



Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
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LINDA LINGLE
Governor

REX D. JOHNSON
President and Chief Executive Officer

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Testimony of
Rex Johnson
President and Chief Executive Officer
Hawai'i Tourism Authority

on
S.B. 2829, S.D. 2, H.D. 1
Relating to Taxation

House Committee on Finance
Thursday, March 27, 2008
4:00 p.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) strongly opposes SECTION 3, item 1 of the proposed S.B. 2829, S.D. 2, H.D. 1, which repeals section 237-16.8, Hawaii Revised Statutes, which exempts from the general excise tax:

- (1) Convention, conference, or tradeshow registration fees;
- (2) Fees for convention, conference, or tradeshow exhibit or display spaces; and
- (3) Fees for advertising and promotion at the convention, conference, or trade show in brochures.

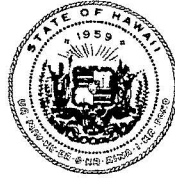
Section 237-16.8, was enacted because, in 2003, when the 7,500-member American Academy of Neurology (AAN) met at the Hawai'i Convention Center, they had expo booth sales totaling \$1.5 million. The Department of Taxation told the AAN that they had to pay the general excise tax on the booth sales, which amounted to \$60,000. The AAN generated \$25.3 million in visitor spending and produced \$2.1 million in tax revenues.

Fees from the sales of expo booths and similar fees charged by conventions, conferences, and trade shows are used as part of the operating costs for putting on the conference, convention, or trade show. The elimination of this exemption, will seriously affect Hawai'i's ability to attract major conventions, conferences, and trade shows. In the case of the AAN, because of an excise tax of \$60,000, we would have lost \$25.3 million in visitor spending and \$2.1 million in tax revenues from that spending.

For that reason, we oppose the repeal of section 237-16.8, in the proposed S.B. 2829, S.D. 2, H.D. 1.

Thank you for the opportunity to provide these comments.

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Honolulu, Hawaii 96813
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IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

March 27, 2008, 4:00 p.m.
Room 308, State Capitol

In consideration of
S.B. 2829, S.D. 2, H.D. 1
RELATING TO TAXATION

The HHFDC is opposed to S.B. 2829, S.D.2, H.D. 1, as it would eliminate affordable housing development incentives that have resulted in the construction or substantial rehabilitation of thousands of affordable housing units statewide. We defer to the appropriate state departments and agencies with respect to the remainder of the bill. Our comments on specific portions of this bill follow.

S.B. 2829, S.D. 2, H.D. 1 repeals section 235-110.8, Hawaii Revised Statutes (HRS) as of December 31, 2012. This section establishes the State Low Income Housing Tax Credit (LIHTC) for eligible affordable rental housing projects. It also repeals section 241-4.7, HRS as of December 31, 2012, which makes the state LIHTC applicable to banks and financial corporations. All LIHTC-financed rental units are targeted at low-income seniors and families earning 60 percent or less of the area median income. Without the LIHTCs, it is unlikely that new projects could be developed given the high cost of land and construction.

This bill also repeals section 237-29, the general excise tax exemption for certified affordable housing projects as of December 31, 2012. The Legislature's intent in creating this exemption was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible, and that to be eligible, project owners must demonstrate that the exemption is needed to make the project economically feasible. The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

The House Draft 1 will also adversely affect the financial stability of existing affordable housing projects that have previously been awarded LIHTCs or GET exemptions. The net result of these repeals is to increase the risk of default and foreclosure, of affordable housing projects statewide.

The repeal of the LIHTC under HRS §235-110.8 will have the effect of denying current investors the use of the full amount of their credits if their 10-year recovery period under HRS §235-110.8(c) and IRC §42(b) extends beyond December 31, 2012; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2012. Projects approved between the date of enactment of S.B. 2829, S.D. 1, H.D. 1, and December 31, 2012, will also face the uncertainty of the continued existence of the LIHTC under HRS §235-110.8. This will reduce the amount investors will be willing to pay for the credits because they cannot be assured of the use of the credit through its entire 10-year recovery period.

Similarly, the repeal of the GET exemption under HRS §237-29 will reduce the gross rents available for operating costs and debt service of hundreds of approved rental housing projects throughout the State by at least 4% (4.5% in the City and County of Honolulu). These projects' ability to fund their operating and maintenance reserves will certainly be impeded, and their ability to repay any outstanding mortgage debt may well be impeded. Furthermore, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will reduce the amount of mortgage debt lenders will be willing to lend for these projects because their gross rents available for operating costs and debt service may decrease by 4% (or 4.5% in the City and County of Honolulu) on January 1, 2013.

Because the House Draft 1 could lead to the significant unintended consequences described above, the HHFDC respectfully requests that if Subsections (c)(4) and (c)(8) of Section 2 of S.B. 2829, S.D. 2, H.D. 1, are passed in their current form, Section 6 of S.B. 2829, S.D. 2, H.D. 1, be amended to read as follows:

SECTION 6. This Act shall take effect upon approval; provided that: (1) Subsection (c)(4) of Section 2 shall not apply to a qualified low-income housing building or a qualified low-income housing project that has been awarded low-income housing tax credits under section 235-110.8 prior to January 1, 2013; (2) Subsection (c)(8) of Section 2 shall not apply to a housing project which has been certified or approved under section 201H-36 and exempted from general excise taxes under section 237-29 prior to January 1, 2013; and (3) Section 3 shall take effect on July 1, 2008.

Finally, this bill requires the Department of Human Services to prepare an evaluation of the LIHTC and GET exemption pursuant to new section 235-B. We note that subsequent to the bifurcation of state housing programs in Act 179, SLH 2005, as

amended by Act 180, SLH 2006, responsibility for these tax exemptions and credits was transferred to the HHFDC, which is attached to the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes, and, accordingly, DBEDT should be the agency responsible for any such review.

Thank you for the opportunity to testify.

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
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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING SB 2829 SD 2 HD 1 RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: MARCH 27, 2008
TIME: 4:00 PM
ROOM: HOUSE CONFERENCE ROOM 308

This bill repeals certain net income tax credits and exemptions from the General Excise Tax (GET), and it expands the current responsibilities for the Department of Taxation to coordinate and lead efforts to evaluate certain of Hawaii's income tax credits and exemptions. This bill also appropriates funds from the general revenues to support these obligations. The bill also imposes a new penalty for an unreasonable and erroneous claim for a tax refund or a tax credit. The bill takes effect upon approval, with the section providing appropriations taking effect on July 1, 2008 and with various tax credits and GET exemptions set to expire between December 31, 2010 and December 31, 2012.

The Department of Taxation has **strong concerns with the provisions of the bill that provide for automatic repeal of the tax incentives.** However, the Department of Taxation **strongly supports the provisions that impose penalties on unreasonable claims for tax refunds or tax credits and that require the Department of Taxation to evaluate the tax incentives** (as long as sufficient resources are provided to perform the tasks envisioned).

The Department of Taxation also **requests that the original bill HB 2961 HD 1 be inserted into this bill.**

I. **ORIGINAL CONTENTS OF HB2961 HD1—THE IMPORTANCE OF STUDYING HIGH TECH INVESTMENT TAX INCENTIVES**

The Department strongly urges the Committee to include the high technology business investment tax credit provided by section 235-110.9, HRS and the tax credit for research activities provided by section 235-110.91, HRS among the special tax provisions to be studied, as specified in HB 2961, HD 1. These credits are among the largest and most important for the State and therefore merit specific attention. **The Department would also like to point out that such studies can be**

expected to provide annual revenue gains of from \$500,000 to \$1 million, by helping the Department conduct more effective audits.

II. NEED TO DISCOURAGE UNREASONABLE CLAIMS FOR TAX REFUNDS AND CREDITS

Congress recently amended the Internal Revenue Code to allow for a twenty percent penalty on any excessive refund claims.

This new erroneous refund claim penalty is found at 26 USC § 6676. This penalty was included in recent congressional legislation as a revenue raiser for the federal government. With certain of the tax incentives provided in Title 14, HRS, providing the Department of Taxation with the ability to assess a penalty for refund or credit claims where a taxpayer's claim lacks a reasonable basis will assist with the administration of Hawaii's taxes by providing a deterrent mechanism, which presently does not exist. As was the intent on the federal level, this legislation would also be a potential revenue raiser for the general fund.

Lately, more taxpayers have adopted a strategy of making unreasonable and erroneous claims for tax refunds and tax credits in hopes of resolving the claims during settlement discussions if the claims are ever discovered. Effective measures to discourage this behavior are needed. The unreasonable claims are costly to the State, both because they make the job of monitoring tax returns harder – more effort must be spent - and because some of the unreasonable claims are not discovered. The Department believes the proposed new penalty will provide an effective deterrent to the unreasonable claims.

The Department estimates that the 20 percent penalty for erroneous and unreasonable claims for tax credits or tax refunds will provide \$2.4 million in additional tax revenue for fiscal year 2009 and after.

III. EVALUATING HAWAII'S NUMEROUS SPECIAL TAX CREDITS AND TAX EXEMPTIONS, AND ADDITIONAL RESOURCES, ARE IMPORTANT

Hawaii's tax laws contain special tax credits and exemptions that were enacted to promote various social or economic goals. In general, basic principles of public finance dictate that tax rates should be as uniform as possible to minimize the distortions that taxes create in the economy. It is therefore a good idea to evaluate the credits and exemptions from time to time to see whether they are working as they were meant to work. This bill provides such an evaluation.

The job of evaluating the special credits and exemptions is a big one. As currently constituted, this bill asks the Department to evaluate 34 separate sections in Title 14, many of which contain more than one special tax provision. Even excluding the provisions that are not truly special exemptions from a uniform general excise tax (GET), the bill will require evaluating more than 50 special credits and exemptions over the next four years.

For a competent study of the income tax credits, state tax returns must be matched with federal income tax returns to obtain a comprehensive picture of the taxpayer's income. The Department must be intimately involved in the evaluations of these credits, because the State is unable to provide access to federal income tax returns to outside researchers, or even to any of its other agencies. The evaluations will also require in-depth knowledge of how the State's income tax credits actually operate.

It will be even more challenging to evaluate some of the GET exemptions, as the evaluations will require substantial research to identify data sources. For these reasons, the Department strongly urges that the Committee reinstate the Department's original request that \$350,000 be appropriated from the general fund for the purposes of this act, including funding for three permanent, full-time equivalent positions (an economist, a research statistician, and an administrative rules specialist).

These expenses will be fully offset by revenue gain. In fact, as a result of additional information provided to the Tax Compliance Division from the Tax Research Planning Office, the Department estimates an annual revenue gain of \$1 to \$3 million as the by-product of the evaluation proposed by SB2829 SD2 HD1.

IV. AUTOMATIC REPEAL OF TAX INCENTIVES IS DANGEROUS

As a general consideration, automatic repeal of the magnitude contemplated by this legislation should be approached cautiously. This is a particularly serious responsibility, since these tax provisions will completely disappear without a sound basis for legislative intervention.

The current bill contains a number of items that are listed as exemptions from the GET that probably do not merit consideration. These exemptions are necessary for the GET to have a sensible structure that minimizes economic distortions – they are not exceptions from a uniform and consistently administered excise tax. Examples are:

- The exemptions for property and services shipped out of the State in sections 237-29.5 and 237-29.53 of the Hawaii Revised Statutes (HRS) (it is inconsistent to impose a broad-based excise tax on both exports and imports);
- The exemption of public service companies in section 237-23(1), HRS (their gross income is taxed in chapter 239, HRS);
- The exemption for insurance companies in section 237-29.5, HRS (insurance companies are subject to a tax on insurance premiums);
- The exemption for amounts collected as tax in section 237-24, HRS (to the extent that it can be avoided, excise taxes should not pyramid on other excise taxes).
- The exemption for wages and salaries of employees in section 237-24(6), HRS.

Any study of GET exemptions should begin with a list of exceptions from an ideal, uniformly applied tax.

V. **REPORT REQUIREMENT DEADLINES**

The Department points out that this bill will require the first report for tax incentives set to repeal on December 31, 2010 to be presented to the Legislature 20 days before the 2009 regulation session. In other words, the first report will be due in late 2008. The Department has strong concerns with the reporting requirement deadlines because it is doubtful that an independent study can be funded, commissioned, and completed by the end of this calendar year. The Department suggests either backing up the report deadlines or the repeal dates by at least one year to allow sufficient time for a thoughtful review to be completed.

VI. **REVENUE ESTIMATE**

A. **Revenue gain due to the sunset of GET exemptions and tax credits from the current bill**

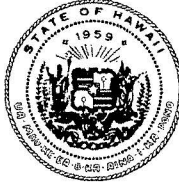
Keeping in mind the caveats mentioned above, the Department of Taxation estimates that the current direct annual revenue gain from the credits and exemptions set to expire on December 31, 2010, will be about \$805.2 million by 2011; the annual revenue gain from the credits and exemptions set to expire December 31, 2011 will be about \$212.8 million by 2012; and the annual revenue gain from the provisions set to expire December 31, 2012 will be about \$42.2 million by 2013. The revenue estimates do not include the effect of imposing the GET on public service companies, on insurance premiums, on financial service income, or on wages and salaries of employees. The Department emphasizes that these estimates are very tentative. For example, an annual growth factor of 4 percent per year has arbitrarily been assumed for all provisions for all years.

B. **Revenue gain due to penalties on unreasonable claims for tax refunds or tax credits**

The Department estimates that the 20 percent penalty for erroneous and unreasonable claims for tax credits or tax refunds will provide \$2.4 million in additional tax revenue for fiscal year 2009 and after.

C. **Indirect revenue gains from studies of GET exemptions and tax credits.**

In addition to these revenue effects, the Department estimates that the studies mandated in the bill, assuming the text of HB 2961 HD 1 are incorporated, could add from \$1.5 million to \$4 million to tax revenues by improving the efficiency of the Department's tax compliance efforts. The revenue gain would occur as a byproduct of the data and analyses that the Tax Research and Planning Office will develop for the studies.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 27, 2008

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: S.B. 2829, S.D. 2, H.D. 1 – RELATING TO TAXATION
Hearing: Thursday, March 27, 2008, 4:00 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Taxation (DoTax) and the Department of Human Services (DHS) to evaluate certain tax credits and tax exemptions and report to the Legislature as to whether they should be modified, reenacted, or repealed. Provides automatic repeal of the tax credits and tax exemptions unless extended by the Legislature..

DEPARTMENT'S POSITION: The Department of Human Services cannot support this bill as written. This bill would require DHS to evaluate certain tax credits and tax exemptions and report to the Legislature as to whether they should be modified, reenacted, or repealed. We request that this function be given to a Department that has this expertise and to whom we will gladly provide any information necessary for its evaluation.

The tax credits listed for DHS to evaluate are not DHS tax credits. Section 235-15 regarding child passenger seats is a Department of Health program. Section 235-110.2 for school repair and maintenance is administered by the Department of Education. Section 239-

6.5 is for telephone service under the Public Utilities Commission. Sections 235.110.8 and 237.29 are under the Hawaii Housing Finance and Development Corporation that is attached to the Department of Business, Economic Development and Tourism. Section 241.4.7 is an income tax credit with the Department of Taxation better able to provide information.

We defer to DoTax as to the placement of the evaluation function in DoTax as proposed in this bill and respectfully request that the passage of this bill does not replace nor adversely impact the priorities in the Executive Supplemental Budget.

Thank you for this opportunity to testify on this bill.



