

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

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DEPUTY DIRECTOR

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DEPARTMENT OF TAXATION
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HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

TESTIMONY REGARDING SB 2829 SD 2 PROPOSED HD 1 RELATING TO TAXATION

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

DATE: MARCH 18, 2008

TIME: 8:45AM

ROOM: 325

As amended, this measure establishes the repeal of all tax credits and exemptions throughout Title 14, HRS, except for certain provisions pertaining specifically to low-income individuals. The repeal provisions are set to begin for the 2009 taxable year.

The Department of Taxation takes **no position** on this legislation; however cautions the Committee to carefully consider each incentive's efficacy independently. **The Department also requests important amendments that must be considered by the Legislature this legislative session to ensure a robust revenue stream and efficient tax administration, which is the text of the Department's technical correction measures, HB 3192/SB 3114.**

I. **COMMENTS RELATING TO THE PROPOSED HD 1**

THESE INCENTIVES WERE IMPORTANT AT SOME POINT—Title 14, Hawaii Revised Statutes, contains hundreds of exemptions and credits relating to both income taxation and general excise taxation. In its policy-making capacity, the Legislature at some point deemed these exemptions and credits to be important incentives to encourage growth or behavior of businesses in Hawaii.

SUNSET DATES ARE A BENEFICIAL FEATURE—The Department suggests that it is an important feature of tax policy to revisit any tax credit or tax exemption after enactment to ensure that the intended consequences of the given incentives materialized. There are far too many exemptions and credits in Title 14 that do not contain any "sunset" feature in order for policymakers to analyze the efficacy of a given incentive.

TAX INCENTIVES ARE LEGITIMATE—Though the Department does not take a position on this legislation, the Department reminds the Committee that tax credits and tax

incentives are a legitimate means of supporting businesses or encouraging certain behavior in Hawaii's business community. However, where there exists countless credits and exemptions, the proverbial exception begins to consume the general rule. In the case of tax law, the myriad number of exemptions available for special interest quickly consumes the presumption that income or proceeds are taxable and special interest avoids paying their fair share.

INDEPENDENT ANALYSES IS WARRANTED—As a result of the foregoing, the Department merely cautions this Committee that any decision to repeal any credit or exemption from Title 14, Hawaii Revised Statutes, should be analyzed and considered independently to ensure that an appropriate conclusion is drawn. A wholesale repeal of credits or exemption may be too haphazard to bring about effective tax policy change. **The Department suggests that the Committee insert language similar to that contained in HB 2961 HD 2. This measure provides the Department with the authority and resources to study all existing tax incentives, including the ones repealed in this measure.**

REVENUE ESTIMATE—It is very difficult to estimate the revenue consequences of this bill. Based on a very preliminary assessment, it is estimated that the bill would raise revenues by about \$1.4 billion per year by fiscal year 2010. The estimate does not include the revenue gains from eliminating the GET exemption for public service companies (given by section 237-23(1), HRS, for eliminating the GET exemption for financial services income (given by section 237-24.8), and for eliminating the GET exemption for insurance companies (given by section 237-29.7).

II. SUGGESTED AMENDMENTS FOR EFFICIENT TAX ADMINISTRATION

The Department respectfully requests that the Committee consider inserting the following technical considerations into this measure for streamlined tax administration. These amendments can be found in the Department's technical corrections bills, HB 3192/SB 3114:

ERRONEOUS REFUND CLAIMS—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.

During this provision's prior consideration in the Senate, the industry had problems with this penalty's lack of definitions. The Department does not object to the Committee inserting a specific definition of "reasonable basis" to include, among other things inadvertence, mistake, or innocence. Also, the Department does not object to thresholds where this penalty takes effect; nor does the Department object to applying this penalty only where tax professionals are involved. The Department is willing to work with the Committee on draft language for this provision.

Because this legislative session has many fiscal constraints given the current economic conditions, this amendment will provide revenue gains for the budget.

PUBLIC BOARD OF REVIEW INFORMATION—Current law is ambiguous as to whether certain information discussed at a Taxation Board of Review hearing is public and able to be disseminated.

Chapter 232, HRS, is clear that a Board of Review hearing is a public meeting. However, other conflicting confidentiality laws preclude the Department from discussing the taxpayer's identity or the specific legal arguments presented to the Board of Review. A dilemma arises if a person who was not present at the hearing requests information regarding the hearing, the Department cannot disclose appeal briefs or taxpayer identity. However, if the same person were at the hearing, the person would know the taxpayer's identity and other material information. This bill clarifies what information is public when discussed at a Board of Review hearing.

SOCIAL SECURITY NUMBERS ON APPEAL DOCUMENTS—With the onset of identity theft, administration of tax appeals should likewise conform to protection of such sensitive data.

Currently, tax appeals require taxpayers to submit a copy of the tax return(s) in dispute during the appeal. Tax returns routinely contain sensitive data, including social security numbers of individuals. This bill authorizes individuals and the Department to redact all but the last four digits of the social security number on any tax returns filed with the Tax Appeal Court.

Current law requires the Department to submit a statutory digest summarizing all tax laws passed by Congress in the prior calendar year early in the legislative session.

"KIDDIE TAX" AMENDMENTS—In its conformity provisions, Hawaii does not expressly conform to the "Kiddie Tax" assessed by the Internal Revenue Code.

However, Hawaii has adopted its own "Kiddie Tax" at section 235-7.5, HRS. In 2006, Congress made various amendments to the "Kiddie Tax" contained in the Internal Revenue Code. This bill makes similar conforming amendments to the changes made by Congress to ensure consistency in the application and assessment of these similar taxes.

Because this legislative session has many fiscal constraints given the current economic conditions, this amendment will provide revenue gains for the budget.

TAX ADMINISTRATION SPECIAL FUND—Act 206, Session Laws of Hawaii 2007, amended the Tax Administration Special Fund to allow use of the funds for the administration of credits under section 235-110.9, HRS.

The Department of Taxation understood the intent of this amendment was to allow use of the funds for administration of other high tech credits, including the refundable credit for research activities under section 235-110.91, HRS. This bill clarifies that the tax administration special fund

may be used for administering both high technology tax credits.

CANNED COMPUTER SOFTWARE ELIGIBILITY FOR THE CAPITAL GOODS EXCISE TAX CREDIT—Hawaii's capital goods excise tax credit allows a credit equal to the general excise tax paid on depreciable tangible personal property.

The credit defines depreciable tangible personal property as of the Internal Revenue Code of 1954, as amended in 1984. Canned computer software was considered depreciable tangible personal property in the Internal Revenue Code of 1986. This bill amends the definition of depreciable tangible personal property to allow for canned computer software to qualify for the capital goods excise tax credit. The bill also deletes from the definition of cost "the actual invoice price," so that cost will be defined as basis, which is simpler to administer. The bill also eliminates the phase-in language since the credit has been completely phased-in since 1989.

This amendment will clarify erroneous positions taken by taxpayers and tax practitioners that argue computer software currently qualifies under this credit.

SOCIAL SECURITY NUMBER USE IN TAX ADMINISTRATION—Chapter 487J, HRS, was enacted in 2006 to limit the use of social security numbers by businesses and government.

The Department's tax administration processes and procedures rely heavily on the use of the social security number to ensure identification of a taxpayer. This bill makes clarifying amendments to chapter 487J, HRS, that allow the Department of Taxation to utilize social security numbers in the administration of Hawaii taxes.

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

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

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

March 18, 2008, 8:45 a.m.
Room 325, State Capitol

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

The HHFDC opposes the proposed H.D. 1 to S.B. 2928, S.D. 2, as it would eliminate affordable housing development incentives that have resulted in the construction or substantial rehabilitation and preservation of thousands of affordable housing units statewide. These programs are very successful incentives that have spurred the development of a significant number of affordable housing units statewide.

Low-Income Housing Tax Credit (LIHTC) program (pp. 48-51)

The LIHTC is a major financing tool for non-profit and for-profit developers to construct or preserve affordable rental housing. Under the program, the HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset (tax credit) in income tax liability for 10 years or may be syndicated to generate substantial project equity. There are two types of federal tax credits:

- 9% competitive tax credits, which are applied against the State of Hawaii's annual LIHTC volume cap allocation; and
- 4% non-competitive, which are awarded with tax-exempt bond financing and are outside of the State of Hawaii's annual LIHTC volume cap allocation.

Approximately \$2.5 million in federal and \$1.25 million in state tax credits may be awarded each year from the State of Hawaii's annual volume cap allocation.

Eligible project owners must set aside a minimum of either 20 percent of units for tenants earning less than 50 percent of the area median income (AMI) as determined by the U.S. Department of Housing and Urban Development; or 40 percent of units for tenants earning less than 60 percent AMI. Most project owners set aside all of the units for tenants at 60 percent AMI or below.

LIHTC projects must set rents at 30 percent of the imputed income limit of tenants (i.e., 30 percent of 1.5 people per bedroom). The project must remain affordable for at least 30 years (15 year compliance period and an additional 15 year extended use period). The HHFDC is required by law to monitor compliance with program rules and applicable federal and state laws for all tax credit projects, and to report any non-compliance found to the Internal Revenue Service. Projects are monitored for compliance annually. As of December 31, 2007, the LIHTC program has assisted in the delivery or preservation of 6,077 affordable rental units. Attached for your information is a complete list of LIHTC awards.

General Excise Tax Exemption (GET exemption) program (p. 103, line 16 to p. 104, line 9; page 112, lines 1 through 5)

The HHFDC may approve and certify for exemption from GET any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project:

- a. Developed under Chapter 201H;
- b. Developed under a government assistance program approved by the HHFDC;
- c. Developed under the sponsorship of a private nonprofit corporation providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing; or
- d. Developed by a qualified person or firm to provide affordable rental housing where at least 50 percent of the available units are for households with incomes at or below 80 percent of the area median income (AMI), as determined by HUD, of which at least 20 percent of the available units are for households with incomes at or below 60 percent of AMI.

The housing project must be an "eligible project" which, except for (d) above, meets the following income targeting criteria:

- a. At least 20 percent of the units are set aside for households earning up to 50 percent of the HUD AMI;
- b. At least 40 percent of the units are set aside for households earning up to 95 percent of the HUD AMI; or
- c. At least 60 percent of the units are set aside for households earning up to 140 percent of the HUD AMI.

The GET exemption is applicable to income received by a qualified person or firm for the planning, design, financing, construction, sale, or lease of a housing project that has been certified by the HHFDC. Claims for exemption of affordable rents are certified annually to ensure that the rental income claimed for exemption are in fact tied to affordable rental units. Furthermore, the HHFDC requires eligible projects to provide pro forma budgets demonstrating that the GET exemption is needed to make their projects economically feasible before an exemption is granted.

Since the agency came into existence in July 2006, the HHFDC has provided certifications for exemption for over 50 affordable housing projects including military privatization projects, Hawaiian Homelands, self-help housing projects, affordable rental projects for families and seniors, and public housing. Contracts totaling \$4.4 billion have resulted in an estimated cost savings of approximately \$178.8 million for these projects.

Conveyance Tax Exemptions (page 117, lines 3 through 8)

The HHFDC is currently authorized, pursuant to sections 201H- 247-3(17), HRS, to certify transfers of land for the purposes of low-income housing development for exemption from the conveyance tax. This exemption is critical to allow transfers of land to preserve the affordable housing inventory to work, such as recent transaction to preserve Kukui Gardens as affordable rental housing.

Thank you for the opportunity to testify.

Harry Kim
Mayor



Edwin S. Taira
Housing
Administrator

County of Hawaii
**OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT**

50 Wailuku Drive • Hilo, Hawai'i 96720-2484
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March 17, 2008

The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice-Chair
and Committee Members
Committee on Economic Development and Business Concerns

Twenty-Fifth Legislature
Regular Session of 2008

SUBJECT: Senate Bill 2829, SD2
Hearing Date: 03-18-08
Time: 8:45 AM
Conference Room: 325

The Office of Housing and Community Development (OHCD) strongly opposes sections of Senate Bill 2829, SD2, which establishes the repeal of all tax credits and exemptions, except for those pertaining to individual income tax, beginning in the 2009 taxable year. The OHCD strongly opposes repeal of:

- **§235-110.8.** The low-income housing tax credits (LIHTCs) are an important financing tool for low-income rental housing projects that would otherwise not be financially feasible.
- **§237-29.** The general excise exemption for certified housing projects provide a significant incentive to encourage the development of low-income rental housing projects.
- **§241-4.7.** The use tax exemption is another important tool to encourage the development of low-income rental housing projects.
- **§247-3(17).** Without the conveyance tax exemption for lands transferred for low income rental housing, affordable projects would be subject to the highest conveyance tax rates.

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EQUAL HOUSING OPPORTUNITY
"HAWAII COUNTY IS AN EQUAL OPPORTUNITY
PROVIDER AND EMPLOYER"

The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice-Chair
and Committee Members

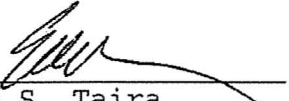
Page 2

March 17, 2008

The repeal of the tax credits and exemptions would have dire consequences on the development of low-income rental housing. The financing of affordable, low-income rental housing has been severely hampered due to the current credit crisis in the private financing markets.

The OHCD respectfully request the Committee to oppose the repeal of the above citations within SB 2829, SD2.

Thank you for the opportunity to provide testimony.



