the income tax exclusion from gross income under HRS 235-7.3 for income received from performing arts royalties and other income derived from patents, copyrights, and trade secrets, or the capital goods excise tax credits, it raises the concern that perhaps many high technology companies have been "double-dipping" into the tax incentive trough. It underscores the lack of accountability that pervades targeted business tax credits and the unscrupulous businesses that have been taking advantage of the law because it was so poorly drafted.

It should be remembered that the perpetuation of the motion picture credits is a drain on the state treasury. It is incredulous how lawmakers can bemoan the fact that there are insufficient resources to catch up on the backlog of school repairs and maintenance at the cost of not providing tax relief to residents and yet they are willing to throw public resources at a subsidy of film production. Taxpayers should be insulted that lawmakers can provide breaks for film productions but refuse to provide tax relief for Hawaii residents, many of whom work two or three jobs just to keep a roof over their head and food on the table. The advocates of these targeted business tax credits are the same lawmakers who rue against corporate welfare at the national level.

It should be remembered that income tax credits are designed to reduce the tax burden by providing relief for taxes paid. Tax credits are justified on the basis that taxpayers with a lesser ability to pay should be granted relief for state taxes imposed. While the proponents of this exemption try to make an argument that Hawaii needs to enact such an incentive to compete for this type of business, one has to ask "at what price?" Promoters of the film industry obviously don't give much credit to Hawaii's natural beauty and more recently its relative security. Just ask the actors of "Lost" who have bought homes here if they would like to work elsewhere. That production has been successful without any state subsidy. While film producers may moan that they will lose money without the proposed tax credits, is there any offer to share the wealth when a film makes millions of dollars? If promoters of the film industry would just do their job in outlining the advantages of doing this type of work in Hawaii and address some of the costly barriers by correcting them, such tax incentives would not be necessary. From permitting to skilled labor to facilitating transportation of equipment, there are ways that could reduce the cost of filming in Hawaii.

Unless these intrinsic elements are addressed, movie makers will probably continue to demand subsidies. Unfortunately, they come at the expense of all taxpayers and industries struggling to survive in Hawaii. While lawmakers look like a ship of fools, movie producers and promoters are laughing all the way to the bank and the real losers in this scenario are the poor taxpayers who continue to struggle to make ends meet.

Digested 2/06/08