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The Twenty-Fourth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
March 27, 2008

S.B. 2829, S.D. 2, H.D. 1 – RELATING
TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of S.B. 2829, S.D. 2, H.D. 1. The ability of government to make fiscally sound and effective spending decisions will be enhanced by requiring the evaluation of tax credits and exemptions by the Departments of Taxation and Human Services.

Tax expenditures such as tax credits and exemptions are essentially government spending programs administered through the tax code. The primary difference between tax expenditures and regular government spending is that under the tax expenditure approach, the recipient pays less in taxes instead of the government sending out a check. In theory, it does not matter whether state government uses direct spending or a tax expenditure to achieve a policy goal. However, both options must compete with other government spending priorities in making important budget decisions.

Tax credits and exemptions are less visible than other types of public spending, which makes it harder to evaluate their effectiveness. Fiscal accountability necessitates a review of the fairness and efficiency of all tax credits and exemptions. An accurate and accountable state budget should reflect the true costs of tax expenditures and the Legislature should fund only those that are effective and efficient uses of limited tax dollars. Inefficient and ineffective tax expenditures should be eliminated.

Thank you for the opportunity to present testimony in support of S.B. 2829, S.D. 2, H.D. 1.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, INHERITANCE AND ESTATE, PUBLIC SERVICE COMPANY, FRANCHISE, BANKS AND OTHER FINANCIAL INSTITUTIONS, LIQUOR, CONVEYANCE, Repeal tax credits, exemptions

BILL NUMBER: SB 2829, HD-1

INTRODUCED BY: House Committee on Economic Development and Business Concerns

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to provide that a person making a claim for an excessive amount of tax refund or credit without a reasonable basis shall be subject to a penalty of 20% of the excessive amount. Defines "excessive amount" as the amount by which the claim or refund for any taxable year exceeds the amount of such claim allowable for the taxable year.

Adds a new section to HRS chapter 235 to require the department of taxation to perform an evaluation of the following tax credits or exemptions prior to their repeal date. Requires the submission of an evaluation to the legislature, including the evaluations performed by the department of human services, prior to the convening of the: (1) 2009 regular session for credits and exemptions that will be repealed on December 31, 2010; (2) 2010 regular session for credits and exemptions that will be repealed on December 31, 2011; and (3) 2011 regular session for credits and exemptions that will be repealed on December 31, 2012 with an assessment of whether the tax credits or exemptions: (1) have achieved their intended objectives; (2) are consistent with public policies; and (3) should be reenacted, modified, or permitted to expire.

Permits the department of taxation to contract with recognized technical experts knowledgeable in the field of economics, establish a technical advisory group to help identify and develop data elements needed for analyses; and collect, process, and analyze data from federal, state, and local government sources. The data and analyses shall provide sufficient information to allow the legislature to determine whether the tax credits and exemptions have achieved their intended objectives, whether they are consistent with public policies, and whether they should be reenacted, modified or permitted to expire.

If it is determined that the laws establishing the tax credits or exemptions should be modified, the department of taxation, with the assistance of the various state departments enumerated in the measure, shall submit drafts of recommended legislation to be considered for enactment if when enacted they would improve the policies, procedures, and practices of the tax credits or exemptions.

Directs the department of taxation, with the assistance of the various state departments enumerated in the measure, to make recommendations to improve the operation of a tax credit or exemption, including recommendations for appropriate restrictions to be implemented before the termination of the tax exemptions or credits.

Repeals the following on December 31, 2010:

SB 2829, HD-1 - Continued

- 235-9.5 Stock options from qualified high technology businesses excluded from taxation
- 235-15 Child passenger restraint systems
- 235-110.2 Credit for school repair and maintenance
- 235-110.51 Technology infrastructure renovation tax credit
- 237-24 Amounts not taxable
- 237-24.3 Additional amounts not taxable
- 237-24.9 Aircraft service and maintenance facility
- 237-27 Exemption of certain petroleum refiners
- 237-29.53 Exemption for contracting or services exported out of state
- 237-29.55 Exemption for tangible personal property for resale at wholesale
- 237-29.8 Call centers exemption; engaging in business; definitions;
- 239-12 Call centers; exemption; engaging in business; definitions

Repeals the following on December 31, 2011:

- 235-110.6 Fuel tax credit for commercial fishers
- 235-110.7 Capital goods excise tax credit
- 237-16.8 Exemption of certain convention, conference, and trade show fees
- 237-23 Exemptions, persons exempt, applications for exemption
- 237-23.5 Related entities, common paymaster; certain exemption transactions
- 237-24.5 Additional exemptions
- 237-24.7 Additional amounts not taxable
- 237-24.75 Additional exemptions
- 237-25 Exemptions of sales and gross proceeds of sales to federal government, and credit unions
- 237-28.1 Exemption of certain shipbuilding and ship repair business
- 237-29.5 Exemption for sales of tangible personal property shipped out of the state
- 239-6.5 Tax credit for lifeline telephone service subsidy

Repeals the following on December 31, 2012:

- 235-12.5 Renewable energy technologies; income tax credit
- 235-17 Motion picture, digital media, and film production income tax credit;
- 235-110.3 Ethanol facility tax credit
- 235-110.8 Low-income housing tax credit
- 237-26 Exemption of certain scientific contracts with the United States
- 237-27.5 Air pollution control facility
- 237-27.6 Solid waste processing, disposal, and electric generating facility; certain amounts exempt
- 237-29 Exemptions for certified or approved housing projects
- 241-4.7 Low-income housing; income tax credit
- 244D-4.3 Exempt ion for sales of liquor out of the state

Requires the department of human services (DHS) to perform an evaluation of the following tax credits or exemptions prior to their repeal date.

SB 2829, HD-1 - Continued

235-15	Tax credits to promote the purchase of child passenger restrain systems
235-110.2	Credit for school repair and maintenance
235-110.8	Low-income housing tax credit
237-29	Exemptions for certified or approved housing projects
239-6.5	Tax credit for lifeline telephone service subsidy
241-4.7	Low-income housing; income tax credit

Appropriates \$_____ in general funds for fiscal 2009 to carry out the purposes of this act, including funding for ___ permanent, full-time positions (an economist, a research statistician, and an administrative rules specialist) in the department of taxation and also to reimburse other state agencies for costs incurred in performing tasks required by this act. This section shall take effect on July 1, 2008.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: On the federal level, the Small Business and Work Opportunity Act of 2007 (SBWOA) (Title VIII of P.L. 110-28) added an erroneous refund claim penalty. If a claim for a refund or credit is made for an excessive amount, and there is no basis for such claim, then a penalty of 20% of the disallowed amount of the claim is assessed on the person making the claim. While the proposed measure adopts similar provisions for Hawaii tax purposes, it should be clarified to be applicable to all taxes under Title 14.

This measure repeals various tax credits and exemptions of state tax law after a review is performed by the department of taxation and for certain tax credits a review by DHS. This measure is, no doubt, proposed to address concerns about the plethora of targeted business tax credits adopted in recent years. With everything from investments in high technology to ethanol producing plants to tax credits for hotel construction and home renovation and construction, taxpayers have been asked to pay for projects for which there are just promises that jobs will be created or new businesses will be attracted to provide those jobs. At the end of the day, while the beneficiaries laugh all the way to the bank with their profits, the taxpayer is left empty-handed. It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences. Rather than singling out a particular area for tax relief, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

While there is no doubt that many of the income tax credits deserve to be repealed, a blanket repeal, as proposed by this measure, may result in some unexpected consequences. The repeal of the capital goods excise tax credit under HRS section 235-110.7 and the fuel tax credit for commercial fishers under HRS section 235-110.6 would result in higher operating costs for businesses that, no doubt, will be passed on to consumers in the form of higher prices of goods. In the case of the capital goods excise tax credit, the credit was to offset the cost of the general excise tax imposed on the acquisition of capital goods which are key to the creation of new jobs. On the other hand, other provisions repealed, such as the child passenger restraint tax credit, are justified due to the state's mandatory seat belt law.

While the continuance of some of the general excise tax exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same

income as is the case with public service companies and financial institutions. These businesses pay other taxes, imposed in lieu of the general excise tax, because of the unique nature of these businesses.

Those exemptions of questionable existence are those which were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contribution to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary. The last comprehensive review and overhaul was the result of the 1989 Tax Review Commission. One outcome was that the general exemption of insurance companies was narrowed when it was learned that insurance companies had income other than from insurance premiums which escaped the imposition of the general excise tax. Thus, the exemption for income received in the form of insurance premiums recognizes that the premiums tax is imposed on that type of income. Similarly, when it was recognized that employee benefit plans received income other than from employee contributions and earnings on those contributions, the provision was narrowed to specifically exclude rental income or proceeds. While the most recent Tax Review Commission - the 2005-2007 Commission - looked at some of these exemptions, it was largely an inquiry about either narrowing or broadening the general excise tax base.

On the other hand, the exemptions for purchases of food with food stamps and qualified food items purchased with WIC coupons exist because of a federal pre-emption that such purchases are exempt from taxation. Other amounts specifically exempt from the general excise tax include liquor, cigarette, and transient accommodations tax amounts that would constitute a tax on a tax.

Among those general excise tax exemptions, which if repealed could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), and reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchant's association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions which beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, persons affected with Hansen's disease, cemetery associations (HRS 237-23), income of the blind deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

While this measure proposes to implement a recommendation of not only the most recent Tax Review Commission, but previous Commissions as well, that is to minimize or eliminate all tax exemptions and credits, the elimination of these exemptions may cause more inequities and problems. Thus, the Tax Review Commission's recommendation deserves a measured and learned response.



**The Chamber of
Commerce of Hawaii**

Since 1850

**Testimony to the House Committee on Finance
Thursday, March 27, 2008; 4:00 p.m.
Conference Room 308
(Agenda #3)**

RE: SENATE BILL NO. 2829 SD2 HD1 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber does not support SB 2829, SD2, HD1 relating to Taxation.

The Chamber is the largest business organization in Hawaii, representing over 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The measure requires the Department of Taxation and Department of Human Services to evaluate certain tax credits and tax exemptions and report to the Legislature. The bill also provides for the automatic repeal of the tax credits and exemptions. Finally, the measure provides for excessive amounts filed for tax refunds and credits.

The Chamber acknowledges the intent of the bill, however, we are extremely concerned about the automatic repeal of the tax credits and exemptions. This may have a serious impact on business and the overall economy. This measure will create a volatile effect on businesses especially as they try to plan for the future. Also, many of the tax credits and exemptions help stimulate economic activity for start-up industries, or provide relief to existing industries, which in turn, pass down the savings to consumers. It also assists industries or organizations that endeavor to fulfill public policy.

Many of our members, which represent diverse industries such as, but not limited to renewable energy, schools and universities, insurance, grocery stores, catering, non-profit, airlines, petroleum, agricultural, bureaus, foundations, banks, hotels, utility, telecommunication, construction, land development, military, science and technology, hospitals, and health care, many of which are small businesses, will be greatly affected by this measure. These companies provide jobs, goods and services, and new opportunities for our state, which are partially a result of the tax credits and exemptions.

This bill, if passed, will have unintended consequences and a multiplying effect on our state. As the economy takes a turn, the unemployment rate slowly increases, and businesses face extreme obstacles, tax credits and exemptions provide the much needed benefits for companies that will eventually help employees, consumers and the economy.

Therefore, The Chamber respectfully requests that the committee holds this bill. Thank you for the opportunity to testify.



**The Chamber of
Commerce of Hawaii**

Since 1850

**Testimony to the House Committee on Finance
Thursday, March 27, 2008; 4:00 p.m.
Conference Room 308
(Agenda #3)**

RE: SENATE BILL NO. 2829 SD2 HD1 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Charles Ota and I am the Vice President for the Military Affairs Department at The Chamber of Commerce of Hawaii. The department is responsible for the Military Affairs Council (MAC), which serves as the liaison for the state in matters relating to the military and provides oversight for the state's defense industry.

The MAC submits testimony in strong opposition to Section 3, Item 17 of Senate Bill 2829, S.D. 2, H.D. 1, Relating to Taxation, which proposes to repeal GET exemptions for certified or approved affordable housing projects under HRS Section 237-29.

Providing for affordable housing is a quality of life concern for all residents in Hawaii, be it for civilian residents or the military communities.

In the early 1990s, the US military faced a quality of life crisis nationally when the condition of over 70% of their family housing had deteriorated and was deemed to be marginally acceptable. The seriousness of this condition in Hawaii was compounded further by a shortage of quality affordable housing being available for military families in nearby civilian communities.

It should be noted that military families that were forced to live in civilian residential communities because of the poor condition of military housing also compounded Hawaii's overall affordable housing crisis. As the condition of these family homes improves on the bases and military families move to occupy them, it will provide welcomed relief to Hawaii's affordable housing crisis.

The US Department of Defense estimated that it would take about 40 years of steady funding by Congress to enable the military to re-establish an adequate supply of family housing. This quality of life issue caused concerns in recruiting and retaining sufficient numbers of troops needed to sustain America's all-volunteer force.

In 1996, the Congress approved the Military Housing Privatization Initiative (MHPI) as the means to leverage the public sector into improving the military housing condition faster and more efficiently. It provides for accelerating the process from the projected 40 years to less than 10 years.

A significant majority of military housing projects are for soldiers, sailors, marines, airmen, and guardsmen whose incomes are below the stipulated limits for affordable housing and qualify for GET exemptions under HRS Section 237-29. This is the same provision that provides for GET exemptions for other affordable housing projects for Hawaii residents whose incomes are also below these same limits, such as teachers, firemen, policemen, etc.

Prior to MHPI, the construction of military family housing had been exempt from GET under HRS Section 237-29, and there was no GET payable on the homes' rental value because they were owned by the federal government.

The MHPI privatization arrangement in Hawaii includes a project labor agreement (PLA) signed by virtually all of the construction trade unions. The use of this PLA mandates that the Hawaii unions be the primary resource for military housing projects, which further assures that local labor receives the benefit of union wages.

The proposed repeal of Section 3, Item 17 would cause a serious setback for state and county funded affordable housing projects when the need for affordable housing continues to grow more urgent. However, its impact on the military would be even more profound since the MHPI program includes operating and managing these military residential communities, e.g., repairs, maintenance, replacement, etc., to retain the quality of these homes for the entire 50-year period.

A repeal of the GET exemption would cause major decreases in the availability of cash to complete major renovations, demolition, and construction. This would result in reducing the number of major renovation and construction contracts, jobs for union workers, the purchase of supplies and materials from small businesses.

Economically, the decline in the military's affordable housing program would dramatically decrease the direct and indirect benefits gained by the state's \$9.0 billion defense industry.

The impact of the new affordable housing on military families is heartwarming. The families that have moved into the new homes have had nothing but praise for these new communities. This is especially important because thousands of Hawaii's troops continue to be deployed in harm's way in Iraq and Afghanistan, leaving their families to remain in Hawaii. Being able to live in revitalized communities on base with the military providing the families with security and support services is a blessing

The GET exemption on affordable housing projects has proven to be effective in attracting private sector financing, expertise, and innovation to provide quality affordable housing faster and more efficiently to both the civilian and military communities. Its repeal would be a serious setback for the affordable housing program and the quality of life for many of Hawaii's residents, civilian and military alike, whose housing choices are few.

In light of the above, the MAC strongly recommends that Section 3, Item 17 be removed from SB 2829, SD1, HD 1.