Edwin S. Taira
Housing Administrator

Bryan J. Baptiste
Mayor

Gary K. Heu
Administrative Assistant



KAUAI COUNTY HOUSING AGENCY
Pi'ikoi Building 4444 Rice Street Suite 330
Lihue Hawai'i 96766

Kenneth N. Rainforth
Housing Director

Gary A. Mackler
Development Coordinator

March 17, 2008

The Honorable Rep. Kyle T. Yamashita, Chair
The Honorable Rep. Glenn Wakai, Vice Chair
Committee on Economic Development &
Business Concerns

The Honorable Rep. Alex M. Sonson, Chair
The Honorable Rep. Bob Nakasone, Vice Chair
Committee on Labor & Public Employment

The House of Representatives
The Twenty-Fourth Legislature
Regular Session of 2008

**SUBJECT: Testimony in Opposition to Senate Bill 2829 SD2 HD 1, Relating
to Tax Exemptions and Credits; Expiration**
Committee: EDB-LAB
Hearing: March 18, 2008 8:45 AM Conference Room 325

The Kaua'i County Housing Agency strongly opposes Senate Bill 2829 SD2 HD1. The proposed bill would eliminate the State low-income housing tax credits (LIHTC) and GET exemptions for affordable housing. These two critically important tools make the development of affordable housing feasible. Their loss would substantially reduce the ability to fund affordable housing projects at the time of our greatest need.

Thank you for the opportunity to provide testimony in opposition to this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Rainforth", written over a large, stylized graphic element that resembles a signature or a large letter "K".

KENNETH N. RAINFORTH
Housing 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, Proposed HD-1

INTRODUCED BY: House Committees on Economic Development and Business Concerns and Labor and Public Employment

BRIEF SUMMARY: Repeals the following on December 31, 2008:

- 235-4.5 Taxation of trusts, beneficiaries; credit
- 235-9.5 Stock options from qualified high technology businesses excluded from taxation
- 235-12.5 Renewable energy technologies; income tax credit
- 235-15 Tax credits to promote the purchase of child passenger restraint systems
- 235-17 Motion picture, digital media, and film production income tax credit
- 235-18 Deposit beverage container deposit exemption
- 235-110.2 Credit for school repair and maintenance
- 235-110.46 Attractions and educational facilities tax credit; Ko Olina Resort and Marina; Makaha Resort
- 235-110.6 Fuel tax credit for commercial fishers
- 235-110.7 Capital goods excise tax credit
- 235-110.8 Low income housing credit
- 235-110.9 High technology business investment tax credit
- 235-110.91 Tax credit for research activities
- 235-129 Tax credits
- 236D-4(c) Nonresidents; transfer tax; exemption
- 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 Amounts not taxable
- 237-24.3 Additional amounts not taxable
- 237-24.5 Additional exemptions
- 237-24.7 Additional amounts not taxable
- 237-24.75 Additional exemptions
- 237-24.8 Amount not taxable for financial institutions
- 237-24.9 Aircraft service and maintenance facility
- 237-25 Exemptions of sales and gross proceeds of sales to federal government, and credit unions
- 237-26 Exemption of certain scientific contracts with the United States

- 237-27 Exemption of certain petroleum refiners
 - 237-27.5 Air pollution control facility
- SB 2829, Proposed HD-1 - Continued
- 237-27.6 Solid waste processing, disposal, and electric generating facility; certain amounts exempt
 - 237-28.1 Exemption of certain shipbuilding and ship repair business
 - 237-29 Exemptions for certified or approved housing projects
 - 237-29.5 Exemption for sales of tangible personal property shipped out of the state
 - 237-29.53 Exemption for contracting or services exported of state
 - 237-29.55 Exemption for sale of tangible personal property for resale at wholesale
 - 237-29.7 Exemption of insurance companies
 - 237-29.8 Exemption for call centers
 - 239-5.5 Surcharge amounts exempt
 - 239-6.5 Tax credit for lifeline telephone service subsidy
 - 239-12 Call centers; exemption; engaging in business; definitions
 - 240-1.5 Surcharge amounts exempt
 - 241-4.5 Capital goods excise tax credit
 - 241-4.6 Renewable energy technologies; income tax credit
 - 241-4.7 Low-income housing, income tax credit
 - 241-4.8 High technology business investment tax credit
 - 244D-4.3 Exemption for sales of liquor shipped out of the state
 - 247-3 Exemptions

Repeals the following:

- 235-6 Foreign manufacturing corporation; warehousing of products
- 235-12 Energy conservation; income tax credit
- 235-110.45 Residential construction and remodeling tax credit
- 235-110.92 Drought mitigating water storage facility; income tax credit
- 235D Qualified improvement tax credit
- 237-27.1 Exemptions of sale of alcohol fuels
- 237-29.65 Exemption for public Internet data centers
- 237-29.75 Exemption for sale of net operating loss by qualified high-technology business

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure repeals various tax credits and exemptions of state tax law. 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 enacted in recent years deserve to be repealed, a blanket repeal, as proposed by this measure, may result in some unexpected consequences.

SB 2829, Proposed HD-1 - Continued

The repeal of HRS section 235-18 would make beverage container deposits subject to the state income tax, 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. Or as in the case of public service companies and financial institutions, other taxes are imposed in lieu of the general excise tax because of the unique nature of these businesses. Probably the most inane would be to repeal HRS 237-24(6), the exemption for salaries and wages for employees. This repeal is certainly indicative of the lack of understanding of the general excise tax as a tax for the privilege of doing business in Hawaii.

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 employee contributions and earnings on those contributions, the provision was narrowed to specifically exclude rental income or proceeds.

On the other hand, exemptions for purchases of food with foods stamps and qualified food items purchased with WIC coupons exist because of a federal mandate 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).
SB 2829, Proposed HD-1 - Continued

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), alcohol fuels (-27.1), shipbuilding (-28.1), producers of motion pictures (-28.2), and certified housing projects (-29).

With respect to the repeal of HRS 236D-4, since the state inheritance tax was based on the federal estate tax credit for state death taxes paid, the entire chapter should probably be repealed as the federal credit no longer exists and, as such, Hawaii has not had a state death tax credit since 2005.

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. Before this measure is adopted, a closer examination of each of these exemptions should be performed by the department of taxation which would provide the rationale for the tax policy behind each of these credits or exemptions. Thus, the Tax Review Commission's recommendation deserves a measured and learned response.

Digested 3/17/08



maui economic development board. inc.

March 17, 2008

The Honorable Representative Kyle T. Yamashita – Chair, COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS CONCERNS

Hawaii State Legislature
State Capitol
Honolulu, Hawaii 96813

Re: Concern about repeal of Act 221/215 in SB 2829, SD2, HD1 "RELATING TO TAXATION"

Public hearing Tuesday, March 18, 2007 8:45 AM, State Capitol, Conference Room 325

Honorable Committee Chair Yamashita and Members of the Committee:

Thank you for this opportunity to provide testimony on Senate Bill 2829, SD2, HD1 regarding taxation.

The Maui Economic Development Board, Inc. (MEDB) was founded 25 years ago with economic diversification as one of its primary goals. Hawaii's high technology tax incentives have played a significant role in growing Maui's tech industry, and figure prominently in MEDB's current and future business development efforts. MEDB is aware of well over a dozen high technology companies on Maui Island that have used the credits to grow their businesses.

Maui County's technology industry now has over \$145 million in yearly revenues, \$40 million in payroll, and employs over 1,300 Maui residents. These jobs pay an average of \$ 70,000 per year.

Since its inception, Hawaii's technology tax credits have endured numerous bouts of controversy and calls for changing the law. The uncertain long term status of the incentives has served to chill investor interest, and needlessly slow industry growth. For a true benchmarking of the potential future effectiveness of the incentives, several key components need to be in place:

1. The tax incentive legislation should be allowed to run its course without change or threat of change.
2. As a State, we need to "walk the talk" on the expressed collective public interest in growing diversified industry, and make public investment a priority.
3. We need to clearly and more aggressively publicize the incentives in Hawaii, on the US mainland, and internationally. A clear public commitment to growing diversified industry, coupled with the existing incentives, will demonstrate that Hawaii sincerely wants to succeed in this area.

There is no denying that diversified industry has grown in Maui County and Hawaii since their inception. The Maui Economic Development Board supports leaving the incentives unchanged, and allowing them to run their course.

We thank you for your consideration and hope for a favorable outcome.

Sincerely,

Jeanne Unemori Skog
President & CEO

**Testimony to the House Committee on Economic Development and
Business Concerns
Tuesday, March 18, 2008; 8:45 a.m.
Conference Room 325**

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

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

March 18, 2008

Chair Yamashita, Vice Chair Wakai and Members of the Economic Development and Business Concerns Committee:

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

SB 2829 SD2, HD 1-proposed, 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 110, line 4), 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 54, lines 8-12), 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. To lose 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 42, line 10), which provides a tax credit for the investment of capital goods and Section 237-23.5 Hawaii Revised Statutes (page 60, line 10), 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- proposed 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 17, 2008

Representative Kyle Yamashita, Chair; Representative Glenn Wakai, Vice Chair
and Members of the Committee on Economic Development and Business Concern
State House of Representatives
State Capitol
Honolulu, HI 96813

Dear Chair Yamashita, Vice-Chair Wakai and Committee Members:

SB 2829 HD 1 Relating to Taxation

My name is David W. Rae and I am the Senior Vice President, Development of Kapolei Property Development ("KPD"), an affiliate of the James Campbell Company LLC. Thank you for allowing me to testify today.

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to

the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.



SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: Lisa Gibson
President
Hawaii Science & Technology Council

RE: Testimony in Strong Opposition to SB2829 HD1

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

The Hawaii Science & Technology Council strongly opposes SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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

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--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.




I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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.

Lisa H. Gibson
President
(808)536-4670
lgibson@hiscitech.org



**Hawaii
Aquaculture
Association**

To:

HOUSE OF REPRESENTATIVES
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice Chair

HEARING

DATE: Tuesday, March 18, 2008
TIME: 8:45a.m.
PLACE: Conference Room 325
State Capitol
415 South Beretania Street

From: Ronald P. Weidenbach, President, Hawaii Aquaculture Association
Cell: 429-3147, Email: hawaiiifish@gmail.com

Re: SB 2829 SD2 HD1: Relating to Taxation

Chair Yamashita, Vice-Chair Wakai, and Members of the Committees:

The Hawaii Aquaculture Association (HAA) strongly SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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);

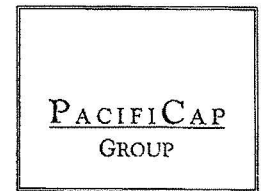
--Section 235-110.3, HRS relating to the Ethanol Facility Tax Credit;

--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes aquaculture, renewable energy, ocean science, and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

The HAA respectfully requests that the committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify



PACIFICAP GROUP, LLC
820 Milliani Street, Suite 600
Honolulu, HI 96813
Direct: 808.237.5388 Fax: 808.537.2188

March 16, 2008

To: EDBtestimony@capitol.hawaii.gov
*Testimony for Hearing before the
House Committee on Economic Development and Business Concerns
Tuesday, March 18, 2008, 8:45 am
State Capitol, Conference Room 325*

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

Chair Yamashita, Vice Chair Wakai, and Committee Members:

Thank you for the opportunity to submit testimony in STRONG OPPOSITION to SB 2829 SD2 HD1, which proposes to repeal, as of December 31, 2008, various tax credits and exemptions.

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

This bill would severely cripple Act 221/215 by repealing Section 241-4.8, HRS, which allows financial institutions to apply Act 221 investment tax credits to their Hawaii franchise tax liabilities. This would be very damaging to local tech companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years. This bill would also repeal Section 235-9.5, HRS, which provides an income tax exclusion for stock options issued by Act 221 companies.

As you may know, 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.

Beyond, Act 221, this bill would impose tremendous economic damage across our State on many institutions and organizations that are already struggling financially by removing General Excise Tax Exemptions for nonprofits, hospitals, schools, homeless shelters, employee benefit plans, as well as financial institutions and insurance companies, which already pay separate franchise and premiums taxes.

As you may know, on February 6, 2008, HB 2942, a similar bill to automatically sunset and repeal virtually all tax credits and exemptions after review by the Department of Business Economic Development and Tourism ("DBEDT"), was heard by the House Finance Committee and subsequently passed with amendments. At the February 6 hearing, testimony in opposition was submitted by at least a dozen testifiers, including the Department of Taxation, the Department of

Testimony in Strong Opposition to SB 2829 SD2 HD1
Relating to Taxation
House Committee on Economic Development and Business Concerns
March 16, 2008
Page 2

Human Services, the Hawaii Housing Finance and Development Corporation and many private sector representatives.

The only testimony in support of HB 2942 was submitted by Ms. Pearl Iboshi, on behalf of DBEDT Director Ted Liu.

This is particularly puzzling and disturbing since DBEDT and its Director have virtually no professional experience in tax law, and the conduct and credibility of DBEDT is becoming increasingly suspect as more is revealed to the public through the Senate's Investigative Hearings on Alleged Procurement Law Noncompliance relating to the State Hydrogen Fund. You can view the Saturday, March 15, 2008 hearing, as well as Director Liu's testimony on Thursday, March 13, 2008, by going to the following links, which are posted on Governor Lingle's website:

<http://hawaii.gov/gov/misssed-it/2008/hydrogen-special-fund-investigative-committee-5>

<http://hawaii.gov/gov/misssed-it/2008/hydrogen-special-fund-investigative-committee-4>

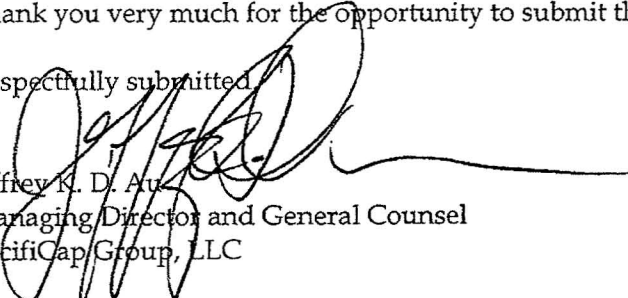
Press reports from KITV and the *Houston Chronicle* are also attached for your convenience.

