

February 7, 2008

To: testimony@capitol.hawaii.gov

*Testimony for Hearing before the
Senate Committee on Economic Development and Taxation
Thursday, February 7, 2008, 1:15 pm*

*State Capitol, Conference Room 229
415 South Beretania Street
Honolulu, Hawaii 96813*

Re: Testimony in Opposition to SB 2266 Relating to Tax Credits

Chair Fukunaga, Vice Chair Espero, and Committee Members:

Thank you for the opportunity to submit testimony in opposition to SB 2266, relating to Tax Credits

I am Jeff Au, Managing Director and General Counsel of PacifiCap, Hawaii's largest locally based venture capital firm. Since 2000, PacifiCap affiliates have invested in more than two dozen Hawaii companies, and we have led or co-invested in financing rounds totaling more than \$400 million. Our investor base of more than 100 institutional, corporate and high net worth individual investors from Hawaii demonstrates the widespread support that innovation, capital formation and economic diversification have across our community.

While I support the intent of this bill to encourage more local hires in local film and TV productions, I oppose this bill to the extent that it proposes to remove from the definition of a "Qualified High Technology Business" under Act 221/215 the "Performing Arts" category.

According to the Department of Taxation's 2007 study, which was mandated last year by Act 206, SLH 2007, Act 221/215 has been very effective to date. This study found that between 2002 and 2006, as a result of Act 221/215 tax credits, more than \$820 million was invested in more than 287 Hawaii companies, which have already spent more than \$1 billion in Hawaii and paid more than \$500 million in salaries, at a cost to the State over this five year period of less than \$200 million. These data clearly suggest that the benefits have already far exceeded the costs.

These data clearly demonstrate that your vision and support for Act 221/215 over all of these years are now starting to bear fruit. Approximately one third of these investments were in the "Performing Arts" category.

Testimony in Opposition to SB 2266
Relating to Tax Credits
Senate Committee on Economic Development and Taxation
February 7, 2008
Page 2

While Act 88, which provides a 15% to 20% refundable credit to productions spending more than \$200,000, particularly larger productions largely funded by large mainland studios, the Act 221/215 investment tax credit has been critical for providing funding to smaller local productions who don't have the required capital to begin with and therefore cannot utilize Act 88 since 15% or 20% times zero is still zero.

In addition to promoting economic diversification and creating jobs, these smaller local, often independent productions also tend to focus more on local content from Hawaii and serve a very important role in preserving and exposing the world to our very rich local culture and values.

Thank you again for allowing me to submit this testimony.

Respectfully submitted,

Jeffrey K. D. Au
Managing Director and General Counsel
PacifiCap Group, LLC



HAWAII TEAMSTERS AND ALLIED WORKERS, LOCAL 996

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COMMITTEE on ECONOMIC DEVELOPMENT and TAXATION
COMMITTEE on TOURISM and GOVERNMENT OPERATIONS

Hearing Date:

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

February 7, 2008

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

FR: Jeanne C. Ishikawa
Business Representative, Hawaii Teamsters & Allied Workers Union, Local 996

RE: TESTIMONY SUBMITTED OPPOSING SB 2266 RELATING TO TAX CREDITS

Dear Chairwoman Fukunaga, Chairman Nishihara, Vice Chairs Espero and Kim, and Members of the Committees:

The Hawaii Teamsters and Allied Workers Union, Local 996 appreciate the committee's interest and support of Hawaii's film industry. However, as a labor organization representing the Hawaii movie and television industry drivers, the Teamsters Union OPPOSES Senate Bill 2266 (SB2266) at this time.

A previous and similar attempt to enforce a Hawaii residency based hiring quota was discouraged by the Attorney General's office as said quota could possibly encourage a constitutional challenge on grounds of discrimination.

Thank you for accepting this testimony on behalf of the Hawaii Teamsters, Local 996 – Movie Drivers Division.

Sincerely,

Jeanne C. Ishikawa
Business Representative, Hawaii Teamsters Local 996