March 26, 2008

To: FINtestimony@capitol.hawaii.gov
*Testimony for Hearing before the
House Committee on Finance
Thursday, March 27, 2008, 4:00 pm*

*State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813*

Re: Testimony in Strong Opposition to SB 2829 SD2 HD1 – Relating to Taxation

Chair Oshiro, Vice Chair Lee, and Committee Members:

Thank you for the opportunity to submit testimony in STRONG OPPOSITION to SB 2829 SD2 HD1, which provides for the statutory repeal of numerous tax credits and exemptions BEFORE they are reviewed by the Department of Taxation ("DoTax"). These tax credits and exemptions would be statutorily repealed, regardless of what the DoTax studies conclude.

This bill is very similar to HB 2942, which your Committee heard on February 6, 2008, which had almost unanimous testimony in opposition, with the exception of testimony submitted in support by State Economist Pearl Iboshi, on behalf of DBEDT Director Ted Liu. A prior version of this bill proposed by the House EDB Committee received more than 100 testimonies in opposition, with only two in support.

This bill is an improvement over prior proposed drafts and similar bills since it now provides that the review of tax credits and exemptions will be conducted by DoTax and not DBEDT.

It also does not include some tax credits that already have a sunset date (such as Act 221/215).

However, this bill will still create widespread disruption throughout our economy by statutorily repealing General Excise Tax exemptions for hospitals, homeless shelters, schools and other nonprofits; the wages of all employees in our State; payments received from medical and other insurance policies; pensions and employee benefit plans; high tech companies in the areas of federal scientific research and alternative energy; and many others.

This bill will effectively raise taxes for the people of Hawaii by more than \$1 billion per year and would likely create a State budget surplus of more than \$1 billion, which would likely have to be refunded to taxpayers under the State Constitution, but possibly only after many hospitals, homeless shelters, schools, high tech companies and other organizations have been forced to layoff workers and/or go into bankruptcy, and only after their thousands of employees have lost their jobs, homes and livelihoods.

Because this bill automatically repeals these numerous tax exemptions and credits regardless of the conclusions of any study by DoTax, all affected organizations and taxpayers will have to wait a year or more to see if the Legislature will pass, and the Governor will sign, new legislation to reinstate many tax exemptions and credits that should never have been repealed in the first place. This will create tremendous uncertainty and disruption throughout our economy and will hold our State's entire economy hostage to the uncertainties of the political process.

This bill will have a very disruptive effect upon our entire economy, for a very long time. It will scare away many investors and could drive into bankruptcy many businesses, hospitals and other nonprofit organizations that these tax credits and exemptions were designed to support and attract.

This bill is being proposed at a time when our state and national economies are extremely vulnerable, and it puts at even greater risk the survival of hundreds of local companies and the jobs of thousands of their employees.

It strongly reinforces the view held by many, both within and outside of Hawaii, that our State is a very bad place to do business.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Section 235-12.5, HRS relating to renewable energy (e.g., solar and wind) tax credits;
- Section 235-17, HRS, which is the Act 88 film, TV and digital media credit (which has been reported to be very effective);
- Section 235-110.3, HRS relating to the Ethanol Facility Tax Credit;
- Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- Section 237-23, HRS, which provides General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- Section 237-23.5, HRS, which provides General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- Section 237-24, HRS, which excludes from General Excise Tax wages that are paid to all employees, as well as things like amounts received under insurance policies (which may affect everyone who receives medical insurance reimbursements), gifts, damages for lawsuits, etc.
- Section 237-24.3(5), HRS, which excludes General Excise Tax on amounts received (for both contributions and income) by employee benefit plans. If applicable, this could have a

devastating effect on ERS and other pension/benefit plans that are already under funded. A more than 4% excise tax on portfolio returns could be more than half of their annual income, and taxing contributions would trigger an immediate loss simply because funds are contributed to the plan.

As a supporter of Hawaii's Act 221/215 high tech tax credits, I support the intent of more study and analysis of these credits since I firmly believe that with more study and analysis, more evidence can and will be provided to the Legislature, and to the general public, of how tremendously successful these tax incentives have been.

The 2007 study conducted by the Department of Taxation, as the Legislature required last year under Act 206, 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.

However, whether for Act 221/215 or any other tax exemption or credit, actions by the Legislature to repeal these laws should not be taken without careful and substantive factual analysis and justification.

Arbitrarily repealing important laws for ideological or political reasons without sufficient analysis or factual justification is very dangerous and can create widespread irreparable economic harm to thousands of Hawaii citizens, and it will further reinforce Hawaii's reputation around the world as a very bad place to do business.

Thank you very much for the opportunity to submit this testimony.

Respectfully submitted,

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



March 26, 2008

SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee
Chair, Marcus Oshiro
Vice Chair, Marilyn Lee

FROM: Rick Holasek, President and CEO, NovaSol

RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

NovaSol strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state. Thank you for the opportunity to testify.

Sincerely,

Rick Holasek, PhD
President and CEO, NovaSol

CORPORATE OFFICE

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808.441.3601 fax

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Honolulu, Hawaii 96813
808.680.9601
808.680.9624 fax



SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee
Chair, Marcus Oshiro
Vice Chair, Marilyn Lee

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

RE: Testimony In Strong Opposition to SB2829 SD2 HD1

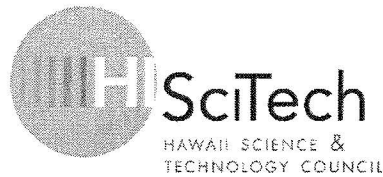
The Hawaii Science and Technology Council strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable, and it puts at even greater risk the survival of hundreds of local companies and the jobs of thousands of their employees.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

While the EDB Committee did amend the proposed HD1 to its present form to exclude certain tax credits that already have a sunset date, this bill remains troublesome and problematic. It calls for the repeal of other tax credits and exemptions without any prior justification for such a repeal. While a tax study is called for, we believe that such a study should occur BEFORE any repeal is enacted.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Section 235-12.5, HRS relating to renewable energy (e.g., solar and wind) tax credits;
- Section 235-17, HRS, which is the Act 88 film, TV and digital media credit (which has been reported to be very effective);
- Section 235-110.3, HRS relating to the Ethanol Facility Tax Credit;
- Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.



Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

--Section 237-23, HRS, which provides General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

--Section 237-23.5, HRS, which provides General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

--Section 237-24, HRS, which excludes from General Excise Tax wages that are paid to all employees, as well as things like amounts received under insurance policies (which may affect everyone who receives medical insurance reimbursements), gifts, damages for lawsuits, etc.

--Section 237-24.3(5), HRS, which excludes General Excise Tax on amounts received (for both contributions and income) by employee benefit plans. If applicable, this could have a devastating effect on ERS and other pension/benefit plans that are already under funded. A more than 4% excise tax on portfolio returns could be more than half of their annual income, and taxing contributions would trigger an immediate loss simply because funds are contributed to the plan.

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state. It will contribute to the growing uncertainty about Hawaii's economy and its ability to expand to meet the needs of our people.

The Hawaii Science & Technology Council is a private tax-exempt 501(c)6 industry association with a 28-member board. The council serves Hawaii companies engaged in ocean sciences, agricultural biotechnology, astronomy, defense aerospace, biotech/life sciences, information & communication technology, energy, environmental technologies, and creative media.

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

Lisa H. Gibson
President
(808) 536-4670



March 26, 2008

TESTIMONY

HOUSE FINANCE COMMITTEE

Chair, Marcus Oshiro
Vice-Chair, Marilyn Lee

Thursday, March 27, 2008
4:00 PM Hearing
State Capitol, Conference Room 308

Regarding

S.B. No. 2829 SD2 HD1: RELATING TO TAXATION

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

Thank you for the opportunity to provide testimony **AGAINST SB 2829 SD2 HD1**

Oceanit strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits. This bill would be harmful to the technology sector as well as the broader economic community of Hawaii and further add to the perception of Hawaii being a difficult place to do business.

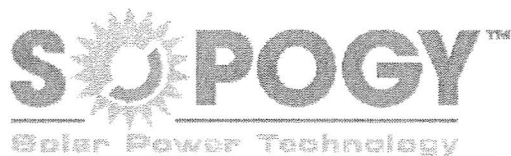
Credits and Exemptions that would be repealed by this bill that would hurt Hawaii's emerging tech sector include, among others, HRS Section 235-12.5 relating to renewable energy tax credits and Section 237-26 relating to federal scientific research contracts. Adding a general excise tax to federal research would be devastating to small companies performing valuable research for the federal government. These same companies bring in much needed federal funds and create jobs in Hawaii, exactly what is needed to help diversify our economy at this time. Repeal of other exemptions and exclusions, such as Section 237-23 which provides an exemption for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc. and Section 237-24 which excludes wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc. would have a negative impact across our community.

We urge you not to pass this bill.

Thank you for the opportunity to submit this testimony on this important matter.

Respectfully submitted,

John Kuriyama
General Manager and General Counsel



To: Finance Committee
From: Jon Ishikawa – Project Manager
Fax: 808-356-0565
Phone: 808-778-9840

Date: 3/26/2008
Pages: 1 page + cover sheet
Subject: Testimony in opposition of SB 2829, FIN Committee hearing March 27, 2008

Comments:

Sopogy Inc. submits the following testimony against **SB 2829** to be heard by the **House Finance Committee** on **March 27, 2008** at **4:00 PM** in **Conference Room 308**. This testimony should be sent to the following individuals:

Representative Marcus Oshiro, Chair, FIN
Representative Marilyn Lee, Vice-Chair, FIN

Please make 5 copies of this testimony. If you have any questions, please contact me at my number listed below.

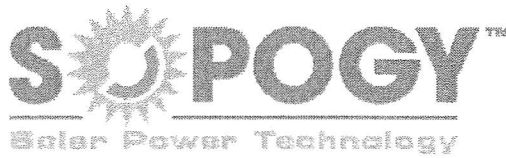
Mahalo,

Jon Ishikawa
Project Manager

Sopogy - Solar Power Technology
Direct Phone: (808) 778-9840
Direct Fax: (808) 356-0565
www.sopogy.com



Power | Process Heat | Air Conditioning



To: Representative Oshiro, Chair, Finance Committee

From: Sopogy, Inc.

Date: March 26, 2008

Subject: Opposition to SB 2829 - Relating to the repeal of tax credits and incentives.

Chair Oshiro, Vice-Chair Lee, and Members of the Committee:

Sopogy, Inc. (Sopogy) is a solar power technology company based in Hawaii. Our purpose is to bring renewable solar energy technologies to Hawaii and its people for the betterment of our environment, reduce our independence from volatile imported fossil fuels, and provide a reliable renewable energy source for Hawaii. Sopogy also seeks to create better jobs and increased revenues that will benefit Hawaii and its workforce.

Sopogy strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support. Credits and Exemptions repealed by this bill would hurt Hawaii's emerging tech sector, including the growth of a vibrant renewable energy technology sector that is critical for addressing Hawaii's clean energy needs and for creating new jobs and better salaries for Hawaii's workforce.

Thank you for this opportunity to testify.



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**SB 2829 SD2 HD1
RELATING TO TAXATION**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

MARCH 27, 2008

Chair Oshiro and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and Hawaiian Commercial & Sugar Company, one of its agricultural companies, on SB 2829 SD2 HD1, "A BILL FOR AN ACT RELATING TO TAXATION." We respectfully oppose this bill.

As one of two remaining sugar companies operating in the State, Hawaiian Commercial & Sugar Company (HC&S) celebrated its 125th anniversary in 2007. While Hawaii's many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments by our parent company, A&B, in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Today, as we face the prospect of lower margins from raw sugar production because of flat commodity prices along with increasing production costs, HC&S is in the process of transitioning from a primary producer of commodity sugar into the production of specialty sugar and bio-based products. In addition to being the sole supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production of

our specialty Maui Brand Sugar. HC&S also produces several bio-based products, and provides Maui Electric with biomass produced electricity.

HC&S is also actively and seriously evaluating the feasibility of becoming a producer of ethanol. Our initial investigation into a production facility that would convert only our final molasses to ethanol found, after much research and analysis, that a plant of this scale would not be financially feasible. HC&S is now presently analyzing a larger ethanol production facility that would convert not only all of our molasses, but a significant portion of our cane juice as well. The fermentation process we are focused on is a proven, practical method, similar to how Brazil presently produces ethanol. The sugar cane plant provides many advantages over other crops with respect to energy output because of its efficiency in converting sunlight into biomass energy. However, the required investment in building an ethanol facility is significant and the risks, because of fluctuating energy prices, is also significant.

This bill repeals several tax exemptions and tax credits, including the ethanol facility tax credit. The ethanol facility tax credit is an important component in HC&S's determination of the financial feasibility of our ethanol production initiative that is presently under consideration. Should this ethanol facility tax credit not be available to HC&S, it reduces the likelihood that our entry into the production of ethanol would prove to be an economically feasible endeavor.

Based on the aforementioned, we respectfully request that this bill be held in Committee.

Thank you for the opportunity to testify.



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March 25, 2008

The Honorable Marcus R. Oshiro, Chair

Senate Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: S.B. 2829, S.D. 1, H.D. 1, Relating to Taxation
Hearing Date: March 27, 2008 @ 4:00 p.m., Room 308**

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **strongly opposes Subsections (c)(4) and (c)(8) of Section 2 of S.B. 2829, S.D. 1, H.D. 1, Relating to Taxation**, which respectively repeal the Low Income Housing Tax Credit under HRS §235-110.8 and the General Excise Tax (“GET”) Exemption for Certified or Approved Housing Projects under HRS §237-29 as of December 31, 2012.

We believe Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and we believe that this bill does not align with our core principle of *providing housing opportunities*.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from the Low Income Housing Tax Credit under HRS §235-110.8. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

You should also be aware that HAR believes that if Subsections (c)(4) and (c)(8) of Section 2 of S.B. 2829, S.D. 1, H.D. 1, are passed in their current form, the repeal of HRS §§ 235-110.8 and 237-29 will have the following adverse consequences:

1. With respect to existing projects, the repeal of the GET exemption under HRS §237-29 will reduce the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State by at least 4% (4.5% in the City and County of Honolulu). This will almost certainly adversely affect the projects’ ability to fund their operating and maintenance reserves and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.
2. With respect to projects approved between the date of enactment of S.B. 2829, S.D. 1, H.D. 1, and December 31, 2012, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will tend to reduce the amount of mortgage debt lenders will be willing to lend for these projects because their gross rents available for operating costs and debt service may decrease by 4% (or



4.5% in the City and County of Honolulu) on January 1, 2013. A logical consequence of such lender action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

The pricing of construction contracts for projects which are certified or approved under HRS §237-29 will also become more difficult and most likely more expensive as the December 31, 2012 repeal date grows closer because contractors may not be able to complete construction by that date.