I urge each of you, as a member of this Committee, to not ignore the very serious, substantive and virtually unanimous testimony in opposition to repealing tax credits and exemptions previously submitted by the Department of Taxation, other agencies of the Administration, as well as the business community, in favor of the sole testimony submitted in support by DBEDT.

I respectfully ask that each of you, as members of this Committee, be cognizant of the disruptive effect on our entire economy that may result from uncertainty created by this bill. Aside from jeopardizing the financial stability of hundreds of Hawaii's most promising high tech and media companies and the livelihoods of their thousands of employees, what will be the impact on our healthcare system if our largest hospitals and other non-profits, such as schools and homeless shelters that are already struggling financially, have to pay more than 4% of their revenues in GE Taxes because their nonprofit exemptions are repealed? What will happen to the stock prices of Hawaii's local publicly traded banks if they have to disclose in their SEC filings that the Legislature is considering requiring them to pay, on top of their franchise taxes, an additional GE Tax of more than 4%, which may be more than their total annual profits? What will happen to local real estate values if the stock prices and financial stability of our local banks start to collapse?

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

031608JAUtestimonyinOppositiontoSB2829SD2HD1

Budget Director Questioned On Bid Rigging Accusations

POSTED: 10:33 pm HST March 13, 2008

 **HONOLULU** -- A special Senate investigative committee on Thursday grilled the state business director on allegations of whether he manipulated the bidding process to award a \$9 million contract to a supporter of Gov. Linda Lingle. 

That supporter's company ranked the lowest in the bidding.

The issue is the awarding of a contract to manage a nearly \$9 million fund to help companies developing renewable hydrogen energy from sources such as wind and waves.

Senators want to know why Business Director Ted Liu awarded the contract to Lingle supporter Barry Weinman whose company ranked third in the bidding process.

Liu's opening statement criticized the chairwoman Donna Kim as unfair and vindictive.

"The chairwoman has a history of leveling accusations at me personally," Liu said.

Liu said he was given no ranking of the company's until after the selection and that he picked Weinman's company because it offered the best value.

Kim read from an interoffice e-mail from Liu that she said indicated he was trying to avoid the state bidding process to give the job to Weinman.

"I understand that HFC can solicit managers without a procurement requirement.' That simply contradicts what you just said. I asked you if you started out not wanting to go to an RFT and you said 'No,'" Kim said.

"I see nothing here that is inconsistent with not wanting to go with an RFT. I was interested in getting a draft of an RFT," Liu said.

Liu said in other correspondence he was clear about wanting to put it out to bid.

"It was always my desire my objective to have an RFT, which you guys have seen," he said.

In the end Weinman's company didn't get the award. The state procurement office told Liu to rescind it. Later, the first-ranked Kohala Holding was awarded the contract.

The hearing continues Saturday.

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March 14, 2008, 10:03AM

Hawaii Looking at Hydrogen Contract Bid

By MARK NIESSE Associated Press Writer
© 2008 The Associated Press

HONOLULU — Hawaii's economic director admitted to Senate investigators Thursday he made mistakes in awarding a contract to a company that wasn't the highest-ranked bidder.

Ted Liu, director of the Department of Business, Economic Development and Tourism, took responsibility for errors in giving management of a \$10 million investment fund to a company that was rated third-best.

But he denied showing any favoritism or taking inappropriate actions.

The hydrogen energy investment fund was created by lawmakers in 2006 to finance companies developing clean-burning hydrogen fuel from renewable sources in Hawaii.

"We're all human beings. We all make mistakes," Liu told a Senate investigative committee under oath. "None of the mistakes made were the result of malfeasance."

Liu overruled his own committee's evaluation that Kolohala Holdings LLP was the most qualified company to receive the contract, worth up to \$385,000, which was instead given to H2 Energy LLC in August.

That decision was later reversed after the State Procurement Office determined that the contract should have been won by the most qualified company, which was Kolohala.

Liu said the companies were closely rated, and he used his authority to break the tie by giving the contract to H2 Energy because it more closely fit with the state's strategic goals.

Senators said in the hearing they weren't convinced Liu's errors were accidental.

"A lot of the information we're getting seems to be inconsistent," said committee chairwoman Sen. Donna Mercado Kim, D-Kalihi Valley-Halawa. "The point is it might have been a calculated error on somebody's part."

Liu acknowledged two mistakes: claiming authority to award the contract to a lower-ranked bidder, and failing to properly file his justification memo that revealed his reasons for choosing H2 Energy over Kolohala.

The Senate investigative committee has been reviewing the case since September.

Senators point to e-mails sent to and from Liu in 2006 that indicate he intended from the start to award the contract to the company that eventually became H2 Energy.

The five-member committee _ made up of four Democrats and one Republican _ wants to discover why the contract wasn't given to the best bidder and whether Liu engaged in a sweetheart deal with H2 Energy.

Liu was appointed by Republican Gov. Linda Lingle, and his attorney said the combative hearings were unfair.

The Senate committee doesn't have the authority to sanction Liu directly, but its findings could lead to further investigations and legislative reforms.



The REALTOR® Building
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Email: har@hawaii Realtors.com

March 17, 2008

The Honorable Kyle T. Yamashita, Chair
House Committee on Economic Development & Business Concerns
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: S.B. 2829, S.D.2, Proposed H.D.1, Relating to Taxation
Hearing Date: March 18, 2008 @ 8:45 a.m., Room 325

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **strongly opposes the following provisions of S.B. 2829, S.D.2, Proposed H.D.1:**

- (a) **Section 1, Item 13**, which respectively repeal the low-income housing tax credit under HRS §235-110.8;
- (b) **Section 3, Item 17**, which repeals GET exemptions for certified or approved housing projects under HRS §237-29; and
- (c) **Section 8**, which repeals all of the current exemptions from the Conveyance Tax under HRS §247-3.

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 that are affordable*.

In November 2002, the National Association of REALTORS® (NAR) created the Housing Opportunity Program to address the nation's housing opportunity crisis. According to the NAR, the lack of available and affordable housing is reflected in several ways, including access to employment, education, a good environment and safe neighborhoods. This problem impacts all segments of the real estate market, including first-time purchasers, low-income purchasers, seniors, the disabled, single family buyers and renters, as well as rental property owners and developers. To promote housing opportunities at the state and local levels, the NAR believes that there is a need for greater legislative emphasis to:

1. Preserve the existing housing stock through grants, loans and **financial incentives**.
2. Streamline the zoning and planning approval process.
3. Utilize density bonus features that encourage the development of units priced to sell and rent at the lower end of the market.
4. Establish housing trust funds in order to build affordable housing.
5. Better coordinate services and eliminate duplication.
6. Make better use of low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide both homeownership and rental housing opportunities.



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Email: har@hawaii Realtors.com

HAR strongly believes that the State's present course of increasing the supply of rental housing and owner occupied for sale housing is by far the better long-term solution to the present workforce and affordable housing shortage.

HAR believes that the low-income housing tax credit and GET exemptions for certified or approved housing projects provide much needed financial incentives for affordable housing, and that their repeal will hurt the State's present program for increasing the supply of affordable housing.

HAR further believes that the repeal of the Conveyance Tax exemptions under HRS §247-3 will merely add an additional cost to the already high cost of housing in Hawaii.

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,

A handwritten signature in black ink, appearing to read "Craig K. Hirai".

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

wakai1-Karen

From: Pamela Day [pamelanoeaunday@msn.com]
Sent: Monday, March 17, 2008 8:21 AM
To: EDBtestimony
Cc: Piikalama
Subject: Testimony in opposition SB2829 HD1



P.O. Box 551796
Kapaau, Hawaii
96755
Phone: 808-884-5270

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008 8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita and The Honorable Glenn Wakai

FROM: Pamela N. Day, President, Taro Dream Inc.

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

-- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to the mover the past several years.

Other 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;

3/17/2008

--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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Pamela N. Day
President
Taro Dream Inc.
www.tarodream.com



P.O. Box 551796
Kapaau, Hawaii
96755
Phone: 808-884-5270

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008 8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita and The Honorable Glenn Wakai

FROM: Piikalama Boiser, VP Operations, Taro Dream Inc.

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Piikalama Boiser
VP Operations
Taro Dream Inc.



March 16, 2008

TO: **Committee on Economic Development & Business Concerns**
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

RE: **Testimony in Opposition to SB2829 HD1**

DATE: March 18, 2008
8:45 am., Conference Room 325

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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- Section 235-12.5, HRS relating to renewable energy (e.g., solar and wind) tax credits;
- Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.
- Other Credits and Exemptions repealed by this bill that would hurt Hawaii's emerging tech sector include:

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely,

J.Toth
Chairman
NetEnterprise Inc.

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

Sunday, March 16, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.

I would appreciate if you would make and deliver 1 copy of my testimony to Room 316 for this hearing. Thank you.

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair
(telefax - (808) 586-6501)

FROM: JEFF KING, ISLAND NEWS TECHNOLOGIES, LLC

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

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

KUKUIPAHU ENERGY, LLC

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

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

FROM: Name
Title
Company

RE: Testimony In Strong Opposition to SB2829 HD1

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

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.
Thank you for the opportunity to testify.

Respectfully Submitted,

John B. Ray
General Manager
Kukuipahu Energy LLC

Cc: file



referentia

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FAX (808) 423.1960

www.referentia.com

TESTIMONY BY FAX: 2 PAGES IN TOTAL

**REGARDING: SB2829 SD2 HD1 REPEAL OF TAX
EXEMPTIONS AND CREDITS**

COMMITTEE: House Committee on Economic
Development and Business Concerns

ATTENTION TO: The Honorable Kyle T. Yamashita and
the Honorable Glenn Wakai

HEARING DATE & TIME: Tuesday March 18, 2008, at
8:45 a.m.

HEARING LOCATION: Room #325 at the State Capitol

TESTIMONY SUBMITTED BY: Nelson Kanemoto,
President & CEO, Referentia Systems Incorporated

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nelson Kanemoto', written in a cursive style.

Nelson Kanemoto
President & CEO
Referentia Systems



See the light.

DATE: March 18, 2008
8:45 am., Conference Room 325

Via Email: EDBtestimony@Capitol.hawaii.gov

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai
State Capitol
Honolulu, HI

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

RE: Testimony In Strong Opposition to SB2829 HD1

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read 'Pat Bustamante', with a stylized flourish at the end.

Pat Bustamante
President

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 ECONOMIC DEVELOPMENT AND BUSINESS CONCERNS

SB 2829 SD2 HD1, RELATING TO TAXATION

March 18, 2008

Chair Yamashita, Vice-Chair Wakai 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) establish the repeal (sic) all tax credits and exemptions except for those pertaining to individual income tax, beginning in the 2009 taxable year; and (2) repeal provisions that are no longer applicable.

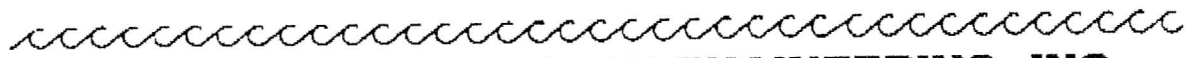
HREA **strongly opposes** this bill as it proposes the repeal of the Renewable Energy Technologies Income Tax Credit ("RETITC"). We take no position on the merits of the other tax credits contained in the bill.

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**.

In short, HREA recommends continuation of the RETITC as it is replete with energy, environmental and economic benefits.

Thank you for this opportunity to testify.



MAKAI OCEAN ENGINEERING, INC.

P.O. BOX 1206 KAILUA, OAHU, HAWAII 96734

Testimony To

House Committee on Economic Development & Business

Relating to:

SB 2829 SD2 HD1: Relating to Taxation

By

Reb Bellinger, Vice President
Makai Ocean Engineering

DATE: March 18, 2008

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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

OCEAN ENGINEERING AND NAVAL ARCHITECTURAL SERVICES
LOCATED AT MAKAPUU POINT, OAHU, HAWAII
(808) 259-8871 • FAX (808) 259-8238
e-mail: makai@makai.com

- 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Rob Bellinger

**SB 2829 SD2 HD1: Relating to Taxation**

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: Harry Jackson
President
Ocean Engineering and Energy Systems (OCEES) International, Inc.

RE: Testimony In Strong Opposition to SB2829 HD1
Aloha Chair, Vice Chair, and Members of the Committee:

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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);
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These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

6600 Kalaniana'ole Hwy. Suite 224 • Honolulu, HI 96825, USA • Ph: 808.954.6020 • Fax: 808.954.6010
www.ocees.com

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.



Harry Jackson
President

March 17
2008

INNOVASC LLC 4644 AUKA AVE UENE HONOLULU, HI 96816

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: **COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: Victoria Schneider
Innovasc LLC

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.



Victoria Schneider MD
Innovasc 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

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: **COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

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

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

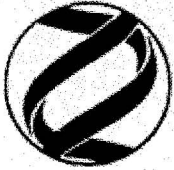
Michael J. Lurvey

A handwritten signature in black ink that reads "Michael J. Lurvey". The signature is written in a cursive style with a horizontal line above the name.