3. With respect to existing projects, the repeal of the Low Income Housing Tax Credit under HRS §235-110.8 will not allow: (a) current investors the use of the full amount of their credits if their 10-year recovery period under HRS §235-110.8(c) and IRC §42(b) extends beyond December 31, 2012; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2012.
4. With respect to projects approved between the date of enactment of S.B. 2829, S.D. 1, H.D. 1, and December 31, 2012, the uncertainty of the continued existence of the Low Income Housing Tax Credit under HRS §235-110.8 will undoubtedly reduce the amount investors will be willing to pay for the credits because they cannot be assured of the use of the credit through its entire 10-year recovery period. Again, a logical consequence of such investor action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

For the reasons set forth above, HAR respectfully requests that if Subsections (c)(4) and (c)(8) of Section 2 of S.B. 2829, S.D. 1, H.D. 1, are passed in their current form, Section 6 of S.B. 2829, S.D. 1, H.D. 1, be amended to read as follows:

SECTION 6. This Act shall take effect upon approval; provided that: (1) Subsection (c)(4) of Section 2 shall not apply to a qualified low-income housing building or a qualified low-income housing project that has been awarded low-income housing tax credits under section 235-110.8 prior to January 1, 2013; (2) Subsection (c)(8) of Section 2 shall not apply to a housing project which has been certified or approved under section 201H-36 and exempted from general excise taxes under section 237-29 prior to January 1, 2013; and (3) Section 3 shall take effect on July 1, 2008.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

Sincerely,

Craig Hirai, Member
Subcommittee on Taxation and Finance
HAR Government Affairs Committee

HAWAII FILM & ENTERTAINMENT BOARD

*Brenda Ching, Chair
Screen Actors Guild*

Chris Conybeare, Esq.

*Donovan Ahuna
I.A.T.S.E., Local 665*

*Benita Brazier
Maui Film Commission*

*Walea Constantinou
Honolulu Film Office*

*Donne Dawson
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*Randall Young
I.B.E.W., Local 1260*

HOUSE COMMITTEE ON FINANCE

Thursday, March 27, 2008, 4:00 p.m.
State Capitol, Conference Room 308

RE: SB 2829 SD2, HD1 - RELATING TO TAXATION

Dear Chair Oshiro and Members of the Committee:

The members of the Hawaii Film and Entertainment Board (HFEB) **strongly oppose** the specific section of SB 2829 SD2, HD1, that seeks to repeal section 237-17, the motion picture and digital media tax credit established in July 2005.

The measure is a fiscally responsible credit that does not have the state spending more monies that it is gaining from the implementation of Act 88.

Economic impact calculations, performed by noted labor economist Dr. Bill Boyd, show that the **state realized a net gain of \$2.4 million** when direct and indirect impacts are analyzed for fiscal year 2006-2007 and did so while building a new diversified industry for Hawaii.

In light of this information we ask for your reconsideration on repealing this tax credit.

Thank you for the opportunity to provide these comments.

Testimony before the
House Committee on
Finance, Agenda #3

S. B. 2829 SD 2, HD 1 - Relating to Taxation
Thursday, March 27, 2008
4:00 p.m., Conference Room 308

by Keith Block
Director, Customer Efficiency Programs
Hawaiian Electric Company, Inc.

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Keith Block and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO).

Hawaiian Electric strongly opposes the repeal of the Renewable Energy Technologies Income Tax Credit contained in SB 2829 SD2, HD1.

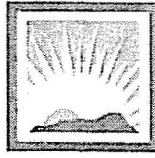
Hawaiian Electric has been successfully encouraging the use of renewable energy through its residential solar water heating program for over 11 years. In that time the companies have provided rebates to over 39,000 customers for the installation of solar water heating systems on their homes.

State tax credits have been instrumental in the success of this program and in fact many bills have been introduced this year to increase the state tax credit for solar water heating systems. Under the terms of SB 2829 SD2, HD1, the Renewable Energy Technologies Income Tax Credit would be repealed on December 31, 2008, adversely affecting the economics of purchasing a solar water heating system for Hawaii tax payers. For example, in 2006 the average cost of a solar system in HECO's program was \$5,600. Based on this system cost, elimination of the tax credit will effectively increase the cost of the system to a Hawaii tax payer by \$1,610, or increase the simple payback by another 2.5 years.

In the past this tax credit did have a sunset date. Just the uncertainty associated with a sunset date can have a detrimental effect on the industry as businesses that rely on the installation of solar water heating systems try to plan their future. The legislature recognized this last year and removed the sunset date.

Increasing the penetration of renewable energy systems is consistent with State energy policy. Passage of this bill could adversely affect the penetration of solar water heating systems in Hawaii.

Thank you for this opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO S.B. 2829, S.D. 2,, H.D. 1, RELATING TO TAXATION
BEFORE THE
HOUSE COMMITTEE ON FINANCE
ON
THURSDAY, MARCH 27, 2008**

Chair Oshiro, Vice-Chair Lee and members of the committee, my name is Richard Reed and I represent the Hawaii Solar Energy Assn. (HSEA). HSEA is a professional trade association established in 1977, and affiliated with the Solar Energy Industries Association (SEIA). HSEA represents manufacturers, distributors, contractors, financial entities and utility companies active in the solar energy industry.

The HSEA strongly opposes S.B. 2898, S.D. 2. Some State of Hawaii tax incentives already have been exhaustively studied, found to have positive fiscal and economic impacts, and deserve your continued support. The threat of repeal on a date certain will have a negative and disruptive impact on business investment, job growth, and Hawaii's continuing fight to reduce our dependence on imported fossil fuel.

The renewable energy technologies tax credit (HRS 235-12.5) presently has no sunset provision. The legislature made a conscious decision in 2006 to eliminate that provision based up the severity of our energy problems **at that time**. It is now even clearer that the State of Hawaii faces a protracted and very expensive energy crisis. We must do everything in our power to speed the transition from polluting fossil fuels to renewable energy. The elimination of this credit will send precisely the wrong signal to ratepayers, the renewable energy industry, investors, and all those that now provide Hawaii with the necessary infrastructure to effect this critical transition.

In 2002, DBEDT issued, "The Report of the Energy-Efficiency Policy Task Force", a 217 page study of the then titled energy conservation income tax credits (HRS 235-12). The report included a detailed and comprehensive analysis conducted by Dr. Thomas Loudat, and peer reviewed by Dr. Leroy Laney, of the economic and fiscal impacts of this specific credit.

Dr. Loudat found that the renewable energy tax incentives produced both the desired behavior, i.e. the purchase of renewable energy devices that would not have been installed absent the incentive, and also provided significant fiscal benefits to the state over the useful operating life of the equipment. Dr. Loudat's work has been praised as a model that might profitably be applied to the analysis of other State of Hawaii tax credits.

The work of the Energy Efficiency Policy Task Force was conducted when world oil prices were under \$30/bbl. The fiscal and economic impacts of the tax credits are now, if anything, far more favorable to the State than when the analysis was first conducted.

It is the stated public policy of the State of Hawaii to reduce our dependence on imported and polluting fossil fuel. HRS 235-12.5 has been the SINGLE MOST IMPORTANT policy tool we have to date to accomplish this goal. Clearly there is much more we must do to accelerate the commercialization of renewable energy devices, but eliminating this essential tax incentive would be a grave disservice to Hawaii's taxpayers and ratepayers.

Thank you for the opportunity to present this testimony.

**SB 2829 SD2, HD1
RELATING TO TAXATION**

**KEN HIRAKI
DIRECTOR – GOVERNMENT AFFAIRS
HAWAIIAN TELCOM**

March 24, 2008

Chair Oshiro, Vice Chair Lee and Members of the Finance Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on SB 2829 SD2, HD1, "Relating to Taxation." Hawaiian Telcom opposes this measure.

SB 2829 SD2, HD 1 establishes the repeal of numerous tax credits and exemptions beginning in the 2009 taxable year. While recognizing the value of periodic reviews of Hawaii's tax code as a tool in the development of sensible tax policy, automatic repeal of the scope and magnitude as proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed as to the financial and social consequences (both intended and unintended) that this repeal will produce.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 7, line 1-2), which provides a tax credit for lifeline telephone service. Responding to the fact that Hawaii has the fastest growing graying population in the country and the increasing problem of "shut-ins", the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below \$10,000.

For many of those enrolled in the program, the land line telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those that are disabled or seniors with their doctors, 911, or loved ones.

There are currently over 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and be left without any means of communication.

In addition, Hawaiian Telcom opposes the repeal of Section 237-23, Hawaii Revised Statutes (page 6, lines 3-4), which provides a general excise tax (GET) exemption for public service companies such as Hawaiian Telcom. Retention of this exemption is necessary because our company is currently required to pay a public service company tax in lieu of GET. Repeal of this GET exemption would essentially subject our company to an unfair double tax.

Finally, Hawaiian Telcom opposes the repeal of Section 235-110.7, Hawaii Revised Statutes (page 5, line 21), which provides a tax credit for the investment of capital goods and Section 237-23.5 Hawaii Revised Statutes (page 6, line 5-7), which provides an exemption for services provided by related business entities. Repeal of these sections will remove meaningful financial incentives for our company to invest in new equipment and increase our cost of doing business which eventually will be passed on to local consumers.

Based on the aforementioned, we respectfully request that SB 2829 SD2, HD1 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provisions related to Sections 239-6.5, 237-23, 235-110.7, and 237-23.5.

Thank you for the opportunity to testify on this measure.



March 27, 2008

TESTIMONY IN OPPOSITION TO SB2829 SD2 HD1

RELATING TO TAXATION
HEARING BEFORE
HOUSE COMMITTEE ON FINANCE
THURSDAY MARCH 27, 2008, 4:00 P.M.
HOUSE CONFERENCE ROOM 308

TO: Chair Marcus Oshiro, Vice Chair Marilyn Lee, and Committee Members

Aloha, my name is Bruce Anderson. I am the President of the Oceanic Institute (OI).

The Oceanic Institute opposes SB 2829 SD2 HD1– Relating to Taxation, HD1 which proposes to automatically repeal numerous tax exemptions and credits before these incentives are reviewed by the Department of Taxation. Credits, Exemptions, and Exclusions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Section 235-12.5, HRS relating to renewable energy (e.g., solar and wind) tax credits;
- Section 235-17, HRS, which is the Act 88 film, TV and digital media credit (which has been reported to be very effective);
- Section 235-110.3, HRS relating to the Ethanol Facility Tax Credit;
- Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts,
- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

The Oceanic Institute, an affiliate of Hawai'i Pacific University, is a not-for-profit organization dedicated in large part to research and the development of sustainable aquaculture technologies. One of our primary objectives is to transfer these technologies to the commercial or private sector so that they can be used in an efficient and effective manner to meet the growing demand for seafood. One of our projects involves research on using the co-product from biodiesel production in aquatic animal feeds. This research is crucial to finding cost-effective alternatives to petroleum and provides added value by utilizing the co-product from this biodiesel manufacturing process saving our landfills.

The aquaculture industry in Hawai'i is one of the fastest growing sectors of diversified agriculture. To maintain this growth requires substantial investment and, with it, considerable risk. Access to adequate capital is key to new, emerging industries, such as aquaculture, and the incentives that these tax credits, exemptions, and exclusions provide makes it attractive to invest in high-risk industries. These incentives have proven to be an effective catalyst for investment in Hawaii's high tech sector, including renewable energy, ocean science and other industries that will help to diversify our economy. In addition, repeal of these incentives as proposed in this bill could trigger broader economic damage across our community at a time when our state and national economies are extremely vulnerable.

We respectfully request that this committee hold this bill. Thank you for the opportunity to testify on this measure.

Twin chimneys entertainment

SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee
Chair, Marcus Oshiro
Vice Chair, Marilyn Lee

FROM: Scott Baehrens/Twin Chimneys Entertainment LLC

RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

Scott Baehrens of Twin Chimneys Entertainment LLC strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Respectfully,

QUARTER 2008
None decompressor
are needed to see this pict

Scott Baehrens

**KAUAI***Chamber
of
Commerce*

**House Sergeant-at-Arms 586-6500
Testimony to the House Committee on Finance
Thursday, March 27, 2008; 4:00 p.m.
Conference Room 308
(Agenda #3)**

RE: SENATE BILL NO. 2829 SD2 HD1 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Randall Francisco and I am the President of the Kauai Chamber of Commerce. The Chamber opposes SB 2829, SD2, HD1 Relating to Taxation.

The Chamber is Kauai's largest business organization, representing over 450 member businesses and organizations. Approximately 87% of our members are small businesses with less than 50 employees. The Kauai Chamber of Commerce works on behalf of members and the entire business community to strengthen Kauai's economic climate and to foster positive action on issues of common concern.

The measure requires the Department of Taxation and Department of Human Services to evaluate certain tax credits and tax exemptions and report to the Legislature. The bill also provides for the automatic repeal of the tax credits and exemptions. Finally, the measure provides for excessive amounts filed for tax refunds and credits.

The Chamber acknowledges the intent of the bill and the legislature's concerns about tax credits and exemptions. However, we are extremely concerned about the automatic repeal of the tax credits and exemptions. This may have a serious impact on business and the overall economy. This measure will create a volatile effect on businesses especially as they try to plan for the future. Also, many of the tax credits and exemptions help stimulate economic activity for start-up industries, or provide relief to existing industries, which in turn, pass down the savings to consumers. It also assists industries or organizations that endeavor to fulfill public policy.

This bill, if passed, will have unintended consequences. Therefore, the Chamber respectfully requests that the committee holds this bill and conducts further study and evaluation before implementing an automatic repeal. Aloha.

Sincerely yours,

A handwritten signature in cursive script that reads "Randall Francisco".

Randall Francisco
President



Email to FINtestimony@capitol.hawaii.gov

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308
TO: House Finance Committee
Chair, Marcus Oshiro
Vice Chair, Marilyn Lee
FROM: Johnson Choi, President, Hong Kong.China.Hawaii Chamber of Commerce
RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

Makai Motion Pictures LLC and a member of the Hong Kong.China.Hawaii Chamber of Commerce (National Winner of 2008 SBA Minority Small Business Champion of the Year) strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Choi", written over a light blue horizontal line.