Chairman & President
Carbon Diversion, Inc.

wakai1-Karen

From: Elliot Parks [parks@hibiotech.com]
Sent: Monday, March 17, 2008 8:06 AM
To: EDBtestimony
Cc: robyn@hiscitech.org
Subject: Testimony on SB 2829 SD2 HD1: Relating to Taxation
Attachments: image001.png



Hawaii Biotech, Inc.

99-193 Aiea Heights Drive, Suite 200, Aiea, HI 96701
Telephone (808) 486-5333 FAX (808) 792-1343
Email: eparks@hibiotech.com <http://www.hibiotech.com>

SUBJECT: SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM:

Elliot Parks
President & CEO
Hawaii Biotech Inc.

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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3/17/2008

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Elliot Parks, Ph.D.
CEO, Hawaii Biotech Inc.
99-193 Aiea Heights Drive, #200
Aiea, Hawai`i, 96701-3900
808-792-1399 O
808-342-7281 M
Email: eparks@hibiotech.com

**Hawaii
Institute for
Molecular Sciences**

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
CONCERNS**

The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: Tak Sugimura
Vice President, Director
Hawaii Institute for Molecular Sciences

RE: Testimony In Strong Opposition to SB2829 HD1
Aloha Chair, Vice Chair, and Members of the Committee:

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.



SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: Kelli Goodin, Vice President, Pukoa Scientific

RE: Testimony In Strong Opposition to SB2829 HD1

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

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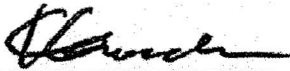
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help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

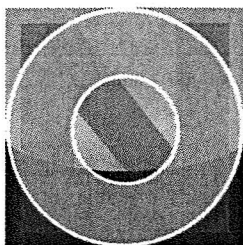


Kelli Goodin

puko'a
SCIENTIFIC

2800 Woodlawn Drive
Suite 245
Honolulu, HI 96822

PHONE (808) 457-1560
FAX (808) 237-5959
WEB SITE <http://www.pukoa.com>



Ocean Network

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008

8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

FROM: J. Kenneth Sanders

Chairman, Co-Founder, President

Ocean Network LLC

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Ken Sanders

Chairman, Co-Founder, President
Ocean Network LLC
1132 Bishop Street, Suite 501
Honolulu, Hawaii 96813
Ph. 256-7263
Email: ksanders@oceannetwork.tv
www.oceannetwork.tv
Oceanic Time Warner digital Channel 349
"Bringing You the World of Water"

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 Constantinau
Honolulu Film Office

Donne Dawson
Hawaii Film Office

Jeanne Ishikawa
Teamsters, Local 996

Leroy Jenkins
H.I.F.A.

John Mason
Big Island Film Office

Brien Matson
A.F.M., Local 677

Stephanie Spangler
F.A.V.A.H.

Art Umezu
Kauai Film Commission

Randall Young
I.B.E.W., Local 1260

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
and BUSINESS CONCERNS

HOUSE COMMITTEE ON LABOR & PUBLIC
EMPLOYMENT

March 18, 2008, 8:45 am
State Capitol, Conference Room 325

RE: SB 2829 SD2 HD1 - RELATING TO TAXATION

Dear Chairs Yamashita & Sonson and members of the committee:

The members of the Hawaii Film and Entertainment Board strongly oppose the specific section of SB2829 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.



March 18, 2008

TESTIMONY IN OPPOSITION TO SB2829 SD2
RELATING TO TAXATION
HEARING BEFORE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS CONCERNS
TUESDAY MARCH 18, 2008, 8:45 A.M.
HOUSE CONFERENCE ROOM 325

TO: Chair Kyle T. Yamashita, Vice Chair Glenn Wakai, 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 – Relating to Taxation, HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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;
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- 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.

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.

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 provide makes it attractive to invest in high-risk industries. These tax credits 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.

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



PHOTOVOLTAIC SOLAR ENERGY
SOLAR HOT WATER AND HEATING
ENERGY EFFICIENCY INTEGRATION
HI License # C-26505

March 16, 2008

**Testimony Strongly Against SB2829 HD1
Relating to Taxation**

Dear Chair Yamashita, Vice-Chair Wakai, and Members of the Committee on Economic development and Business Concerns:

As a member of Hawaii's vibrant alternative energy industry I strongly urge the committee not to undermine our state's leadership position in renewable energy by repealing the wind and solar tax credits (section 235-12.5), as proposed under SB2829 HD1. The current credit helps thousands of Hawaii homes and businesses transition from polluting, carbon-intensive fossil fuels to clean, green power sources. Repealing the credit would eliminate the wind and solar industries in the state, taking with them well-paying 'green collar' jobs and one of the more vibrant sectors of the construction industry as the country faces economic recession.

The renewable energy credit, along with others that are slated for termination under the bill have proven to be an effective catalyst for investment in Hawaii's tech sector, including not only renewable energy but also ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely,

Mark Duda
Vice President of Finance



P.O. Box 3590
Honolulu, HI 96811-3590
Telephone (808) 544-0500

March 17, 2008

Representative Kyle Yamashita
Chair –House Committee on Economic Development & Business Concerns

Sent via email: EDBtestimony@capitol.hawaii.gov

Re: **SB 2829 Relating to Taxation (In Strong Opposition to Proposed HD 1)**
Hearing Date: March 18, 2008

Dear Chair Yamashita:

I am Roy Amemiya, SVP and Director of Governmental Relations of Central Pacific Bank, testifying in opposition to the proposed changes to SB 2829.

This bill sets a repeal date for many of the exemptions to GET including the exemption for financial institutions. The impact of such repeal would be that banking revenues, including such sources as loan interest, become subject to the GET. The proposed HD1 would have the effect of hampering economic development in the State by making borrowing more expensive for consumers and business.

Deleted: result of the

In lieu of GET, Hawaii banks are subject to the Hawaii franchise tax and this is the reason the exemption is in effect. As long as the franchise tax is in place, there is no reason to have a desired expiration date on the GET exemption.

Additionally, the bill will repeal other State credits currently applicable to the Hawaii franchise tax including the capital goods excise tax credit, the low income housing tax credit, the high technology business investment tax credit, and the renewable energy technologies tax credit. The impact would be less incentive for Hawaii banks to participate in the financing or injection of equity in these industries.

Deleted: the exemptions on

Deleted: QHTB

For these reasons, we ask that you hold the bill or return it to the original Senate language.

Thank you for the opportunity to submit testimony.

Sincerely,

Roy K. Amemiya, Jr.
EDBtestimony@capitol.hawaii.gov



March 17, 2008

To: EDBtestimony@capitol.hawaii.gov
Testimony for Hearing before the House Committee on
Economic Development and Business Concerns
Tuesday, March 18, 2008, 8:45 am
State Capitol, Conference Room 325

Re: Testimony in Strong Opposition to SB2829 SD2HD1— Relating to Taxation

Chair Yamashita, Vice Chair Wakai, and Committee Memebers:

Thank you for the opportunity to submit testimony in STRONG OPPOSITION to SB 2829 SD2 HD1, which proposes to repeal, as of December 31, 2008, various tax credits and exemptions.

I am Alfred Fernandes a tax partner of KMH LLP an accounting firm.

This bill would severely cripple Act 221/215 by repealing Section 241-4.8, HRS, which allows financial institutions to apply Act 221 investment tax credits to their Hawaii franchise tax liabilities. This would be very damaging to local tech companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years. This bill would also repeal Section 235-9.5, HRS, which provides an income tax exclusion for stock options issued by Act 221 companies.

As you may know, 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 Acct 221/215 tax credits, more than \$820 million was invested in more that 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.

Beyond, Act 221, this bill would impose tremendous economic damage across our State to many institutions and organizations that are already struggling financially by removing General Excise Tax Exemptions for nonprofits, hospitals, schools, homeless shelters, employee benefit plans, as well as financial institutions and insurance companies, which already pay separate franchise and premiums taxes.

A broad repeal of exemptions and credits will be extremely disruptive to Hawaii's economy. These changes will result in additional cost to many taxpayers who are facing a slowing economy. Further, frequent tax law changes will be a deterrent to investors. This creates an environment where investors will not plan large capital investments due to the uncertainty of Hawaii tax structure.

Very truly yours,

Alfred B. Fernandes
Partner

**HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT AND BUSINESS CONCERNS**

March 18, 2008

SB 2829, SD 2, Proposed HD 1 Relating to Taxation

Chair Yamashita and members of the House Committee on Economic Development and Business Concerns, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

State Farm opposes SB 2829, SD2, Proposed HD 1 Relating to Taxation. The measure does two things, it eliminates the general excise tax exemption for insurance companies. This would subject the insurers to double taxation - the general excise tax and the premium tax. The exclusion of the gross income from the general excise tax is predicated on the imposition of the premium tax on insurers. Moreover, the insurers already pay a fee into the Department of Commerce and Consumer Affairs for services rendered by the department, which has also been ruled to be a tax by the First Circuit Court. Thus, insurers under this bill are subject to a three-fold tax unlike other businesses.

In addition, the proceeds of insurance payments are now subject to general excise tax. This reduces the amount available to the survivors and or injured parties. The long term consequence of the elimination of the exemption is the reduction in benefits to insurance policyholders and their beneficiaries.

For these reasons, we respectfully ask that this measure be held. Thank you for the opportunity to present this testimony.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN OPPOSITION TO SB 2829, SD 2, PROPOSED HD 1, RELATING TO TAXATION

March 18, 2008

Representative Kyle T. Yamashita, Chair
Committee on Economic Development and Business Concerns
State House of Representatives
Hawaii State Capital, Conference Room 325
415 S. Beretania Street
Honolulu, HI 96813

Dear Chair Yamashita and Committee Members:

Thank you for the opportunity to testify in opposition to SB 2829, SD 2, Proposed HD 1, relating to taxation.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred fifty-three (353) member companies account for 93% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred sixty-one (261) ACLI member companies currently do business in the State of Hawaii.

SB 2829, SD 2, Proposed HD 1, would repeal all existing tax credits and exemptions from the general excise tax granted under Chapter 237, Hawaii Revised Statutes, except those pertaining to individual income tax beginning January 1, 2009.

Paragraph 4 of Section 3, of SB 2829, SD 2, Proposed HD 1, would repeal Section 237-24 (1), (2) and (3), Hawaii Revised Statutes. These provisions currently exempts (among other payments) amounts received under a life insurance policy by reason of the death of the insured, an annuity contract or a disability insurance policy.

ACLI generally believes that as a matter of public policy the State of Hawaii should encourage individuals to provide for the protection of members of their families and others who are dependent upon them for their financial support and well-being. If a family is unable to provide for their own protection and support in the event of a loved one's death, sickness or injury, the State will need to spend its scarce resources for these purposes.

Paragraph 21 of Section 3, of SB 2829, SD 2, Proposed HD 1, would also impose the general excise tax on an insurance company's gross income or gross proceeds. This tax would be in addition to all other sums, including the premium tax imposed under Section 431: 7-202(b), Hawaii Revised Statutes, payable by the company for doing business in this State. This additional tax may make it more difficult for some insurance

companies to continue to do business in this state, which may result in reduced competition and ultimately hurt the average consumer.

ACLI has reviewed and seriously considered this proposal, and is extremely disturbed because of the chilling effect this proposal will have on the insurance industry and consumers. This unprecedented proposal attacks public policy that death proceeds should not be taxed; a policy that is uniform throughout the country. For these reasons, we would like to voice our

Again, thank you for the opportunity to testify in opposition to SB 2829, SD 2, Proposed HD 1.

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, A Law Corporation

Oren T. Chikamoto
737 Bishop Street, Suite 2100
Honolulu, Hawaii 96813
Telephone: (808) 524-3800
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E mail: ochikamoto@chctlaw.com



Pauahi Tower, Suite 2750
1001 Bishop Street
Honolulu, Hawaii 96813

Phone: (808) 599-4441
Facsimile: (808) 599-4653

March 18, 2008

The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice Chair
House Committee on Economic Development and Business Concerns
State Capitol, Room 402
Honolulu, HI 96813

SUBJECT: Testimony In Opposition to SB 2829 HD1, Relating to Repeal of Tax Exemptions and Credits

Dear Chairman Yamashita, Vice Chair Wakai and Members of the Committee:

Thank you for the opportunity to testify in opposition to SB 2829 HD1, Relating to Repeal of Exemptions and Credits. My name is Gil Tam, and I represent Waimana Enterprises, Inc. (WEI) as its Vice President, Administration and Community Affairs.

In 2007, WEI made a decision to invest in creating a biotech company, to be domiciled in Hawaii, utilizing Act 221 to assist in the capitalization and financing of the research and development necessary to optimize the potential of the company and its contributions to the Hawaii economy. The repeal of Act 221/215, especially the sections below, would adversely impact our company and its investment.

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions.

Tax credits have proven to be an effective catalyst for attracting investments in Hawaii's tech sector. In particular, Act 221/215 has proven to contribute more to Hawaii's economy than it has cost the State in credits. Repealing the sections mentioned above could be very damaging to many other Act 221 companies, and it could create an adverse domino effect on other businesses, especially financial institutions, that have provided a substantial portion of investment capital for Act 221 companies over the past several years.

Other Credits and Exemptions proposed by this bill for repeal should also be considered for continuance to support Hawaii's emerging tech sector. Repeal of the sections listed below would hurt Hawaii's attempt to develop, grow and sustain a tech sector that can be

The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice Chair
March 18, 2008
Page 2

a catalyst for attracting new capital and for jobs that pay living wage and above for Hawaii's labor sector.

- 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

It is extremely important to the Hawaii economy that we do all we can to help the emerging tech sector. As an investor in creating a new biotech company in Hawaii, we respectfully request that this committee resist the repeal of these important tax credits and exemptions.

Thank you for the opportunity to testify in opposition of SB 2829 HD1, and we strongly urge your opposition of the bill. Mahalo.

Aloha,



Gi Tam
VP, Administration and Community Affairs

INTEGRATED COFFEE TECHNOLOGIES, INC.

March 17, 2008

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

FROM: John Stiles
Chief Executive Officer & Chief Scientist
Integrated Coffee Technologies, Inc.

RE: Testimony In Strong Opposition to SB2829 HD1

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

The tax credits available to Hawaii Investors have been an integral part of the funding we have needed to keep our company viable and proceeding toward success.

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.
- Other 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.

**P.O. Box 1070, Wai'alua, Hawaii 96791-1070 Phone: 808-637-9948 Fax: 808-637-9643
Email: jstiles@integratedcoffee.com www.integratedcoffee.com**

03/17/2008 12:25
SB 2829 SD2 HD1: Relating to Taxation – page 2

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.
Thank you for the opportunity to testify.



John I. Stiles
Chief Executive Officer & Chief Scientist

March 17, 2008

SUBJECT: SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

Since 2003, my company has been able to provide jobs for information technology and subject matter experts that have made a significant positive difference to our success. We have made a

Ventura Technology

P.O. Box 893264 Mililani HI 96789

Tel. 808.678.3900

Fax. 808.676.2218

www.venturatechnology.net

commitment to recruit local people before resorting to Mainland resources. That endeavor has been most successful and we currently employ **27 highly skilled professionals who earn high above average salaries**. Those salaries provide a positive flow of spending in the State of Hawaii and any effort to reduce or eliminate the tax credits would surely negatively impact our current and future operations.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely,



Robert W. Ventura
President

LARRY GILBERT
Sennet Capital
737 Bishop Street, Suite 3170, Honolulu, Hawaii 96813
Phone (808) 457-1600
Fax - 356-0830
Monday, March 17, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair
(telefax - (808) 586-6501)

FROM: LARRY GILBERT, SENNET CAPITAL

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Larry Gilbert
Sennet Capital
lgilbert@pobox.com

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

Monday, March 17, 2008

Ladies and gentlemen:

I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.

I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair
(telefax - (808) 586-6501)

FROM: MICHAEL SCHMICKER, NAVATEK LTD

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

Like many other members of the Hawaii Venture Capital Association and members of the Hawaii Science and Technology Council, I join them to strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and

refuse to pass this damaging legislation.

Respectfully submitted,

Michael Schmicker
Navatek Ltd
schmicker@navships.com

wakai1-Karen

From: Mark Loughridge [mark.loughridge@gmail.com]
Sent: Monday, March 17, 2008 8:43 AM
To: EDBtestimony
Subject: Testimony In Strong Opposition to SB2829 HD1

TO: The Honorable Kyle T. Yamashita, The Honorable Glenn Wakai
FROM: Mark Loughridge, Aloha Island Inc

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Persons wishing to offer comments should submit testimony at least 24 hours prior to the hearing with a transmittal cover indicating:

- Testifier's name with position/title and organization;
- The Committee the comments are directed to;
- The date and time of the hearing;

3/17/2008

- Measure number; and
- The number of copies the Committee is requesting.

Respectfully,

Mark Loughridge
Aloha Island Inc

wakai1-Karen

From: Annette Yanagida [annette@kobayashi-group.com]
Sent: Monday, March 17, 2008 12:48 PM
To: EDBtestimony
Subject: Testimony In Strong Opposition to SB2829 HD1

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS
The Honorable Kyle T. Yamashita
The Honorable Glenn Wakai
FROM: Bert A. Kobayashi, Chairman
Kobayashi Development Group LLC

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could

3/17/2008

help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

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**wakai1-Karen**

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**From:** Michael Rivero [rivero@hbentertain.com]  
**Sent:** Monday, March 17, 2008 7:59 AM  
**To:** EDBtestimony  
**Subject:** I OPPOSE SB2829 SD2 HD1 Repeal of Tax Exemptions and Credits

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:** Michael Rivero  
Home Baked Entertainment

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

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

I understand that as the US economy goes into decline, tax revenues are tightening, and legislators, always reluctant to take jobs away from their staffers, look at increasing revenues wither with tax increasesd or the elimination of incentive programs.

However, SB2829 HD1 is a classic case of being penny wise and pound foolish, for removal of these tax incentives will reverse the progress made in the last few years in building a new Hawaii high technology sector, wasting the momentum we have built up through hard work, and in the long run, will REDUCE tax revenues by encouraging high tech companies to seek more tax-friendly locations away from our shores.

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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);

3/17/2008



--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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

*Michael Rivero*  
*Home Baked Entertainment*  
*www.hbentertain.com 808-780-3788*

**wakai1-Karen**

---

**From:** Tim Mobley [tmobley@hawaiiifamilydental.com]  
**Sent:** Monday, March 17, 2008 8:04 AM  
**To:** EDBtestimony  
**Subject:** FW: SB2829 SD2 HD1 Repeal of Tax Exemptions and Credits

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:**

Tim Mobley

President

Honua Technologies

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

Tax credits are an extremely difficult incentive to administer and I applaud the Committee for taking the time to fully consider the costs and benefits of the program. My company would not exist and my family and I would not be living in Hawaii today if were not for this program. The tax credits allowed me to start a business that has generated approximately a million dollars of revenue from out of the country. Not only has this helped the Hawaii economy it has helped reduce our national trade deficit. We anticipate generating almost two million dollars of revenue in 2008. While this company is no

3/17/2008

longer dependent on tax credits, the credits are the reason we are in existence today. The tax credits also allowed us to form a second company that we anticipate will have an even larger impact on the local economy. We plan to spend \$20 million dollars in 2009. Our company demonstrates the tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation. I also respectfully request that the committee continue its thoughtful analysis of tax policy. There is a tremendous opportunity for Hawaii to create a competitive advantage relative to the other states by fostering business and investor friendly tax policies which benefit everyone in the long run.

Thank you for the opportunity to testify.

**wakai1-Karen**

---

**From:** MCruick@aol.com  
**Sent:** Monday, March 17, 2008 4:42 AM  
**To:** EDBtestimony  
**Cc:** MCruick@aol.com  
**Subject:** Testimony

**Michael Cruickshank, Ph.D.**  
2179 Makiki Heights Drive  
Honolulu, HI 96822  
T/F 808-955-1237  
Cell 901-210-3759  
[mcruick@aol.com](mailto:mcruick@aol.com)

**SB 2829 SD2 HD1: Relating to Taxation**

RE:March 18, 2008  
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

FROM: Dr.Michael Cruickshank,  
President, Marine Minerals Technology Center Associates

RE: Testimony In Strong Opposition to SB2829 HD1  
Aloha Chair, Vice Chair, and Members of the Committee:

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

3/17/2008

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.  
Thank you for the opportunity to testify.

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It's Tax Time! [Get tips, forms and advice on AOL Money & Finance.](#)

wakai1-Karen

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**From:** Dan Cordell [dan@pvthawaii.com]  
**Sent:** Monday, March 17, 2008 6:47 AM  
**To:** EDBtestimony  
**Subject:** Testimony

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**  
The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

**FROM:** Dan Cordell  
Residential Sales Representative  
ProVision Technologies, Inc.

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which

3/17/2008

includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Dan Cordell



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

## wakai1-Karen

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**From:** markm mugiiishi [mmugiishi@yahoo.com]  
**Sent:** Monday, March 17, 2008 7:11 AM  
**To:** EDBtestimony  
**Subject:** Testimony

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008

8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
CONCERNS

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

FROM: Mark Mugiishi MD, FACS  
Medical Director  
Cellular Bioengineering, Inc

RE: Testimony In Strong Opposition to SB2829  
HD1  
Aloha Chair, Vice Chair, and Members of the Committee:

Cellular Bioenginerring Inc, a company for which I am the Medical Director, is a qualified QHTB company with 4 1/2 years of operating life. During that short time, this small company in Hawaii has developed a biointegrating collagen polymer that serves as a replacement for corneal transplantation. This polymer is now in a first ever world wide clinical trial in Europe and can potentially cure world wide corneal blindness.

We have also developed a polymeric hydrogel which is effective for decontamination against chemical, biologic, nuclear, and radiologic threats. This product has already been commercialized and is on the market for nuclear decontamination. We are currently developing its use against multi drug resistant organisms including MRSA which as you know is a huge problem here in Hawaii.

Finally, the company won the R&D 100 Award for the best 100 innovations in the US for the development of a cell matrix chip, an ingenious biosensor that allows early detection of toxic substances, both known and unknown. This device involves cardiac cells growing on a computer chip, and alterations in the beating caused by external threats will send a signal via the computer chip to a remote site for analysis.

All of these projects have huge potential for improving the world in which we live as well as stimulating the economy of Hawaii. And none of them would have been possible if not for the Hawaii Tax Credit incentives that the state government so wisely enacted some years ago.

It is for that reason that I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to



them over the past several years.

Other 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;

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--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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Mark Mugiishi, MD, FACS  
Medical Director  
Cellular Bioengineering Inc

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Never miss a thing. Make Yahoo your home page.  
<http://www.yahoo.com/r/hs>

**wakai1-Karen**

---

**From:** Aiello,Dale [Dale.Aiello@gartner.com]  
**Sent:** Sunday, March 16, 2008 9:28 PM  
**To:** EDBtestimony  
**Subject:** Testimony In Strong Opposition to SB2829 HD1

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:** Dale Aiello

President

Anatec Hawaii (Hawaii distributor for Gartner)

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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

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--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

**Dale Aiello**  
**Gartner**

3/17/2008

**wakai1-Karen**

---

**From:** Jack Harmon [jackhi@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 10:02 PM  
**To:** EDBtestimony  
**Cc:** robyn@hiscitech.org  
**Subject:** SB 2829 SD2 HD1: Relating to Taxation

**DATE of Hearing:** March 18, 2008  
8:45 am., Conference Room 325

**NEPTUNE TECHNOLOGIES INC.**  
25 Kaneohe Bay Drive, Suite 208, Kailua, Hawaii 96734

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:** Jack Harmon, VP Engineering  
Neptune Technologies Inc.

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

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

I have first-hand experience with some of these measures and am strongly opposed to SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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;

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--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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

3/17/2008

Our firm, Neptune Technologies Inc. and many other local companies have benefited from these programs and I know that they are helping Hawaii to build on our high technology base, bringing back many of our citizens who had moved to the mainland, as well as providing opportunities for our recent graduates. These incentives are creating a valuable employment base in high-paying fields of endeavor and need to continue indefinitely, or at least until the industry is strong enough to stand on its own. I respectfully request that this committee resist the repeal of these important tax credits and exemptions. Please don't pass this damaging legislation.

Thank you for the opportunity to testify.

Jack Harmon

**wakai1-Karen**

---

**From:** marco [marco@pvthawaii.com]  
**Sent:** Sunday, March 16, 2008 7:59 PM  
**To:** EDBtestimony  
**Subject:** Testimony on SB 2829 SD 2 HD 2

March 16, 2008

**Re: SB 2829 SD 2 HD 2**

**HOUSE COMMITTEE on Economic Development and Business Concerns**  
**Tuesday, March 18, 2008**  
**8:45 am**  
**Hearing Room 325 of the State Capitol.**

To: Chair Kyle Yamashita and Vice-Chair Glenn Wakai and all members of the House Committee on Economic Development and Business Concerns

From: Marco Mangelsdorf, President, ProVision Technologies, Inc.

I am writing to urge you to reject SB 2829 SD 2 HD 2. The abolition of state tax credits for renewable energy (solar thermal, solar electric and wind) systems would have a devastating impact on the renewable energy industry in Hawai'i. At no time have we seen higher prices for imported fuel coming into our Aloha State. At no time have we experienced higher electric bills. At no time has the state been more dangerously dependent on increasingly expensive imported fossil fuels as it is now. And at no time has the need been greater to do all that we reasonably can to support and encourage the greater and more rapid adoption of clean, green renewable energies here in Hawai'i. The State renewable energies tax credit is vitally needed to accelerate the greater use of these technologies.

Again, I respectfully urge you to not pass this bill in its current form.

Thank you for your consideration.

**ProVision**  
**Technologies, Inc.** 

Marco Mangelsdorf, Ph.D., President  
Electrical Contractor License C-26351  
69 Railroad Avenue, A-7  
Hilo, Hawai'i 96720  
(808) 969-3281, 934-7462 facsimile  
[www.provisiontechnologies.com](http://www.provisiontechnologies.com)

**wakai1-Karen**

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**From:** Buck Woodall [buckwoodall@yahoo.com]  
**Sent:** Monday, March 17, 2008 8:06 AM  
**To:** EDBtestimony  
**Subject:** SB 2829 SD2 HD1: Relating to Taxation

SB 2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008  
8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
CONCERNS

The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

FROM: Name

Title

Company

RE: Testimony In Strong Opposition to SB2829

HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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--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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely, Mr. Buck "Kawika" Woodall

(President of Blazing Sun Productions)

Blazing Sun Hawaii Inc.