Johnson W. K. Choi, MBA, RFC.
Executive VP and CFO

Ref: MakaiOpposeSB2829SD2HD1March272008

1188 Bishop Street, Suite 3403, Honolulu, Hawaii 96813, USA.
Phone: Hawaii (808) 524-5738; San Francisco (415) 691-6138; Hong Kong (852) 8171-3118
www.makaimotionpictures.com



中國夏威夷商會
China-Hawaii Chamber of Commerce
Hong Kong-Hawaii Chamber of Commerce
Hong Kong China Hawaii Chamber of Commerce
 "Hawaii-China Guan Xi, We Get Things Done"

Johnson Choi
 President & Executive Director
 Brenda Foster
 Vice President
 Gerhart Walch
 Vice President
 Janice Zheng
 Secretary
 Natalie Tse
 Treasurer

Founding Members (*Directors)

- *Johnson W. K. Choi,
 President & Managing Director/EVP & COO
Global Estate & Tax Consultant/ProjectOnNet.com
- *Melvyn Choy, Chairman
 Durrant Media Five
- *Yen Chun, Director
 China Soong Ching Ling Foundation
- *Brenda Lei Foster, President & CEO
 American Chamber of Commerce in Shanghai
- *Chuck Y. Gee, Dean Emeritus
 University of Hawaii
 School of Travel Industry Management
- *Ken Hayashida, President
 Kai Hawaii, Inc.
- Kathy Hsiung, President
 Cathy Kai Jewelry
- *Manuel Mendez III, Executive Director
 Economic Development, City & County of Honolulu
- Kenji Mita, President
 TEAVA mo.ni, Inc.
- Puonepun Sananikone, President & CEO
 PacMar, Inc.
- *Inparn "Laura" Smith,
 Sr. Financial Service Rep
 Principal Financial Group
- *Paul Tang, General Manager
 Hyatt Regency Grand Cypress Resort
- Ming Tong, Operation Manager
 Pacific Height Partners
- Thomas Tong, Former Director of Rooms
 Hala Mandarin Oriental Hawaii
- Carol Tsai, President
 Carol Tsai Investment, Inc.
- *Natalie Tse, Esq.
 Attorney at Law
- *Charlotte Vick, Former Sr. VP of Marketing
 Starr Seigle Communication
- *Gerhart Walch, Chairman and CEO
 WSF Corporation
- Thomas Q. Woo, President
 Exim International, Inc.
- Sandra Yang, President
 S & L International, Inc.
- *Janice Zheng, Former Business Banker
 First Hawaiian Bank
- Honorary Ex-Officio Director**
- Paul Tambakis, Director
 United States Dept of Commerce - Honolulu
- Honorary Advisor**
- Jante M Fong, Director
 California Office of Trade & Investment,
 Office of the Governor
- Jenny Gian, Director
 Chancy Company Ltd - Hong Kong & China
- Michael Y S Lee, Former Director
 Hong Kong Economic & Trade Office in SF
- Roberta Wong Leung, Dean
 Shunde Polytechnic School of Hotel Management
- Thomas M Masterson, Member/Owner
 Vision 2047/Sr. Asian Regional Mgmt Executive
 Hong Kong
- Nola N Miyasaki, Corporate Vice President
 Tissue Genesis Inc
- Terkild J Terkildsen, Founding & Board Member
 Vision 2047/ID Furniture Franchising A/S HK

Email to FINtestimony@capitol.hawaii.gov

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308
 TO: House Finance Committee
 Chair, Marcus Oshiro
 Vice Chair, Marilyn Lee
 FROM: Johnson Choi, President, Hong Kong,China,Hawaii Chamber of Commerce
 RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

Hong Kong,China,Hawaii Chamber of Commerce (National Winner of 2008 SBA Minority Small Business Champion of the Year) strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Sincerely,

Johnson W. K. Choi, MBA, RFC.
 President

Ref: HKCHccOpposeSB2829SD2HD1March272008



HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Officers

President
Warren S. Bollmeier II

Vice-President
John Crouch

Secretary/Treasurer
Cully Judd

Directors

Warren S. Bollmeier II
WSB-Hawaii

John Crouch
Sunpower Corporation

Cully Judd
Inter Island Solar Supply

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON FINANCE

SB 2829 SD2 HD1, RELATING TO TAXATION

March 27, 2008

Chair Oshiro, Vice-Chair Lee and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 2829 SD2 HD1 are to: (1) require the Department of Taxation and Department of Human Services to evaluate certain tax credits and tax exemptions and report to the Legislature; (2) provide for automatic repeal of the tax credits and tax exemptions; and (3) provide penalty for excessive amounts filed for tax refunds and credits. HREA **strongly opposes** this bill as it proposes the repeal of the Renewable Energy Technologies Income Tax Credit ("RETITC") in 2012. We take no position on the merits of the other tax credits contained in the bill.

HREA strongly supports continuation of the RETITC:

- (1) The RETITC is a cost-effective incentive for **encouraging private investment in wind and solar technologies in Hawaii**. Over 100,000 solar hot water heaters are installed and operational in Hawaii, in large part due to the RETITC and its predecessor, the Energy Conservation Income Tax Credit. Currently, over 5,000 solar systems are being installed annually, and RETITC is also leveraging private investment in wind energy systems. Furthermore, **energy generation and savings** from solar and wind contribute to the utility's Renewable Portfolio Standard;
- (2) The RETITC help **protect our environment** by reducing our use of imported fossil energy and greenhouse gas emissions; and
- (3) It has been shown after years of analysis and discussion (Energy Efficiency Policy Task Force and supporting analysis to the Task Force from economist Dr. Tom Loudat) that the RETITC stimulates new **economic benefits**, including creation and sustenance of new jobs, and **net return of state revenues over time**.

Thus, HREA recommends continuation of the RETITC as it is replete with energy, environmental and economic benefits. However, if the Committee choose to move this bill with the repeal of the RETITC in 2012, we recommend that Taxation's review be completed prior to the 2010 regular session.

Thank you for this opportunity to testify.



TESTIMONY OF SUNEDISON, LLC IN REGARD TO HB2829 HD2 SD1,
REPEAL OF TAX CREDITS AND EXEMPTIONS AND CREDITS
BEFORE THE
HOUSE COMMITTEE ON FINANCE
THURSDAY, MARCH 26, 2008

Chair Oshiro, Vice-Chair Lee and Members of the Committee.

SunEdison is a developer of large solar photovoltaic (PV) systems with seven offices in five states and an international presence. We simplify the installation of solar electric resources so that the benefits of solar energy, particularly the reduction in oil-fired grid-supplied electricity, can be realized in Hawaii. SunEdison develops PV systems at the lowest possible cost and, as a result, has been the fastest growing solar developer in the nation. We believe that Hawaii's dependence on oil and the resultant high electricity prices create an excellent opportunity for solar resources. Our commitment to Hawaii includes involvement in PUC proceedings, the legislative process and the acquisition of a local solar company. Our projects employ many people, create economic benefits for the host customer and local community, and save all utility ratepayers money.

SunEdison strongly opposes HB2829 HD2 SD1. Broadening access to the tax credit will enhance its usability and help diversify Hawaii's energy markets reducing our dependence on imported oil. Now is not the time to repeal such an important mechanism in diversifying our energy portfolio. This will have adverse economic consequences. Section 235-12.5, HRS relating to renewable energy (e.g., solar and wind) tax credits is crucial to developing and augmenting our workforce and hedge against the unbridled cost of imported energy which is at 90%, the highest in the nation out of the 50 states.

Oil imports in 2006 totaled \$3.4 billion at a time when oil prices were in the \$60-\$70/bbl range. Recent prices have exceeded \$110/bbl. Over \$2 million is spent daily on Oahu for imported fossil fuels to generate electricity. We have to begin to turn this around – oil prices are not coming down.



Hawaii originally passed its renewable energy technologies tax credit in 2003 (SB855) providing an incentive to install renewables such as solar to reduce dependency on imported oil, which was running about \$30/bbl at the time. Indeed, Brian T. Taniguchi, Chair, Committee on Ways and Means, noted in his committee's report:

Your Committee finds that supporting alternate energy systems is critical to reducing the State's dependency on imported oil. This dependency not only sends capital resources out-of-state, but also creates a tenuous reliance on an unsustainable and unstable resource.

Since then however, the tax credit has been little used by solar developers. For 2005, the most current year for which data is available, the average credit amount per taxpayer was about \$1,000. While 185 residential installations are helpful, the impact on reducing dependency on foreign oil would be much greater with larger systems. Yet, despite increasing the commercial tax credit cap from \$250,000 to \$500,000 in 2006, there are precious few commercial systems being installed.

In 2006, Hawaii exported only \$16.3 billion in goods and services, including visitor spending, while importing approximately \$24 billion. Let's keep Hawaii dollars in Hawaii and spend fewer dollars on oil. We would like to thank the Committee for the opportunity to submit testimony and for the Committee's consideration.

Keith Cronin,
President, SunEdison Hawaii

Rick Gilliam
Managing Director, Western States Policy

FINTestimony

From: Marco [marco@pvthawaii.com]
Sent: Tuesday, March 25, 2008 12:39 PM
To: FINTestimony
Subject: 3/27/2008 SB2829 Agenda #3

To: **Finance Committee** Members Marcus Oshiro, Chair, Marilyn Lee, Vice-Chair, Finance Committee, Members Karen Awana, Della Belatti, Tom Brower, Mele Carroll, Faye Hanohano, Sharon Har, Jon Karamatsu, Michael Magaoay, Joey Manahan, John Mizuno, Bob Nakasone, Karl Rhoads, Ronald Sagum, James Tokioka, Colleen Myer, Kimberly Pine, Gene Ward

Re: SB 2829 SD 2 HD 1

I am writing to urge you to reject this bill in its current form. I take particular exception to the proposed elimination of the State Renewable Energy Technologies Income Tax Credit. Hawai'i has never been so dependent and at risk due to our reliance on imported fossil fuels coming from great distances. Eliminating this tax credit would be an enormous step backwards in our progress to develop more home-grown, green and renewable energy sources as well as devastate the renewable energy industry in our Aloha State.

Thank you for your consideration,

Marco Mangelsdorf

ProVision 
Technologies, Inc.

Marco Mangelsdorf, Ph.D., President
Electrical Contractor License C-26351
69 Railroad Avenue, Suite A-7
Hilo, Hawaii 96720 USA
(808) 969-3281, fax 934-7462

www.provisiontechnologies.com

FINTestimony

From: Dan Cordell [dan@pvthawaii.com]
Sent: Wednesday, March 26, 2008 1:39 PM
To: FINTestimony
Subject: Testimony SB 2829 SD 2 HD 1

To: **Finance Committee** Members Marcus Oshiro, Chair, Marilyn Lee, Vice-Chair, Finance Committee, Members Karen Awana, Della Belatti, Tom Brower, Mele Carroll, Faye Hanohano, Sharon Har, Jon Karamatsu, Michael Magaoay, Joey Manahan, John Mizuno, Bob Nakasone, Karl Rhoads, Ronald Sagum, James Tokioka, Colleen Myer, Kimberly Pine, Gene Ward

Re: SB 2829 SD 2 HD 1

I am writing to urge you to reject this bill in its current form. I take particular exception to the proposed elimination of the State Renewable Energy Technologies Income Tax Credit. Hawai'i has never been so dependent and at risk due to our reliance on imported fossil fuels coming from great distances. Eliminating this tax credit would be an enormous step backwards in our progress to develop more home-grown, green and renewable energy sources as well as devastate the renewable energy industry in our Aloha State.

Thank you for your consideration,

Dan Cordell

--
ProVision
Technologies, Inc.
Electrical Contractor C-26351



ProVision Technologies, Inc.
Maui Residential Sales Representative
Electrical Contractor License C-26351
Cell: (808) 214-4184
Maui Office and fax Line (808) 877-9988
www.provisiontechnologies.com

FINTestimony

From: Steve Chadima [steve@energyinnovations.com]
Sent: Tuesday, March 25, 2008 7:08 PM
To: FINTestimony
Subject: SB2829

To **Finance Committee** Chair Marcus Oshiro, Vice-Chair Marilyn Lee, and Members Karen Awana, Della Belatti, Tom Brower, Mele Carroll, Faye Hanohano, Sharon Har, Jon Karamatsu, Michael Magaoay, Joey Manahan, John Mizuno, Bob Nakasone, Karl Rhoads, Ronald Sagum, James Tokioka, Colleen Myer, Kimberly Pine, and Gene Ward:

I am writing on behalf of several large Hawaiian companies with whom we are in final negotiations on to construct solar electricity systems to help supply power to their facilities. The State Renewable Energy Technologies Income Tax Credit is essential to their ability to help reduce Hawaii's inordinate dependence on fossil fuels and to mitigate their peak energy requirements on the grid. Enacting SB2829 in its current form would be a grave mistake for Hawaii in its impact both on energy within the state and on the local economy – while we are based outside of the state, we are licensed in Hawaii and use all local talent for engineering, electrical contracting and construction. I urge you to reject this bill in its current form.

Thanks for your consideration.

Steven P. Chadima Executive Vice President, External Affairs
Energy Innovations, Inc. | 130 West Union Street | Pasadena, CA 91103
+1-626-535-2784 office | +1-949-412-7333 mobile
steve@energyinnovations.com | www.energyinnovations.com



Energy Innovations is a
carbon-neutral company.

Testimony before the
House Committee on
Finance
SB 2829, SD2, HD1 - Relating to Taxation
Thursday, March 27, 2008
4:00 p.m., Conference Room 308
By Lorie Nagata, Treasurer
Hawaiian Electric Company, Inc.

Chair Oshiro, Vice Chair Lee and members of the Committee:

My name is Lorie Nagata and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO). We respectfully oppose SB 2829, SD2, HD1.

This bill originally proposed amendments to the general excise tax statute in preparation for the adoption of the Streamlined Sales and Use Tax Agreement. These provisions were proposed to be replaced by a blanket repeal of all income, franchise and general excise tax exemptions and credits as of 12/31/08, which met significant opposition by concerned parties.

The current version of SB 2829, SD2, HD1 now before your committee adopts the substance and language of HB No. 2942, HD1 and divides the tax credits and exemptions into three groups. Each group has a repeal date in consecutive years starting with December 31, 2010. The bill also requires the Department of Taxation to evaluate and submit reports on each group of credits and exemptions. The three group reports are due in consecutive years to the Legislature prior to the start of the legislative session starting with the 2009 session.

Hawaiian Electric opposes this bill because many of these exemptions and credits have developed over time to address double taxation of specific industries or to encourage certain behavior. The broad-brush repeal of exemptions and credits in this bill would have significant unintended consequences to the Hawaii economy and on its face, would increase the cost of living in Hawaii. Although the phased-in evaluation and repeal approach of this bill mitigates the more drastic impact of a blanket repeal, the scheduled repeal creates the possibility of deleting a perfectly justifiable exemption or credit. This creates tremendous uncertainty for businesses and the general community, even though the exemption should logically be reenacted.

In the case of Hawaiian Electric, the general excise tax exemption (HRS §237-23(1)) for revenues subject to the public service company tax prevents the double taxation of electric utility revenues. In fact, the public service company tax was specifically enacted to be in-lieu of the general excise tax. The existing

exemption prevents utility revenues from being taxed twice, once at the 5.885% public service company tax rate and a second time at the 4%/4.5% general excise tax rate.

SB 2829, SD2, HD1 would remove this exemption, effective December 31, 2011, and create a double tax on utility revenue, resulting in an increase in the cost of electricity to all Hawaii residents. The Legislature would be required to affirmatively reenact this exemption in order to avoid this double taxation.

In 2007, HECO and its subsidiaries paid approximately \$120.5 million in public service company taxes. The repeal of the general excise tax exemption could increase our tax burden by as much as \$89 million based on 2007 revenues with a corresponding increase in the cost of electricity to our customers.

This bill repeals other exemptions and credits affecting all businesses, including HECO, and ultimately increases the cost of doing business in Hawaii. The following are a few of the more significant provisions this bill would impact:

- 1) repeal of the capital goods excise tax credit would remove the incentive for capital investment,
- 2) repeal of exemptions for employee wages and benefit plan contributions would increase the cost of maintaining employee benefits,
- 3) repeal of the exemption for intercompany transactions would force companies to restructure and incur administrative costs in order to prevent the taxation of intercompany transactions,
- 4) repeal of the renewable energy technologies income tax credit would impede the progress made to replace Hawaii's reliance on fossil fuel with alternative energy sources.

SB 2829 SD2, HD1 could inadvertently remove many perfectly reasonable exemptions and credits (without affirmative legislative action) and ultimately would increase the cost of living in Hawaii for all taxpayers.

Consequently, Hawaiian Electric respectfully opposes SB 2829 SD2 HD1.

Thank you for this opportunity to testify.



Cardax Pharmaceuticals, Inc.
99-193 Aiea Heights Drive, Suite 400, Aiea, HI 96701
telephone 808.457.1400 fax 808.297.5991

TESTIMONY:

SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE & TIME: Thursday, March 27, 2008 @4:00PM
LOCATION: Hawaii State Capitol, Hearing Room 308
AGENDA # 3

TO: House Finance Committee
Chair, Marcus Oshiro
Vice Chair, Marilyn Lee

FROM: David G. Watumull
President & CEO, Cardax Pharmaceuticals

RE: TESTIMONY IN STRONG OPPOSITION TO SB2829 SD2 HD1

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

I, David G. Watumull, strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit
- General Excise Tax Exemption for federal scientific research contracts

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Testimony of ERIK KVAM
Chief Executive Officer of Zero Emissions Leasing LLC
2800 Woodlawn Drive, Suite 131, Honolulu, Hawaii 96822
tel: 808-371-1475 e-mail: ekvam@zeroemissions.us

In OPPOSITION to SB 2829 SD 2 HD1 RELATING TO TAXATION

**Before the
HOUSE COMMITTEE ON FINANCE**

March 27, 2008 4:00 p.m.