PO. Box 1170

Hanalei, HI. 96714

wakai1-Karen

---

**From:** Virendra Nath [virendra@hdep.com]  
**Sent:** Monday, March 17, 2008 8:24 AM  
**To:** EDBtestimony  
**Subject:** Testimony on Act 221/215

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

I am the convenor of the Maui Angels, an angel investment group on Maui. We have over 10 accredited investor members and over 20 potential accredited investors who attend our monthly meetings on Maui. We have been in operation almost two years. In that time, Maui Angels have invested close to \$1 million in high technology companies; these investments would not have been made if the Act 221/215 tax credits were not in place.

I formally invite the members of the committee to come to one of our meetings to see how investment decisions are actually made, and the leap of faith investors make when they invest in very early stage companies.

Investors require stability in regulation and legislation in order to make investments. The Act 221/215 tax credits sunset in 2010 and they should be allowed to run their course. These annual threats to the tax credits create enormous investor anxiety, as well as take up far too much time and effort to oppose each year - let us get back to work, and try to build an innovation economy in Hawaii. These tax credits are the best thing that has happened to our economy in the 20 years that I have been working on diversifying Hawaii's economy.

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Sincerely,

Virendra Nath  
Convenor, Maui Angels

**wakai1-Karen**

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**From:** Kevin Carney [kcarney@eahhousing.org]  
**Sent:** Monday, March 17, 2008 2:34 PM  
**To:** EDBtestimony  
**Cc:** Kevin Carney  
**Subject:** Testimony in Opposition SB2829 HD1 Proposed, Hearing March 18, 2008 at 8:45am

Dear Chair Yamashita , Vice Chair Wakai and Members of the Economic Development & Business Concerns Committee:

EAH Housing is strongly opposed to the elimination of the Low Income Housing Tax Credit (LIHTC) program and the elimination of the General Excise Tax (GET) exemption for affordable housing projects in this proposed legislation.

EAH is a 40 year old non-profit low-income rental housing developer, owner, and manager. The most powerful financing tool in our industry across the nation for creating low-income rental housing that services those at 60% and below of the Area Median Income (AMI) is the LIHTC program. Any legislation that curtails or eliminates this program will have a drastic effect on the production of rental housing in our state. We are in strong support of HB3059 that will help in producing more rental housing by reducing the take down period of state LIHTCs from 10 years to 5 years.

The current exemption we enjoy on the payment of General Excise Taxes on rental income from affordable rental housing is a key component in the continued viability of the properties we own and operate. With our fixed rent levels and the ever increasing costs of operating expenses it is extremely difficult to continue to operate a rental building with the services that residents have to come to rely on. The elimination of the GET exemption would cause a majority of rental properties to eliminate resident services and security and other key operating expenses. Buildings would begin to deteriorate from the lack of good preventive maintenance and many properties would be forced into bankruptcy because they could not raise rents high enough to cover their operating expenses. Our current rental housing shortage would be exacerbated and more residents would end up homeless. The elimination of these programs is a very bad idea. Please do not include them in this bill.

Sincerely yours,  
Kevin

**Kevin R. Carney, (B)**  
*Vice President, Hawaii*  
EAH Housing  
841 Bishop Street, Suite 2208  
Honolulu, Hawaii 96813  
Phone: 808-523-8826  
Fax: 808-523-8827  
Email: [kcarney@eahhousing.org](mailto:kcarney@eahhousing.org)  
Website: [www.eahhousing.org](http://www.eahhousing.org)



**wakai1-Karen**

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**From:** Thomas Burton [tburton@mailmining.com]  
**Sent:** Monday, March 17, 2008 8:14 AM  
**To:** EDBtestimony  
**Cc:** Stefan Buchta  
**Subject:** Testimony In Strong Opposition to SB2829 HD1

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

**FROM:** Thomas Burton and Stefan Buchta  
Cofounders  
MailMining LLP, Hilo Hawaii

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

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

We strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215. The entire bill strikes us as bad for business in Hawaii, but the bill's retrenchments most damaging to our start-up would be:

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. We hope to apply for venture funding in late 2008. Tax-investors are getting hard to find, and many of those are banks. To exclude them now would lessen our chances and also send a negative message to our potential equity-investors that Hawaii is retreating. We hope you don't signal retreat just as we try to launch.

--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts. Although we have no current plans to apply for Federal grants, our partners have past successes with SBIR grants, and we view the possibility of more as a potential lifeline in a storm. As you may know, however, the Phase-I SBIR grants are too small to help much, and the larger Phase-II grants are controlled so tightly that it's easy to lose money on them. Hawaii's current tax exemption can be crucial to staying above water. We urge you to keep it.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Thomas E Burton, Cofounder  
MailMining LLP  
117 Keawe Street, Suite 203  
Hilo HI 96720-2851  
cell 808.640.4571

3/17/2008

## wakai1-Karen

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**From:** Shawn Christensen [shawnc@pdchawaii.com]  
**Sent:** Monday, March 17, 2008 9:35 AM  
**To:** EDBtestimony  
**Cc:** businessagent@iatse665.org  
**Subject:** SB2829HD1 proposed

Representative Kyle Yamashita, Chair  
Representative Glenn Wakai, Vice- Chair

Committee on Economic Development and Business Concerns  
March 18th, 2008 room 325 8:45am

SB 2829HD1 Proposed: relating to tax credits

In strong opposition to:

Aloha Chair Yamashita, Vice-Chair Wakai and members of the committee,

We the IATSE Local 665, with over 500 hundred members statewide have serious concerns about this measure and what its impact will have on the economy of the state. Not to mention the impact this would have on our industry, medical plans and retirement programs for our rank and file.

We ask you to not pass this measure.

This draft as written would repel many of the tax credits which help our state economy, life style and social services programs work and function, many of these programs operate on limited financial resources and would be hard pressed to fulfill their tax obligations and still try and carry out their mission. Some of the tax credits it would impact upon have a direct bearing on the future growth and development of our state. By eliminating the credits for technology and alternative energy sources we are closing the doors on trying to become less dependent on fossil fuels and moving forward to a more sustainable energy source.

We ask that you not pass this measure out of committee and would be more than willing to answer any questions or concerns you may have.

Shawn Christensen  
Planning and Development  
IATSE Local 665  
949 Kapiolani Blvd Ste 100  
808-596-0227 office  
808-224-0329 cell

**wakai1-Karen**

---

**From:** Mike Curtis [mcurtis@hawaii.rr.com]  
**Sent:** Monday, March 17, 2008 5:53 AM  
**To:** EDBtestimony  
**Subject:** Testimony

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai  
**FROM:** Mike Curtis – President, Curtis Consulting LLC

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

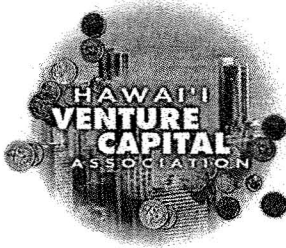
Thank you for the opportunity to testify.

3/17/2008

wakai1-Karen

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**From:** hvca.org [fidell@lava.net]  
**Sent:** Sunday, March 16, 2008 6:30 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



**Hawaii Venture Capital Association**  
DISCOVERING HAWAII'S ENTREPRENEURS  
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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**JAY M. FIDELL**  
**ThinkTech Hawaii**  
**841 Bishop Street, Suite 1500, Honolulu, Hawaii 96813**  
**Phone (808) 566-2105 Fax (808) 521-7739**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: JAY M. FIDELL, THINKTECH HAWAII

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Jay M. Fidell  
ThinkTech Hawaii  
[fidell@java.net](mailto:fidell@java.net)

[Click here to take our HVCA Survey and help us measure innovation in Hawaii.](#)

wakai1-Karen

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**From:** hvca.org [bnishida@hawaii.rr.com]  
**Sent:** Monday, March 17, 2008 7:05 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



**Hawaii Venture Capital Association**  
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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**BRIAN NISHIDA**  
**BC&G International**  
**522 Melemele Street, Wailuku, Hawaii 96793**  
**Phone (808) 554-0384**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: BRIAN NISHIDA, BC&G INTERNATIONAL

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Brian Nishida  
BC&G International  
[bnishida@hawaii.rr.com](mailto:bnishida@hawaii.rr.com)

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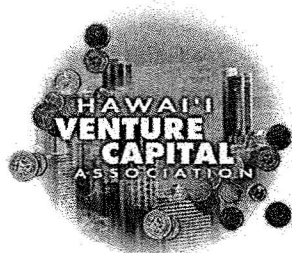
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wakai1-Karen

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**From:** hvca.org [joe@archinoetics.com]  
**Sent:** Monday, March 17, 2008 6:47 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: JOE COOPER, ARCHINOETICS, LLC

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I am the CFO of Archinoetics, a young technology research company in Hawaii. This month we celebrate our 3rd anniversary. We began operations in 2005 with 8 people. Now we have 22 and we expect to hire another 3 permanent employees this year in addition to providing intern

3/17/2008



opportunities to local students. In 2007, our payroll costs alone exceeded \$1,000,000. This has all been made possible by these tax exemptions and credits. They work!

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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

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- Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Joe Cooper  
Archinoetics, LLC  
[joe@archinoetics.com](mailto:joe@archinoetics.com)

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wakai1-Karen

---

**From:** hvca.org [dbangert@hawaii.edu]  
**Sent:** Monday, March 17, 2008 5:15 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**DAVID C. BANGERT**  
**PO Box 932, Hauula, Hawaii 96717**  
**Phone (808) 293-2981**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: DAVID C. BANGERT

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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3/17/2008

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Respectfully submitted,

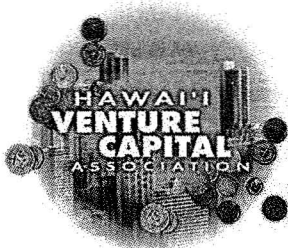
David C. Bangert  
[dbangert@hawaii.edu](mailto:dbangert@hawaii.edu)

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**From:** hvca.org [lishan@clearwire.net]  
**Sent:** Monday, March 17, 2008 6:23 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: LISHAN CHONG, EDUTAINMENT RESOURCES, INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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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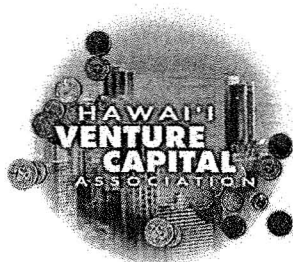
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**From:** hvca.org [dewanne.langcaon@pacapintl.com]  
**Sent:** Sunday, March 16, 2008 9:33 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: DEW-ANNE LANGCAON, PACIFICAP MANAGEMENT INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
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3/17/2008

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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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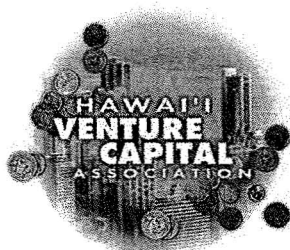
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**From:** hvca.org [dfisherhi@gmail.com]  
**Sent:** Sunday, March 16, 2008 8:40 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: DAVID B. FISHER

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

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3/17/2008



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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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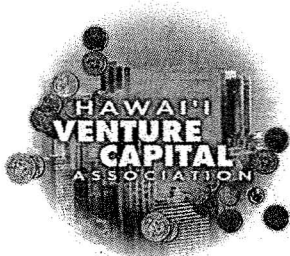
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**From:** hvca.org [guy@h2-techs.com]  
**Sent:** Sunday, March 16, 2008 5:23 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: GUY TOYAMA, H2 TECHNOLOGIES, INC

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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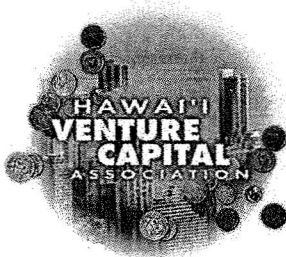
Guy Toyama  
H2 Technologies, Inc  
[guy@h2-techs.com](mailto:guy@h2-techs.com)

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wakai1-Karen

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**From:** hvca.org [doug@3rdgreen.com]  
**Sent:** Sunday, March 16, 2008 7:27 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**DOUGLAS TEEPLE**  
**3Rd Green, Inc.**  
**67-1247 Panalea St, Kamuela, Hawaii 96743**  
**Phone (808) 640-9621**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: DOUGLAS TEEPLE, 3RD GREEN, INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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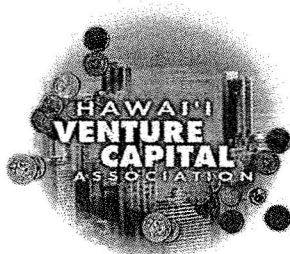
Douglas Teeple  
3Rd Green, Inc.  
[doug@3rdgreen.com](mailto:doug@3rdgreen.com)

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wakai1-Karen

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**From:** hvca.org [russelcheng@gmail.com]  
**Sent:** Sunday, March 16, 2008 5:12 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**RUSSEL CHENG**  
**Oceanit**  
**7098 Hawaii Kai Dr. , Suite 33, Honolulu, Hawaii 96825**  
**Phone (808) 744-1082 Cell**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: RUSSEL CHENG, OCEANIT

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

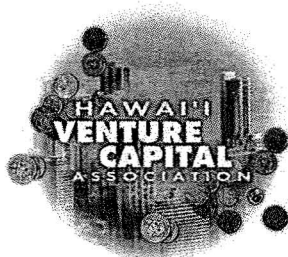
Russel Cheng  
Oceanit  
[russelcheng@gmail.com](mailto:russelcheng@gmail.com)

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wakai1-Karen

---

**From:** hvca.org [cfarnsworth@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 3:34 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**CHENOA FARNSWORTH**  
**Farnsworth Consulting**  
**1717 Mikahala Way, Honolulu, Hawaii 96816**  
**Phone (808) 734-7897**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: CHENOA FARNSWORTH, FARNSWORTH CONSULTING

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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3/17/2008



--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Chenoa Farnsworth  
Farnsworth Consulting  
[cfarnsworth@hawaii.rr.com](mailto:cfarnsworth@hawaii.rr.com)

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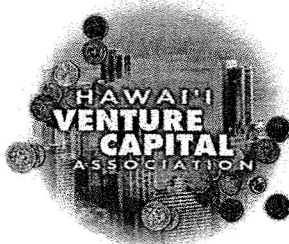
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**From:** hvca.org [larrattme@msn.com]  
**Sent:** Sunday, March 16, 2008 7:02 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**MIKE LARRATT**  
**413B Kaelepulu Drive, Kailua, Hawaii 96734**  
**Phone (808) 263-5998**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: MIKE LARRATT

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

3/17/2008

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

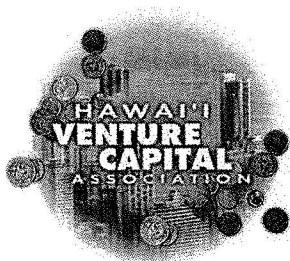
Mike Larratt  
[larrattme@msn.com](mailto:larrattme@msn.com)

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**From:** hvca.org [rob@hawaiiangels.org]  
**Sent:** Sunday, March 16, 2008 6:25 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**ROB ROBINSON**  
**Hawaii Angels**  
**900 Fort Street Mall, Suite 1800 Pioneer Plaza, Honolulu, HI 96813**  
**Phone (808) 447-9247**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: ROB ROBINSON, HAWAII ANGELS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

3/17/2008

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Rob Robinson  
Hawaii Angels  
[rob@hawaiiangels.org](mailto:rob@hawaiiangels.org)

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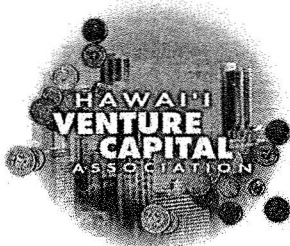
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**From:** hvca.org [dwatumull@cardaxpharma.com]  
**Sent:** Monday, March 17, 2008 12:40 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**DAVID G. WATUMULL**  
**President & CEO, Cardax Pharmaceuticals**  
**99-193 Aiea Heights Drive, Suite 400, Aiea, Hawaii 96701**  
**Phone (808) 457-1375 Fax (808) 457-5902**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: DAVID G. WATUMULL, PRESIDENT & CEO, CARDAX PHARMACEUTICALS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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3/17/2008

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

David G. Watumull  
President & CEO, Cardax Pharmaceuticals  
[dwtatumull@cardaxpharma.com](mailto:dwtatumull@cardaxpharma.com)

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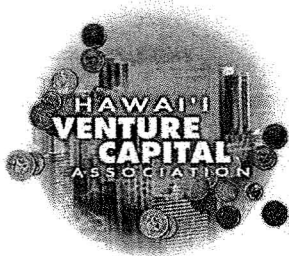
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**From:** hvca.org [pnj@johnsonbutler.com]  
**Sent:** Monday, March 17, 2008 9:04 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**PAUL N. JOHNSON**  
**Johnson, Butler & Company**  
**2600 Mission Street, Suite 206, San Marino, California 91108**  
**Phone (626) 799-5200 Fax (626) 799-5274**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*It would be appreciated if you would make and deliver one copy of my testimony to Room 316 for this hearing. Thank you.*

---

**TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)**

**FROM: PAUL N. JOHNSON, JOHNSON, BUTLER & COMPANY**

**SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325**

*We are investment bankers in the Los Angeles area and are experienced in projects in Hawaii.*

3/17/2008



*Currently we are working with a mainland firm that is planning to establish a business in Hawaii that may provide a considerable amount of renewable energy as a byproduct.*

*An initial investment of \$50 million is being proposed and tax credits on a portion of this, if available, are obviously important in such investment decisions. The possibility of losing tax credit opportunities is of concern and I would certainly recommend against passing SB2829 HD1.*

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

*Respectfully submitted,*

*Paul N. Johnson  
Johnson, Butler & Company  
[pnj@johnsonbutler.com](mailto:pnj@johnsonbutler.com)*

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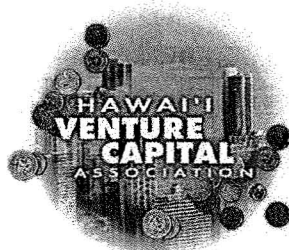
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**From:** hvca.org [jonogoshi@decisionresearch.com]  
**Sent:** Monday, March 17, 2008 9:43 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: JON OGOSHI, DECISION RESEARCH CORPORATION

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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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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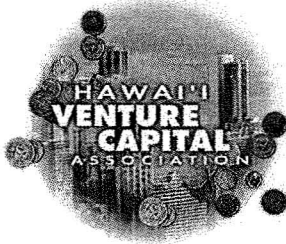
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**From:** hvca.org [rondennis@earthlink.net]  
**Sent:** Monday, March 17, 2008 8:44 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**RON DENNIS**  
**572-C North Kalaheo, Kailua, Hawaii 96734**  
**Phone (808) 778-4596**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: RON DENNIS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Ron Dennis  
[rondennis@earthlink.net](mailto:rondennis@earthlink.net)

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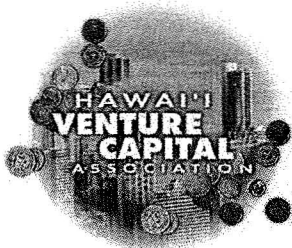
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**From:** hvca.org [hwheatman@hawaii.rr.com]  
**Sent:** Monday, March 17, 2008 8:17 AM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**HERB WHEATMAN**  
**713 Olohena St, Honolulu, Hawaii 96813**  
**Phone (808) 225-9346**

Monday, March 17, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: HERB WHEATMAN

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

3/17/2008

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

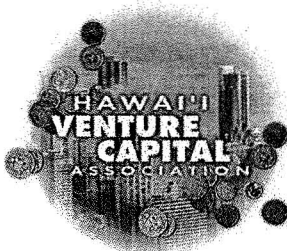
Herb Wheatman  
[hwheatman@hawaii.rr.com](mailto:hwheatman@hawaii.rr.com)

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wakai1-Karen

---

**From:** hvca.org [hajim@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 12:51 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: GB HAJIM, ISLAND PLANET ONE PRODUCTIONS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

3/17/2008



--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

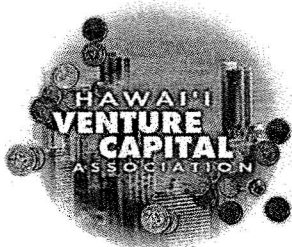
Respectfully submitted,

GB Hajim  
Island Planet One Productions  
[hajim@hawaii.rr.com](mailto:hajim@hawaii.rr.com)

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**From:** hvca.org [bspencer@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 12:53 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Sunday, March 16, 2008

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*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

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---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: BILL SPENCER, HAWAII VENTURE CAPITAL ASSOCIATION

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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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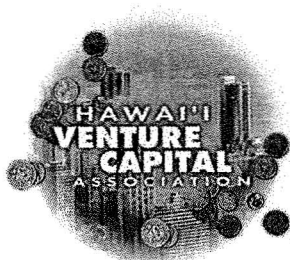
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**From:** hvca.org [oceantek@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 1:11 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**JOSE ANDRES**  
**Oceantek Inc.**  
**41-945 Kalaniana'ole Hwy., Waimanalo, Hawaii 96795**  
**Phone (808) 259-0828 Fax (808) 259-9398**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: JOSE ANDRES, OCEANTEK INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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

Respectfully submitted,

Jose Andres  
Oceantek Inc.

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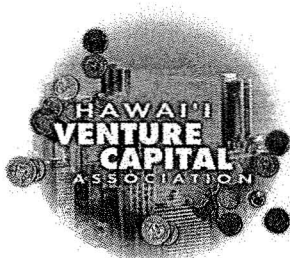
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**From:** hvca.org [gkorun@yahoo.com]  
**Sent:** Sunday, March 16, 2008 12:55 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**DR. GARY K. OSTRANDER**  
**2209 Okoa Street, Honolulu, Hawaii 96813**  
**Phone (808) 554-0404**

Sunday, March 16, 2008

*Ladies and gentlemen:*

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FROM: DR. GARY K. OSTRANDER

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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Dr. Gary K. Ostrander  
[gkorun@yahoo.com](mailto:gkorun@yahoo.com)

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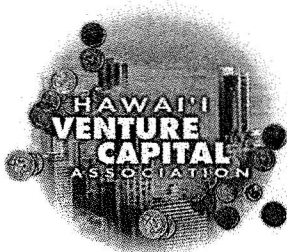
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**From:** hvca.org [hoart@mac.com]  
**Sent:** Sunday, March 16, 2008 1:14 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**PAUL C. HO**  
**HOCOR Cardiovascular Technologies, LLC**  
**88 Piikoi Street, Suite 3903, Honolulu, Hawaii 96814**  
**Phone (808) 591-2689 Fax (808) 591-2689**

Sunday, March 16, 2008

*Ladies and gentlemen:*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: PAUL C. HO, HOCOR CARDIOVASCULAR TECHNOLOGIES, LLC

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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Respectfully submitted,

Paul C. Ho  
HOCOR Cardiovascular Technologies, LLC  
[hoart@mac.com](mailto:hoart@mac.com)

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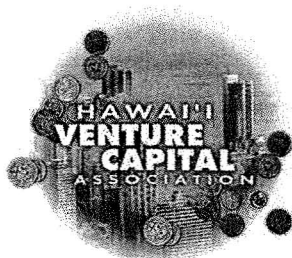
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**From:** hvca.org [alohastevens@yahoo.com]  
**Sent:** Sunday, March 16, 2008 2:00 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**CARMEN STEVENS**  
**4999 Kahala Ave, Suite 249, Honolulu, Hawaii 96816**  
**Phone (808) 349-3040**

Sunday, March 16, 2008

*Ladies and gentlemen:*

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: CARMEN STEVENS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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3/17/2008

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Respectfully submitted,

Carmen Stevens  
[alohastevens@yahoo.com](mailto:alohastevens@yahoo.com)

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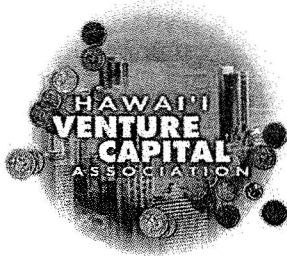
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**From:** hvca.org [friedman@lava.net]  
**Sent:** Sunday, March 16, 2008 3:03 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**SANFORD W. FRIEDMAN**  
**Global Education Trust**  
**3717 Old Pali Rd., Honolulu, Hawaii 96817**  
**Phone (808) 595-8866**

Sunday, March 16, 2008

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TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: SANFORD W. FRIEDMAN, GLOBAL EDUCATION TRUST

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

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3/17/2008

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Respectfully submitted,

Sanford W. Friedman  
Global Education Trust  
[friedman@lava.net](mailto:friedman@lava.net)

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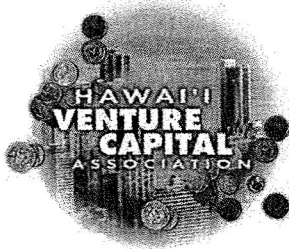
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**From:** hvca.org [roy@clmchk.com]  
**Sent:** Sunday, March 16, 2008 3:16 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**ROY KOENIG**  
**HARK, Inc.**  
**1088 Bishop Street, Suite 303, Honolulu, Hawaii 96813**  
**Phone (808) 533-1776 Fax (808) 533-1775**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: ROY KOENIG, HARK, INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

Roy Koenig  
HARK, Inc.  
[roy@clmchk.com](mailto:roy@clmchk.com)

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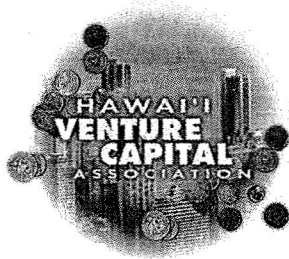
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wakai1-Karen

---

**From:** hvca.org [delwong@yahoo.com]  
**Sent:** Sunday, March 16, 2008 3:05 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita, Chair (telefax - (808) 586-6501)

FROM: DEL WONG

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

3/17/2008



--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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

Respectfully submitted,

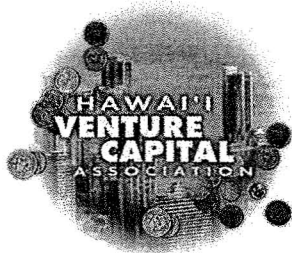
Del Wong  
[delwong@yahoo.com](mailto:delwong@yahoo.com)

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wakai1-Karen

---

**From:** hvca.org [rannw@mac.com]  
**Sent:** Sunday, March 16, 2008 3:34 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

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

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: RANN WATUMULL, HAWAII FILM PARTNERS

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

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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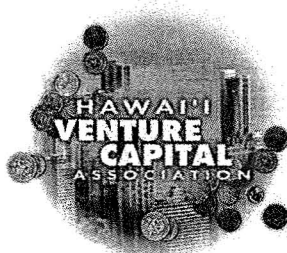
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---

**From:** hvca.org [neptunetech@hawaii.rr.com]  
**Sent:** Sunday, March 16, 2008 5:02 PM  
**To:** windcon@hawaii.rr.com  
**Subject:** TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)



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Re: TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1)

**JOHN HARMON**  
**Neptune Technologies, Inc.**  
**25 Kaneohe Bay Dr., #208, Kailua, Hawaii 96734**  
**Phone (808) 230-8863**

Sunday, March 16, 2008

*Ladies and gentlemen:*

*I hereby submit the following testimony regarding SB2829 SD2 HD1. The HOUSE Economic Development Committee is set to hear this bill on Tuesday, March 18, 2008 at 8:45 am in House Conference Room 325.*

*I would appreciate if you would make and deliver 1 copies of my testimony to Room 316 for this hearing. Thank you.*

---

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE, Representative Kyle T. Yamashita,  
Chair (telefax - (808) 586-6501)

FROM: JOHN HARMON, NEPTUNE TECHNOLOGIES, INC.