Good afternoon, Chair Oshiro, Vice-Chair Lee and members of the Committee.

My name is Erik Kvam. I am the CEO of a Hawaii solar power developer called Zero Emissions Leasing LLC ("Zero Emissions").

Zero Emissions is **STRONGLY OPPOSED** to the portion of SB 2829 SD2 HD1 that repeals the renewable energy technologies income tax credit (the "RETIT Credit") on December 31, 2012.

The RETIT Credit has been a decisive factor motivating investment in photovoltaic ("PV") systems in the Hawaii. Most recently, the Hawaii State Department of Transportation Airports Division announced the award of a contract for the development of 12 megawatts of PV systems on Department of Transportation facilities. The installation of these PV systems will by themselves *triple* the total PV generating capacity in Hawaii.

The development of these systems depends critically on the RETIT Credit. Under these kinds of development contracts, the developer obtains funds to build the PV systems from investors who have Hawaii state tax liabilities against which the RETIT Credits can be used. The investors receive the RETIT Credits, the developer receives the funds needed to build the PV systems, and the developer sells the solar electricity from these systems to the State of Hawaii at a cost substantially less than what the State of Hawaii would have to pay to the utility for the same amount of energy.

Other State of Hawaii agencies, such as the Department of Education and the Department of Accounting & General Services, are planning on making similar arrangements for the purchase of solar electricity at rates lower than those charged by the utilities. Repealing the RETIT Credit will inhibit development of clean, reliable solar electricity in Hawaii and exacerbate Hawaii's dependence on imported oil for 79% of its electricity. I strongly urge that SB2829 SD2 HD 1 be amended to eliminate repeal of the RETIT Credit.

Thank you for allowing me to testify.

FINTestimony

From: J Toth [jtoth@netenterprise.com]
Sent: Tuesday, March 25, 2008 2:23 PM
To: FINTestimony
Subject: Please OPPOSE SB 2829 relating to Taxation (3/27 Hearing at 4 p.m.-Agenda #3)

Chair Oshiro:

My name is J Toth and I am with NetEnterprise Inc., a Hawaii-based network services integrator with 45 employees. I respectfully request that you do not pass SB 2829 SD1 HD1 relating to Taxation.

This measure requires Department of Taxation and Department of Human Services to evaluate certain tax credits and tax exemptions. It sets up a repeal schedule for most existing excise tax exemptions and credits.

I am concerned about the impact this bill will have on my company. The exclusion of stock options from qualified high technology businesses assists our company in recruiting employees with high technology skills. The loss of this benefit would make working in Hawaii less attractive than many other cities across the mainland. The technology infrastructure renovation tax credit has been an important catalyst to improve our aging infrastructure here in Hawaii. Without it, improvement costs will increase making it more difficult to compete on the global market. We also engage in business around the Pacific Rim and the additional tax that would be imposed by levying the general excise tax on exported services would severely impact our ability to compete for contracts with other out-of-state vendors on an even footing. These are just some of the examples of the benefits to the exemptions that are needed for companies such as ours to be able to continue to contribute to the local economy in Hawaii.

Therefore, I respectfully request that you hold this measure. Thank you for the opportunity to submit written testimony.

If you have any questions, please do not hesitate to contact me at 808-441-5000. Thank you for the opportunity to submit written testimony.

Respectfully,

J Toth
1132 Bishop St Ste 700
Honolulu, HI 96813

FINTestimony

From: Lauren Luis [lluis@dwyerlaw.com]
Sent: Tuesday, March 25, 2008 5:57 PM
To: FINTestimony; Rep. Marilyn Lee; Rep. Marcus Oshiro
Cc: Cynthia Arashiro; William G. Meyer III
Subject: Testimony in Opposition to SB 2829 (SD2 HD1) - Hearing before Finance Committee on 3/27/08 @ 4:00 pm

Aloha Chair, Vice Chair, and Members of the House Committee on Finance:

As legal counsel to numerous local and mainland clients within the entertainment, intellectual property and high technology sectors, I strongly oppose any provision in the current House Draft 1 of SB 2829 (SD2, HD1) that will effect HRS Section 235-17.

As you may know, the House Committee on Economic Development & Business Concerns provided a revised version of SB 2829 as a "PROPOSED HD1" (posted on the Hawaii State Legislature's website on 3/14/08). The "Proposed HD1" version of the bill sought to repeal, among other things, the tax credits provided for in HRS Section 235-17 on December 31, 2008. A copy of the testimony we submitted to that Proposed Draft of SB 2829 is attached hereto for your review and convenience.

Due to the substantial testimony submitted in opposition to the EDB Committee's Proposed Draft of the bill, the Chairman of the EDB Committee (Representative Kyle Yamashita) represented at the March 18, 2008 hearing held on the "Proposed HD1" of SB 2829 that although the Committee intended to advance the measure, they were going to amend it to remove from its scope all statutory sections that had built-in sunset provisions. Since HRS Section 235-17 was enacted in accordance with Act 88 (SB 2570, SD2, HD1, CD1 - enacted in 2006), and Section 4 of Act 88 provides for a sunset date of January 1, 2016, we believed that the bill would be amended to remove HRS Section 235-17 from its scope. Moreover, in reliance upon this representation, we did not submit any of the additional oral testimony we were prepared to submit in opposition to the bill.

However, notwithstanding Chair Yamashita's representations, the current version of HD 1 for SB 2829 includes HRS Section 235-17 in its list of enumerated tax credits/exemptions to be repealed in 2012 (as part of Group 3). While we believe that the failure to remove HRS Section 235-17 from the scope of the bill was most likely inadvertent, we must nevertheless continue to strongly oppose any version of SB 2829 that attempts to rewrite the already existing sunset date of January 1, 2016 for HRS Section 235-17 * as adopted by the Legislature less than 2 years ago.

I respectfully request that this committee resist the repeal of this important tax credit. Thank you for the opportunity to testify.

William G. Meyer, III
Dwyer, Schraff, Meyer, Grant & Green
1800 Pioneer Plaza,
900 Fort Street Mall
Honolulu, HI 96813
808-524-8000 (ph)
808-537-4667 (fax)

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FINTestimony

From: Annette Yanagida [annette@kobayashi-group.com] on behalf of Bert Kobayashi [bak@kobayashi-group.com]
Sent: Wednesday, March 26, 2008 3:30 PM
To: FINTestimony
Subject: SB2829 SD2 HD1 Repeal of Tax Credits and Incentives - 4pm, Thurs 3/27/08 - Agenda #3

SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee
 Chair, Marcus Oshiro
 Vice Chair, Marilyn Lee

FROM: Bert A. Kobayashi

RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Bert A. Kobayashi

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## **FINTestimony**

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**From:** Joe Cooper [joe@archinoetics.com]  
**Sent:** Wednesday, March 26, 2008 1:37 PM  
**To:** FINTestimony  
**Subject:** SB2829 SD2 HD1; March 27, 2008; 4:00 pm; Hearing Room 308

March 26, 2008

**To:** House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

**From:** Joe Cooper, CFO

**Re: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

Archinoetics is a young technology company that recently celebrated our 3<sup>rd</sup> anniversary. Yet, even at this young age, we paid Hawaii residents over \$1 million dollars in salaries in 2007. Our employees bought goods and services in Hawaii and paid taxes. We owe our success to the incentives Hawaii has in place to attract and retain technology companies like ourselves.

Therefore, I must strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits before they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:  
Renewable energy (e.g., solar and wind) tax credits;  
Ethanol Facility Tax Credit;  
General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:  
General Excise Tax Exemptions for Related Entities, Common Paymasters, etc.  
General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.  
General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Sincerely,

3/26/2008

Joe Cooper

**PACIFIC WEST ENERGY LLC**  
**I KAUMAKANI AVENUE**  
**PO Box 220**  
**KAUMAKANI, KAUAI, HI 96747**

March 25, 2008

The Honorable Representative Marcus Oshiro, Chair and Members  
of the Committee on Finance

RE: HB 2529 HD1 Relating to Taxation

Chairperson Oshiro and Members of the Committee on Finance, my name is William Maloney and I am President and Chief Executive Officer of Pacific West Energy, LLC. Pacific West Energy, a developer of renewable energy projects, in partnership with Gay and Robinson, Inc., has formed G&R Ag-Energy and is developing an integrated, renewable energy facility on Kauai, featuring the state's first ethanol plant.

G&R Ag-Energy opposes SB 2529 HD1's December 31, 2012 automatic repeal of the Ethanol Facility Tax Credit, HRS Section 235-110.3. This bill also requires the Department of Taxation to evaluate the economic effects of the tax credit and provide a recommendation to the legislature on whether the credit should be continued, modified, or permitted to expire the year prior to the repeal date of the tax credit. G&R Ag-Energy understands that the intent of SB2529 HD1 is to effectuate the evaluation and allow the report to justify action on its repeal. However, inclusion of the repeal provisions effectively predicts the consequence the tax credit if factors other than the report evaluation cannot be attained, i.e., legislative agreement, delay in the report to the legislature, etc.

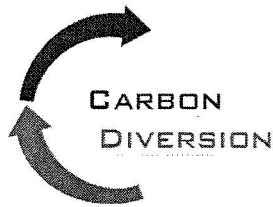
G&R Ag-Energy has already expended millions of dollars in reliance on the Ethanol Facility Tax Credit and is currently in our final stages of due diligence with our major equity partners on our development and financing process for our proposed ethanol plant and plantation infrastructure improvements. The proposed bill has created serious uncertainty for our investors, enough so that it may endanger the viability of our business proposition. It should be noted that a cost-benefit analysis was preformed as a precedent to the enactment of Ethanol Facility Tax Credit and we believe that the positive results continue and are in fact multiplied.

We believe that the tax credit is a critical component of our ethanol business plan and also enhances our ability to stabilize our sugar operations and thus improves the Island of Kauai's renewable energy production thru the use of local feedstocks, lowering the islands dependence on imported oil and helping the utility meet its renewable energy obligations under the renewable portfolio standards.

Thank you for this opportunity to present testimony in OPPOSITION to SB 2529 HD1.

Sincerely,

William M. Maloney  
President  
Pacific West Energy LLC/Gay & Robinson Ag-Energy LLC



***Biocarbon Is Our Business***

Sustainable Energy Technology and Waste Management

---

85-979C Farrington Highway, Waianae, Hawaii 96792 ☐ (808) 671-1858 Phone ☐ (808) 671-1859 Fax  
INFO@CARBONDIVERSION.COM

**SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives**

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

FROM: Carbon Diversion, Inc  
Michael J. Lurvey  
Chairman and President

**RE: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

Carbon Diversion, Inc. strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Respectfully,

Michael J. Lurvey  
Chairman / President



See the light.

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

**RE: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

Pacific LightNet strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Respectfully

Pat Bustamante  
President



**KUKUIPAHU ENERGY, LLC**

---

65-1230 Mamalahoia Hwy., Suite E-23  
Kamuela, HI 96743  
808-885-0441 ph  
808-885-4419 fax

SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

FROM: John Ray

RE: Testimony In Strong Opposition to SB2829 SD2 HD1

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

We strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

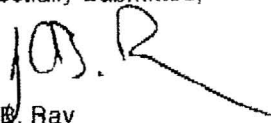
- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Respectfully Submitted,

  
John B. Ray  
General Manager

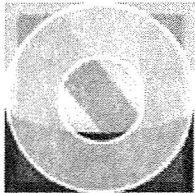
## **FINTestimony**

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**From:** Ken Sanders [ksanders@oceannetwork.tv]  
**Sent:** Wednesday, March 26, 2008 1:15 PM  
**To:** FINTestimony  
**Subject:** FW: Please don't repeal Act 221/215

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**From:** Ken Sanders [mailto:ksanders@oceannetwork.tv]  
**Sent:** Wednesday, March 26, 2008 10:21 AM  
**To:** 'FINTestimony@capital.hawaii.gov'  
**Cc:** 'Kevin Robinson'; 'Michael Shishido'; 'Brian Kessler'  
**Subject:** Please don't repeal Act 221/215



**OCEAN  
NETWORK**

3/26/08

### **SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives**

**DATE:** 4:00PM, Thursday, March 27, 2008 Conference Room 308

**TO:** House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

**FROM:** J. Kenneth Sanders

### **RE: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

We strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:  
Renewable energy (e.g., solar and wind) tax credits;

3/27/2008

Act 88 film, TV and digital media credit  
Ethanol Facility Tax Credit;  
General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Respectfully submitted,

Ken Sanders

J. Kenneth Sanders

Chairman, Co-Founder, President

Ocean Network

1132 Bishop St., Suite 501

Honolulu, HI 96813

Ph. 256-7263

Email: [ksanders@oceannetwork.tv](mailto:ksanders@oceannetwork.tv)

[www.oceannetwork.tv](http://www.oceannetwork.tv)

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## **FINTestimony**

---

**From:** Oceantek [oceantek@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 6:01 PM  
**To:** FINTestimony  
**Subject:** SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives - DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

FROM: Oceantek Inc.

### **RE: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

Oceantek Inc. strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable. When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- Act 88 film, TV and digital media credit
- Ethanol Facility Tax Credit;
- General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

- General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.
- General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."
- General Excise Tax exemptions for wages that are paid to all employees, as well as things like amount received under insurance policies, gifts, damages for lawsuits, etc.
- General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

Best regards,

Jose Andres, Ph.D., P.E.

3/26/2008

Vice President  
Oceantek Inc.  
Tel: 808-259-0828

## **FINTestimony**

---

**From:** Joanna Amberger [joanna\_amberger@hotmail.com]  
**Sent:** Thursday, March 27, 2008 9:07 AM  
**To:** FINTestimony  
**Subject:** Please OPPOSE SB 2829 relating to Taxation (3/27 Hearing at 4 p.m.-Agenda #3)

Chair Oshiro:

My name is Joanna Amberger and I am the owner of 3 Financial Group. I respectfully request that you do not pass SB 2829 SD1 HD1 relating to Taxation.

This measure requires Dept. of Taxation and Dept. of Human Services to evaluate certain tax credits and tax exemptions. It sets up a repeal schedule for most existing excise tax exemptions and credits.

I am concerned about the impact this bill will have on my company's ability to continue operations.

Therefore, I respectfully request that you hold this measure. Thank you for the opportunity to submit written testimony.

If you have any questions, please do not hesitate to contact me at 808-489-2813.

Sincerely,

Joanna Amberger

Joanna Amberger  
1440 Kapiolani Blvd Ste 1525  
Honolulu, HI 96814

## **FINTestimony**

---

**From:** Russell Castagnaro [rcastag@gmail.com]  
**Sent:** Wednesday, March 26, 2008 11:23 AM  
**To:** FINTestimony  
**Cc:** Sen. Suzanne Chun Oakland  
**Subject:** Testimony In Strong Opposition to SB2829 SD2 HD1 : 4:00PM, Thursday, March 27, 2008  
Conference Room 308

DATE: 4:00PM, Thursday, March 27, 2008 Conference Room 308

TO: House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

FROM: Russell Castagnaro

**RE: Testimony In Strong Opposition to SB2829 SD2 HD1**

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

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits before the Department of Taxation reviews them. This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business and is particularly harmful to the nascent renewable and alternative energy industry developing in Hawaii. It is being proposed at a time when our state and national economies are extremely vulnerable.

As a renewable energy user, I get approximately 2/3 of my electricity and all of my hot water from solar energy. This was made possible by the solar tax credits. If these are removed, I fear that alternative energy in Hawaii will suffer a significant setback.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

- Renewable energy (e.g., solar and wind) tax credits;
- General Excise Tax Exemption for federal scientific research contracts.

I appreciate the opportunity to testify and urge the committee not to pass this proposed measure.

Russell Castagnaro

--

Every moment is a once in a lifetime chance.

**Testimony to the House Committee on Finance**  
**Thursday, March 27, 2008; 4:00 p.m.**  
**Conference Room 308**  
**(Agenda #3)**

**RE: SENATE BILL NO. 2829 SD2 HD1 RELATING TO TAXATION**

Chair Oshiro:

My name is Joanna Amberger and I am the owner of 3 Financial Group. I respectfully request that you do not pass SB 2829 SD1 HD1 relating to Taxation.

This measure requires Dept. of Taxation and Dept. of Human Services to evaluate certain tax credits and tax exemptions. It sets up a repeal schedule for most existing excise tax exemptions and credits.

I am concerned about the impact this bill will have on my company's ability to continue operations.

Therefore, I respectfully request that you hold this measure. Thank you for the opportunity to submit written testimony.

If you have any questions, please do not hesitate to contact me at 808-489-2813.

Sincerely,

Joanna Amberger

Joanna Amberger  
1440 Kapiolani Blvd Ste 1525  
Honolulu, HI 96814



**Testimony to the House Committee on Finance**  
**Thursday, March 27, 2008; 4:00 p.m.**  
**Conference Room 308**  
**(Agenda #3)**

**RE: SENATE BILL NO. 2829 SD2 HD1 RELATING TO TAXATION**

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is J Toth and I am with NetEnterprise Inc., a Hawaii-based network services integrator with 45 employees. I respectfully request that you do not pass SB 2829 SD1 HD1 relating to Taxation.

This measure requires Department of Taxation and Department of Human Services to evaluate certain tax credits and tax exemptions. It sets up a repeal schedule for most existing excise tax exemptions and credits.

I am concerned about the impact this bill will have on my company. The exclusion of stock options from qualified high technology businesses assists our company in recruiting employees with high technology skills. The loss of this benefit would make working in Hawaii less attractive than many other cities across the mainland. The technology infrastructure renovation tax credit has been an important catalyst to improve our aging infrastructure here in Hawaii. Without it, improvement costs will increase making it more difficult to compete on the global market. We also engage in business around the Pacific Rim and the additional tax that would be imposed by levying the general excise tax on exported services would severely impact our ability to compete for contracts with other out-of-state vendors on an even footing. These are just some of the examples of the benefits to the exemptions that are needed for companies such as ours to be able to continue to contribute to the local economy in Hawaii.

Therefore, I respectfully request that you hold this measure. Thank you for the opportunity to submit written testimony.

If you have any questions, please do not hesitate to contact me at 808-441-5000. Thank you for the opportunity to submit written testimony.

Respectfully,

J Toth  
1132 Bishop St Ste 700  
Honolulu, HI 96813

## **FINTestimony**

---

**From:** hvca.org [motosue@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 3:23 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



**Hawaii Venture Capital Association**  
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**Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)**

**WILFRED MOTOSUE**  
**1513 Young St, Suite 201, Honolulu, Hawaii 96813**  
**Phone (808) 946-9592**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

**TO:** THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

**FROM:** WILFRED MOTOSUE

**SUBJECT:** Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Wilfred Motosue  
[motosue@hawaii.rr.com](mailto:motosue@hawaii.rr.com)

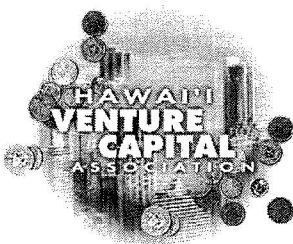
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## FINTestimony

---

**From:** hvca.org [dewanne.langcaon@pacapintl.com]  
**Sent:** Thursday, March 27, 2008 8:04 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**DEW-ANNE LANGCAON**  
**PacifiCap Management Inc.**  
**820 Mililani St, Suite 600, Honolulu, Hawaii 96813**  
**Phone (808) 237-5383**

Thursday, March 27, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: DEW-ANNE LANGCAON, PACIFICAP MANAGEMENT INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and

3/27/2008

credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Dew-Anne Langcaon  
PacifiCap Management Inc.  
[dewanne.langcaon@pacapintl.com](mailto:dewanne.langcaon@pacapintl.com)

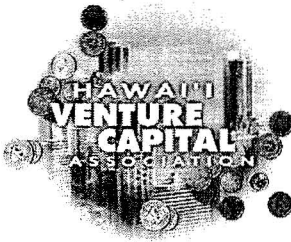
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**FINTestimony**

---

**From:** hvca.org [eric@producedbyyou.com]  
**Sent:** Wednesday, March 26, 2008 4:10 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

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

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008



This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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](mailto:eric@producedbyyou.com)

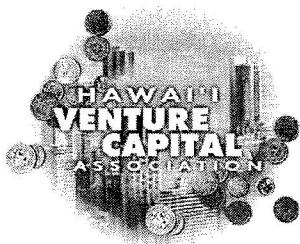
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## FINTestimony

---

**From:** hvca.org [moyen@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 4:00 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**DALE MOYEN**  
**92-101 Manaua Place, Kapolei, Hawaii 96707**  
**Phone (808) 286-2242**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: DALE MOYEN

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Dale Moyen  
[moyen@hawaii.rr.com](mailto:moyen@hawaii.rr.com)

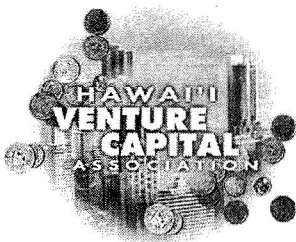
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## FINTestimony

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**From:** hvca.org [gcurtis@hawaii.edu]  
**Sent:** Wednesday, March 26, 2008 2:31 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**GEORGE CURTIS**  
**Box 237, Honoumuli, Hawaii 96728**  
**Phone (808) 963-6670**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: GEORGE CURTIS

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

This is just bad legislation. While a few of these exemptions have been abused (high tech for movies) many/most are valid and some should be expanded (income refund for solar water heating)

I urge this committee not to pass this bill.

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

Respectfully submitted,

George Curtis  
[gcurtis@hawaii.edu](mailto:gcurtis@hawaii.edu)

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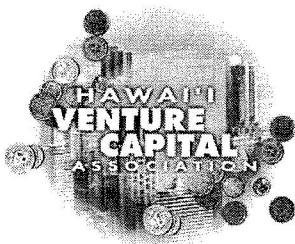
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## **FINTestimony**

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**From:** hvca.org [sweeker@hnuphotonics.com]  
**Sent:** Wednesday, March 26, 2008 12:41 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**SCOTT WEEKER**  
**HnuPhotonics**  
**1765 Wili Pa Loop, Wailuku, Hawaii 96753**  
**Phone (808) 244-8700 Fax (808) 244-7811**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

**TO:** THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

**FROM:** SCOTT WEEKER, HNUPHOTONICS

**SUBJECT:** Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

\*\*This particularly ill-advised at a time where rising energy costs threaten Hawaii's core businesses including hospitality and agriculture. Our economy's future depends on finding solutions to our vulnerable dependence on imported energy products.

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

How are we to grow living wage jobs in Hawaii without investing in incentives to build companies that can hire and pay living wages? This is a key long term problem that all of us need to address.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Scott Weeker  
HnuPhotonics  
[sweeker@hnuphotonics.com](mailto:sweeker@hnuphotonics.com)

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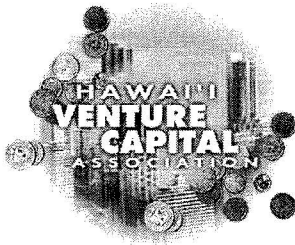
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## **FINTestimony**

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**From:** hvca.org [rivero@hbentertain.com]  
**Sent:** Wednesday, March 26, 2008 11:56 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

EXT. STARS AND PLANETS - NIGHT

SUPER: "A LONG TIME AGO ... IN THE GALAXY NEXT DOOR..."

INT. SHABBY OFFICE - DAY

Two aliens, DARTH RECKLESS, Dark Lord of the Budget, and his assistant EBOO, are sitting behind their desks.

EBOO  
(reading paper) Hey, did you hear,  
another 'Star Wars' movie comin'  
out!

DARTH RECKLESS

Another one? How many DOES that make, now?

EBOO  
Six.

DARTH RECKLESS  
Six! How come my cousin gets all the attention? I'm uglier and much more evil! Right?

EBOO  
Yes, your evilness, you are. MUCH uglier. Everyone says so.

DARTH RECKLESS  
So how come George no make a movie about me?

EBOO  
Well, your cousin, he have 'tax incentives', makes it more attractive for George to make a movie about your cousin than you!

DARTH RECKLESS  
But I'm more evil!

EBOO  
Yes, your evilness.

DARTH RECKLESS  
I got the force!

EBOO  
Yes, you do. But your cousin's galaxy, they got the film business, and all that money pouring in. You see the new public transit starships they got? WITH the chrome. They need them too. Tourists want to visit where the movies get made. That's because they kick off a business cycle with tax incentives.

DARTH RECKLESS  
Get off the tax incentives before I use the force on your nose. I stand for fairness in taxation. Everybody gotta pay the same, and we get 100% of what we're owed!

EBOO

So, what we got in the budget?

DARTH RECKLESS

Ummmm, looks like about forty dollars, not counting loose change, and a couple old Janet Jackson tickets.

EBOO

No mass transit starships for our galazy this year, huh?

DARTH RECKLESS

No.

EBOO

Before you collect tax, people gotta have something TO tax. No money come in, no tax to pay, even at 100%.

DARTH RECKLESS

I guess not. But we got principles, right?

EBOO

Right.

DARTH RECKLESS

I said, 'Right'?

EBOO

Right! Principles.

DARTH RECKLESS

Right.

EBOO

And you uglier and more evil than your cousin, too.

DARTH RECKLESS

Right.

EBOO

And dumber.

DARTH RECKLESS

What?

EBOO

Nothing.

Long pause.

DARTH RECKLESS

It's sure quiet in our little  
galaxy, isn't it.

EBOO

Quiet.

DARTH RECKLESS

Quiet.

MUSIC UP

FADE TO BLACK.

Respectfully submitted,

Michael Rivero

Home Baked Entertainment

[rivero@hbentertain.com](mailto:rivero@hbentertain.com)

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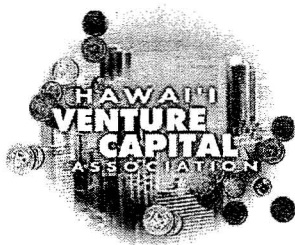
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## FINTestimony

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**From:** hvca.org [elizabetha@servco.com]  
**Sent:** Wednesday, March 26, 2008 5:33 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**ELIZABETH AJIFU**  
**45-394 Kuaua Way, Kaneohe, Hawaii 96744**  
**Phone (808) 392-9040**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: ELIZABETH AJIFU

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.



This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Elizabeth Ajifu  
[elizabetha@servco.com](mailto:elizabetha@servco.com)

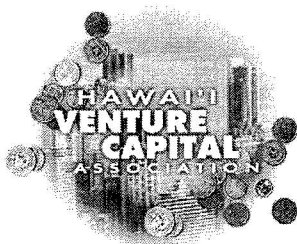
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## **FINTestimony**

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**From:** hvca.org [toystore@maui.net]  
**Sent:** Wednesday, March 26, 2008 8:56 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**MARTY WYNN**  
**Maui Energy Group L.L.C.**  
**640 Front Street, Lahaina, Hawaii 96761**  
**Phone (808) 661-1212 Fax (808) 667-5655 Cell (808) 667-5655**

Thursday, March 27, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: MARTY WYNN, MAUI ENERGY GROUP L.L.C.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and

credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

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Ethanol Facility Tax Credit;

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Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Marty Wynn  
Maui Energy Group L.L.C.  
[toystore@maui.net](mailto:toystore@maui.net)

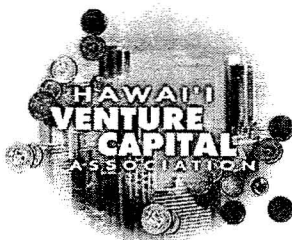
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## FINTestimony

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**From:** hvca.org [bspencer@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 9:47 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: BILL SPENCER, HAWAII VENTURE CAPITAL ASSOCIATION

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

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Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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](mailto:bspencer@hawaii.rr.com)

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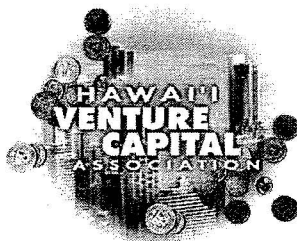
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## FINTestimony

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**From:** hvca.org [jonogoshi@decisionresearch.com]  
**Sent:** Wednesday, March 26, 2008 10:43 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**JON OGOSHI**  
**Decision Research Corporation**  
**1600 Kapiolani Blvd., Suite Suite 900, Honolulu, Hawaii 96813**  
**Phone (808) 983-9101 Fax (808) 942-4298**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: JON OGOSHI, DECISION RESEARCH CORPORATION

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

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I urge this committee not to pass this bill.

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

Respectfully submitted,

Jon Ogoshi  
Decision Research Corporation  
[jonogoshi@decisionresearch.com](mailto:jonogoshi@decisionresearch.com)

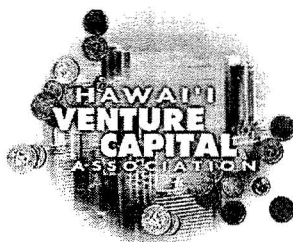
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**From:** hvca.org [bogartm001@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 10:41 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**MARK BOGART, PH.D.**  
**3631 Woodlawn Terrace, Honolulu, Hawaii 96813**  
**Phone (808) 988-3180**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: MARK BOGART, PH.D.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

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Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

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I urge this committee not to pass this bill.

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

Respectfully submitted,

Mark Bogart, Ph.D.  
[bogartm001@hawaii.rr.com](mailto:bogartm001@hawaii.rr.com)

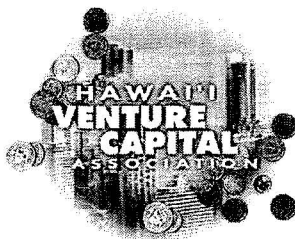
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## FINTestimony

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**From:** hvca.org [liawb001@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 10:42 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**BOR YANN LIAW**  
**Ambient Micro LLC**  
**1508 Hoaina St, Honolulu, Hawaii 96821**  
**Phone (808) 428-4976**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: BOR YANN LIAW, AMBIENT MICRO LLC

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

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General Excise Tax exemptions on amounts received by employee benefit plans

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I urge this committee not to pass this bill.

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

Respectfully submitted,

Bor Yann Liaw  
Ambient Micro LLC  
[liawb001@hawaii.rr.com](mailto:liawb001@hawaii.rr.com)

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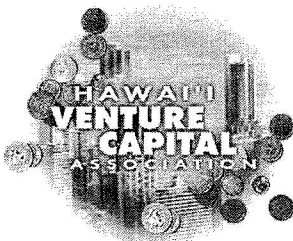


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**From:** hvca.org [bking@biodiesel.com]  
**Sent:** Wednesday, March 26, 2008 8:23 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**ROBERT KING**  
**Pacific Biodiesel Inc.**  
**40 Hobron Ave, Honolulu, Hawaii 96813**  
**Phone (808) 877-3144**

Thursday, March 27, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: ROBERT KING, PACIFIC BIODIESEL INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

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When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Robert King  
Pacific Biodiesel Inc.  
[bking@biodiesel.com](mailto:bking@biodiesel.com)

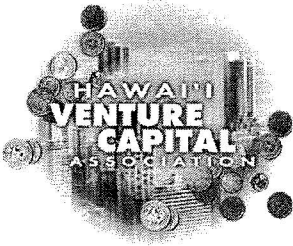
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## FINTestimony

---

**From:** hvca.org [ktk@biodiesel.com]  
**Sent:** Wednesday, March 26, 2008 10:27 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



**Hawaii Venture Capital Association**  
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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**KELLY KING**  
**Pacific Biodiesel, Inc.**  
**40 Hobron Avenue, Kahului, Hawaii 96732**  
**Phone (808) 877-3144 Fax (808) 877-5030**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: KELLY KING, PACIFIC BIODIESEL, INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Kelly King  
Pacific Biodiesel, Inc.  
[ktk@biodiesel.com](mailto:ktk@biodiesel.com)

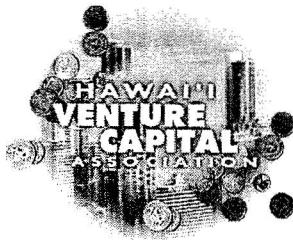
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## **FINTestimony**

---

**From:** hvca.org [dhr@carlsmith.com]  
**Sent:** Wednesday, March 26, 2008 11:17 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



### **Hawaii Venture Capital Association**

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**Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)**

**DEAN ROBB**  
**Carlsmith Ball**  
**21 Kepola, Honolulu, Hawaii 96813**  
**Phone (808) 523-2500**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

**TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair**

**FROM: DEAN ROBB, CARLSMITH BALL**

**SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308**

**I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.**

3/26/2008



This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

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General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Dean Robb  
Carlsmith Ball  
[dhr@carlsmith.com](mailto:dhr@carlsmith.com)

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## FINTestimony

---

**From:** hvca.org [rannw@mac.com]  
**Sent:** Wednesday, March 26, 2008 10:09 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**RANN WATUMULL**  
**Hawaii Film Partners**  
**377 Keahole Street , Suite E-202, Honolulu, Hawaii 96825**  
**Phone (808) 447-7529 Fax (808) 395-0619**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: RANN WATUMULL, HAWAII FILM PARTNERS

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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](mailto:rannw@mac.com)

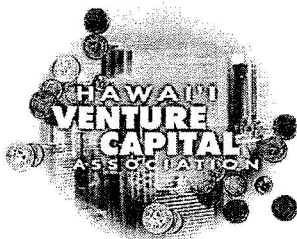
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## FINTestimony

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**From:** hvca.org [ksanders@oceannetwork.tv]  
**Sent:** Wednesday, March 26, 2008 10:52 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**KEN SANDERS**  
**Ocean Network**  
**1132 Bishop St., Suite 501, Honolulu, Hawaii 96813**  
**Phone (808) 441-4905**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: KEN SANDERS, OCEAN NETWORK

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Ken Sanders  
Ocean Network  
[ksanders@oceannetwork.tv](mailto:ksanders@oceannetwork.tv)

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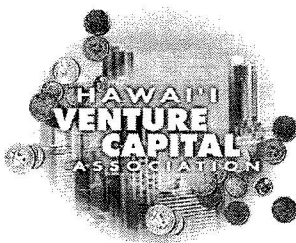
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## FINTestimony

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**From:** hvca.org [cwmercier@yahoo.com]  
**Sent:** Wednesday, March 26, 2008 10:20 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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**Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)**

Chris Mercier  
979B Kumukoa St., Hilo, Hawaii 96720  
Phone (808) 933-1691

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

**TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair**

**FROM: CHRIS MERCIER**

**SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308**

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that

Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Chris Mercier  
[cwmercier@yahoo.com](mailto:cwmercier@yahoo.com)

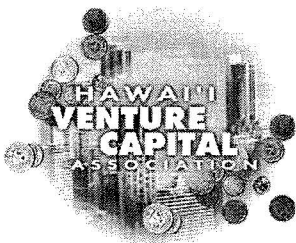
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## **FINTestimony**

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**From:** hvca.org [delwong@yahoo.com]  
**Sent:** Wednesday, March 26, 2008 10:39 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



**Hawaii Venture Capital Association**  
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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**DEL WONG**  
**1164 Bishop Street, Suite 1006, Honolulu, Hawaii 96813**  
**Phone (808) 531-3526**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: DEL WONG

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

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I urge this committee not to pass this bill.

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

Respectfully submitted,

Del Wong  
[delwong@yahoo.com](mailto:delwong@yahoo.com)

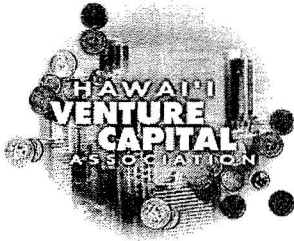
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## FINTestimony

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**From:** hvca.org [guy@h2-techs.com]  
**Sent:** Wednesday, March 26, 2008 10:46 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**GUY TOYAMA**  
**H2 Technologies, Inc**  
**73-4347 Malie Pl, Kailua-Kona, Hawaii 96740**  
**Phone (808) 938-6325**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: GUY TOYAMA, H2 TECHNOLOGIES, INC

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

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Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Guy Toyama  
H2 Technologies, Inc  
[guy@h2-techs.com](mailto:guy@h2-techs.com)

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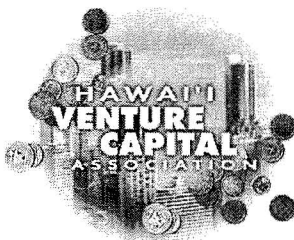


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## **FINTestimony**

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**From:** hvca.org [schmicker@navships.com]  
**Sent:** Wednesday, March 26, 2008 10:17 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**MICHAEL SCHMICKER**  
**Navatek Ltd**  
**841 Bishop , Suite Suite 1110, Honolulu, Hawaii 96813**  
**Phone (808) 531-7001**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: MICHAEL SCHMICKER, NAVATEK LTD

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

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General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Michael Schmicker  
Navatek Ltd  
[schmicker@navships.com](mailto:schmicker@navships.com)

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## FINTestimony

---

**From:** hvca.org [traci@archinoetics.com]  
**Sent:** Wednesday, March 26, 2008 12:10 PM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**TRACI H. DOWNS**  
**Archinoetics, LLC**  
**700 Bishop St., Suite 2000, Honolulu, Hawaii 96813**  
**Phone (808) 585-7439 Fax (888) 279-0289 Cell (888) 279-0289**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: TRACI H. DOWNS, ARCHINOETICS, LLC

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly oppose this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Traci H. Downs  
Archinoetics, LLC  
[traci@archinoetics.com](mailto:traci@archinoetics.com)

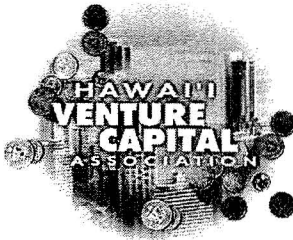
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## FINTestimony

---

**From:** hvca.org [mcurtis@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 10:09 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: MIKE CURTIS

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008



This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

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Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Mike Curtis  
[mcurtis@hawaii.rr.com](mailto:mcurtis@hawaii.rr.com)

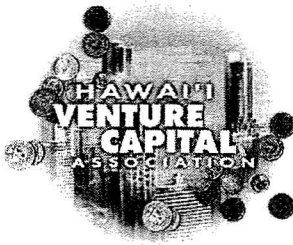
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## **FINTestimony**

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**From:** hvca.org [ather@hawaiiengineering.net]  
**Sent:** Wednesday, March 26, 2008 9:54 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**ATHER R. DAR**  
**Hawaii Engineering Group Inc.**  
**1088 Bishop St., , Suite 2505, Honolulu, Hawaii 96813**  
**Phone (808) 533-2092 Fax (808) 533-2059**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: ATHER R. DAR, HAWAII ENGINEERING GROUP INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

Ather R. Dar  
Hawaii Engineering Group Inc.  
[ather@hawaiiengineering.net](mailto:ather@hawaiiengineering.net)

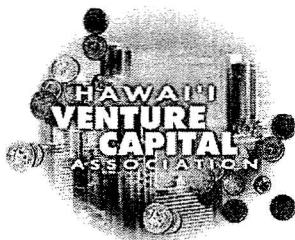
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## FINTestimony

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**From:** hvca.org [neptunetech@hawaii.rr.com]  
**Sent:** Wednesday, March 26, 2008 10:01 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**JOHN HARMON**  
**Neptune Technologies, Inc.**  
**25 Kaneohe Bay Dr., #208, Kailua, Hawaii 96734**  
**Phone (808) 230-8863**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: JOHN HARMON, NEPTUNE TECHNOLOGIES, INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

These tax credits are important to the future of our state and our ability to compete in a global economy. Therefore, I strongly oppose this bill that proposes to automatically repeal numerous

tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

John Harmon  
Neptune Technologies, Inc.  
[neptunetech@hawaii.rr.com](mailto:neptunetech@hawaii.rr.com)

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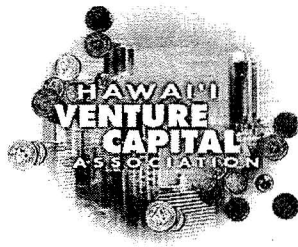
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## **FINTestimony**

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**From:** hvca.org [lishan@clearwire.net]  
**Sent:** Wednesday, March 26, 2008 10:08 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: LISHAN CHONG, EDUTAINMENT RESOURCES, INC.

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

General Excise Tax Exemptions for public service companies, public utilities, nonprofits, hospitals, senior housing facilities, churches, schools, homeless shelters, etc.

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General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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](mailto:lishan@clearwire.net)

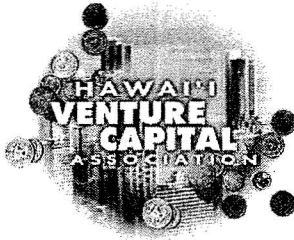
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## FINTestimony

---

**From:** hvca.org [tsdaveed@aol.com]  
**Sent:** Wednesday, March 26, 2008 10:10 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

**DAVID ALLAIRE**  
**Nalu Pacific Enterprises**  
**10 Kahua Kai Way, Lahaina, Hawaii 96761**  
**Phone (808) 667-2550 Fax (808) 667-2550**

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: DAVID ALLAIRE, NALU PACIFIC ENTERPRISES

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

When the prior HD1 of this bill was first proposed by the House EDB Committee, it created such concern that over 100 testimonies were submitted in overwhelming opposition, with only two testimonies submitted in support.

Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

Renewable energy (e.g., solar and wind) tax credits;

Act 88 film, TV and digital media credit

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General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

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General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

David Allaire  
Nalu Pacific Enterprises  
[tsdaveed@aol.com](mailto:tsdaveed@aol.com)

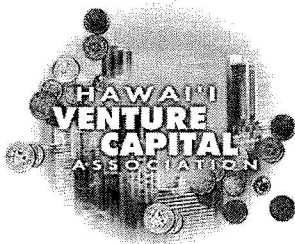
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## FINTestimony

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**From:** hvca.org [dfisherhi@gmail.com]  
**Sent:** Wednesday, March 26, 2008 9:51 AM  
**To:** FINTestimony  
**Subject:** REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)



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Re: REPEAL OF TAX CREDITS AND INCENTIVES (SB2829)

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

Wednesday, March 26, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829. The HOUSE Finance Committee is set to hear this bill on Thursday, March 27, 2008 at 4:00 pm in House Conference Room 308.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 306 for this hearing. Thank you.*

---

TO: THE HOUSE FINANCE COMMITTEE, Representative Marcus Oshiro, Chair

FROM: DAVID B. FISHER

SUBJECT: Testimony relating to REPEAL OF TAX CREDITS AND INCENTIVES (SB2829) - Strong Opposition To SB2829 SD2 HD1, set to be heard on 3/27/2008 at 4:00 pm in Conference Room 308

I strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

3/26/2008

This bill creates unnecessary uncertainty for businesses and reinforces the perception that Hawaii is a bad place to do business. It is being proposed at a time when our state and national economies are extremely vulnerable.

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Act 88 film, TV and digital media credit

Ethanol Facility Tax Credit;

General Excise Tax Exemption for federal scientific research contracts.

Exemptions and Exclusions repealed by this bill that could trigger broader economic damage across our community include:

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General Excise Tax Exemptions for Related Entities, Common Paymasters, etc. to avoid "double counting."

General Excise Tax exemptions for wages that are paid to all employees, as well as things like amounts received under insurance policies, gifts, damages for lawsuits, etc.

General Excise Tax exemptions on amounts received by employee benefit plans

Given the broad spectrum of credits and exemptions "on the chopping block," the negative effects of this measure will substantially raise taxes and hurt every employee, union member and virtually all local businesses in our state.

I urge this committee not to pass this bill.

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

Respectfully submitted,

David B. Fisher  
[dfisherhi@gmail.com](mailto:dfisherhi@gmail.com)

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## **FINTestimony**

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**From:** Alan Yue [ayue@prenetsys.com]  
**Sent:** Wednesday, March 26, 2008 9:25 AM  
**To:** FINTestimony  
**Subject:** SB2829 SD2 HD1 March 27, 2008 4:00pm - Agenda #3 - Related to Repeal of Tax Credits and Incentives  
**Importance:** High

**SB2829 SD2 HD1 Related to Repeal of Tax Credits and Incentives**

**DATE:** 4:00PM, Thursday, March 27, 2008 Conference Room 308

**TO:** House Finance Committee  
Chair, Marcus Oshiro  
Vice Chair, Marilyn Lee

**FROM:** Alan E. Yue, PMP, CISSP, CBCP

**RE:** Testimony In Strong Opposition to SB2829 SD2 HD1

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

PreNetSys strongly opposes this bill that proposes to automatically repeal numerous tax exemptions and credits BEFORE they are reviewed by the Department of Taxation.

Further, the Tax Credits in question provide a unique incentive to Hawai'i businesses to create high value industry and associated high paying jobs that can benefit the economy for the people of Hawai'i right now, when we need it most. In addition, the technologies that are being fostered can also create a higher standard of living, a cleaner environment, and a sustainable food and energy infrastructure that can benefit the people of Hawai'i for generations to come.

I strongly urge that the tax exemptions and credits in question remain in effect, despite the short term "loss" of immediate tax revenue.

An opportunity exists to positively effect change on the economic

future of Hawai'i and to create a priceless legacy. People may look back upon your support of these tax exemptions and credits during a tough time and praise your names for the tough choice that you made. It is a defining moment. I hope that each of you will seize upon it for the sake of the future.

Aloha and Be Well!

Alan E. Yue, PMP, CISSP, CBCP, IAAM/IAEM

President

PreNetSys, Inc.

+1.954.646.4253 Voice

+1.808.356.0692 Fax

[ayue@prenetsys.com](mailto:ayue@prenetsys.com)

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