SUBJECT: Testimony relating to TAX EXEMPTIONS AND CREDITS (SB2829 SD2 HD1) - Strong  
Opposition To SB2829 HD1, set to be heard on 3/18/2008 at 8:45 am in Conference Room 325

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to  
Act 221/215 including:

3/17/2008

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation. We cannot live by tourism alone. The children of Hawaii need to be able to find High Tech employment here.

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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970 N. Kalaheo Avenue  
Suite C-109  
Kailua, Hawaii 96734  
Office: 808-254-2525, Fax: 808-254-1525

---

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

FROM: Richard A. Shema, President, Applied Marine Solutions

RE: Testimony In STRONG OPPOSITION to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Richard A. Shema

**wakai1-Karen**

---

**From:** Bill Richardson [Bill@hms-hawaii.com]  
**Sent:** Monday, March 17, 2008 10:18 AM  
**To:** EDBtestimony  
**Subject:** Re: SB 2829 SD2 HD1: Relating to Taxation

Re: SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 a.m., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:** William K. Richardson

**RE: Testimony In Support of SB2829 HD1**

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

I strongly support SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions.

I respectfully request that this committee pass this legislation.

These credits have cost the State over \$200 Million since 2002 through 2006, and will cost much more by the end of 2010. Like all Business Tax incentives, they have created interest, but now need to be repealed to let the marketplace take over. Private activity has been spurred, and the State has generally improved its business climate for entrepreneurial activity. However, before the strong negative impacts of these tax incentives can take hold, it is time to REPEAL Act 221/215.

This credit only benefits two constituencies---wealthy tax payers looking to shelter their tax responsibilities. In order to "invest" in a QHTB the person has to have a minimum net investable worth---not including their home, or earn over \$250,000/ year. This leaves out the common taxpayer and is "welfare for the wealthy". It theoretically benefits high tech start-ups but actually makes it harder to raise future capital because of the burdensome rules that penalize nontax shelter investors.

Thank you for the opportunity to testify.

William K. Richardson, Adjunct Professor of Law, UH School of Law

3/17/2008

**wakai1-Karen**

---

**From:** angelarosa48@hotmail.com on behalf of angela rosa [essentialhealth@webtv.net]  
**Sent:** Monday, March 17, 2008 12:39 AM  
**To:** EDBtestimony  
**Subject:** SB 2829 SD2 HD1: Relating to Taxation

**DATE BILL WILL BE HEARD:** March 18, 2008 8:45 am., Conference Room 325

**TO:** COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
The Honorable Kyle T. Yamashita and The Honorable Glenn Wakai

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to the mover the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.  
Thank you for the opportunity to testify.

Angela Rosa RN LMT  
PO BOX 43  
Hawi Hi 96719  
website: <http://community.webtv.net/essentialhealth/ESSENTIALHEALTH>

3/17/2008



**wakai1-Karen**

---

**From:** Mary Sky [maryskyschoolcraft@yahoo.com]

**Sent:** Monday, March 17, 2008 9:51 AM

**To:** EDBtestimony

**Subject:** SB 2829

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008 8:45 am., Conference Room 325

**TO:** COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita and The Honorable Glenn Wakai

**FROM:** Name, Title and Company

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

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

-- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to the mover the past several years. Other 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;

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--Section 237-26, HRS General Excise Tax Exemption for federal scientific research contracts.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

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**wakai1-Karen**

---

**From:** Weinman, Barry [Weinman@allegiscapital.com]  
**Sent:** Monday, March 17, 2008 8:53 AM  
**To:** EDBtestimony  
**Subject:** SB2829 SD2 HD1 Repeal of Tax Exemptions and Credits---Support of these Bills

SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008  
8:45 am., Conference Room 325

**TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS**

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

**FROM:** Barry Weinman

**RE: Testimony In Support of SB2829 HD1**

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

I strongly support SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions.

I respectfully request that this committee repeal these tax credits and exemptions and pass this legislation.

These credits have cost the State over \$200 Million since 2002 through 2006. It is estimated that it will cost the State \$500 Million to \$1 Billion by the end of 2010. Other States have tried these type credits in the past only to see them fail to produce significant or desired effects. This is a colossal waste of the State's capital and will have the opposite effect of what they were supposed to accomplish. The reason Venture Capital is considered Private Equity---it is a private investment, not public financing.

This credit only benefits two constituencies---wealthy tax payers looking to shelter their tax responsibilities. In order to "invest" in a QHTB the person has to have a minimum net investable worth---not including their home, or earn over \$250,000/ year. This leaves out the Safeway and hotel worker and is "welfare for the wealthy". It theoretically benefits high tech start-ups but actually makes it harder to raise future capital because of the burdensome rules that penalize nontax shelter investors.

Thank you for the opportunity to testify.

. Barry Weinman

4471 Kahala Avenue

Honolulu, HI 96816

3/17/2008

**wakai1-Karen**

---

**From:** Jeff Sacher [jsacher@kona.net]  
**Sent:** Monday, March 17, 2008 5:36 AM  
**To:** EDBtestimony  
**Subject:** SB 2829 SD2 HD1: Relating to Taxation

**DATE:** March 18, 2008 8:45 am., Conference Room 325

**TO:** COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita and The Honorable Glenn Wakai

**FROM:** Jeff Sacher, Big Island

**RE:** Testimony in Opposition to SB2829 HD1

Aloha,

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215. These tax credits seem to be an effective means of attracting companies to invest in Hawaii for businesses such as renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

Please do not pass SB2829 HD1.

Mahalo,

Jeff Sacher

Kawaihae, Big Island

wakai1-Karen

---

**From:** Scott Wecker [swecker@ambient-micro.com]  
**Sent:** Monday, March 17, 2008 3:15 PM  
**To:** EDBtestimony  
**Subject:** Testimony In Strong Opposition to SB2829 HD1



Maui Research & Technology Center | Suite 208, 590 Lipoa Parkway, Kihei, Hawaii 96753  
tel 866.561.4823 | cell 808.250.7061 | fax 866.728.9726 | email [info@ambient-micro.com](mailto:info@ambient-micro.com)

**March 17, 2008**

**RE: Testimony In Strong Opposition to SB2829 HD1**  
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
SB 2829 SD2 HD1: Relating to Taxation  
DATE: March 18, 2008 8:45 am., Conference Room 325

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215. The economic benefits of Act 221 have been well documented. As government research & development budgets are cut, the Hawaii high technology sector will need Act 221/215 more than ever in the years ahead.

I understand that tax credits are controversial and that their advantages and disadvantages need to be debated and clarified. However, I believe that it would be very bad for Hawaii's long term development prospects if it were once again show the international financial community that its investment promotion policies are fickle and can not be relied upon.

In addition, the proposed cut in tax credits for renewable energy appear to directly contradict every pro-energy pronouncement made by the legislature and the Governor. This past week's *Pacific Business News* highlighted Hawaii's growing energy crisis. Why now would the legislature choose to dissuade the development and adoption of new energy savings technologies?

The shared goal is to build living wage jobs in Hawaii. This goal will be difficult to reach under any circumstances, but it is going to be much more difficult to achieve if the legislature makes it even more difficult to establish a sustainable technology sector. If the legislature chooses to continue its subsidies for Agriculture and Tourism, ( both of which have limited potential for creating a high percentage of living wage jobs), surely it will see the wisdom of continuing to support incentives and tax credits to nurture the growth of the high technology sector. Thank you for the opportunity to submit my testimony.

3/17/2008

Scott A. Weeker  
Ambient Micro

Scott A. Weeker



Ambient Micro, LLC  
Maui Research & Technology Center  
590 Lipoa Parkway, Suite 208  
Kihei, HI 96753  
fax: (866) 728-9726  
cell: (808) 250-7061  
[www.ambient-micro.com](http://www.ambient-micro.com)

wakai1-Karen

---

**From:** Scott Weeker [sweeker@ambient-micro.com]  
**Sent:** Monday, March 17, 2008 3:15 PM  
**To:** EDBtestimony  
**Subject:** Testimony In Strong Opposition to SB2829 HD1



Maui Research & Technology Center | Suite 208, 590 Lipoa Parkway, Kihei, Hawaii 96753  
tel 866.561.4823 | cell 808.250.7061 | fax 866.728.9726 | email [info@ambient-micro.com](mailto:info@ambient-micro.com)

**March 17, 2008**

**RE: Testimony In Strong Opposition to SB2829 HD1**  
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
SB 2829 SD2 HD1: Relating to Taxation  
DATE: March 18, 2008 8:45 am., Conference Room 325

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215. The economic benefits of Act 221 have been well documented. As government research & development budgets are cut, the Hawaii high technology sector will need Act 221/215 more than ever in the years ahead.

I understand that tax credits are controversial and that their advantages and disadvantages need to be debated and clarified. However, I believe that it would be very bad for Hawaii's long term development prospects if it were once again show the international financial community that its investment promotion policies are fickle and can not be relied upon.

In addition, the proposed cut in tax credits for renewable energy appear to directly contradict every pro-energy pronouncement made by the legislature and the Governor. This past week's *Pacific Business News* highlighted Hawaii's growing energy crisis. Why now would the legislature choose to dissuade the development and adoption of new energy savings technologies?

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3/17/2008

Scott A. Weeker  
Ambient Micro

Scott A. Weeker

**ambient**  
M I C R O

Ambient Micro, LLC  
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fax: (866) 728-9726  
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SB 2829 SD2 HD1: Relating to Taxation

Date: March 18, 2008  
8:45 am., Conference Room 325

To: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
The Honorable Kyle T. Yamashita  
The Honorable Glenn Wakai

From: Irene N. Motonaga, President  
Company: SYNCADD Systems, Inc.

RE: Testimony In Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the 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, RELATING TO TAXATION  
BEFORE THE  
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
AND BUSINESS CONCERNS  
ON  
TUESDAY, MARCH 18, 2007**

Chair Yamashita, Vice-Chair Wakai 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 tax incentives, including the renewable energy technologies tax credit (HRS 235-12.5) provide significant fiscal and economic benefits to the State of Hawaii and deserve your continued support. The State of Hawaii now faces a protracted 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 these 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. .



TESTIMONY OF SUNEDISON, LLC IN REGARD TO HB2829 HD2 SD1,  
REPEAL OF TAX CREDITS AND EXEMPTIONS AND CREDITS  
BEFORE THE  
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS  
CONCERNS  
TUESDAY, MARCH 18, 2008

Chair Yamashita, Vice-Chair Ross 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

**wakai1-Karen**

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**From:** grosolo@gmail.com on behalf of Brent Norris [aloha@greencollartech.com]  
**Sent:** Monday, March 17, 2008 2:55 PM  
**To:** EDBtestimony  
**Cc:** robyn@hiscitech.org  
**Subject:** SB 2829 SD2 HD1: Relating to Taxation

RE: Testimony In Strong Opposition to SB2829 HD1

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

Seriously, I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

- Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;
- Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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.

These tax credits have proven to be an effective catalyst for investment in Hawai`i's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawai`i achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawai`i.

As a forward thinking company with a focus on helping improve Hawai`i's digital economies, I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Mahalo for the opportunity to testify.

-Brent Norris  
808-896-7656  
<http://greencollartech.com>

# Cellular Bioengineering, Inc.

## The Regenerative Medicine Company

1946 Young Street Suite 480

Honolulu, Hawaii 96826

Phone 808 949-2208

Fax 808 949-2209

SB2829 SD2 HD1: Relating to Taxation

DATE: March 18, 2008

8:45 am., Conference Room 325

TO: COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
CONCERNS

The Honorable Kyle T. Yamashita

The Honorable Glenn Wakai

FROM: Michael J. Coy, Vice President, Cellular Bioengineering, Inc.

RE: Testimony in Strong Opposition to SB2829 HD1

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

I strongly oppose SB2829 HD1 which proposes to repeal tax credits and exemptions related to Act 221/215 including:

--Section 235-9.5, HRS relating to the Income Tax Exclusion for QHTB Stock Options;

--Section 241-4.8, HRS, which applies the Act 221 Investment Tax Credits to franchise taxes for financial institutions. Repealing this could be very damaging to many Act 221 companies since banks have provided a substantial portion of Act 221 investment capital to them over the past several years.

Other 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, IIRS, 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.

These tax credits have proven to be an effective catalyst for investment in Hawaii's tech sector which includes renewable energy, ocean science and other critical areas that could help Hawaii achieve sustainability and a diversified economy. Act 221/215 has proven to contribute more to the economy than the credits have cost Hawaii.

Cellular Bioengineering Inc. ("CBI"), headquartered in Honolulu, is a technology accelerator engaged in developing novel solutions for complex biomedical problems with dual-use application. The Company's core competencies are in the areas of surgical devices, materials science, and tissue bioengineering. CBI has advanced programs in the field of regenerative medicine and the development of replacement tissues for aging, diseased or injured organs, as well as novel materials for radiation decontamination and environmental remediation.

CBI aims to be the first to successfully commercialize an artificial cornea to restore vision for the millions around the world who are blind because of corneal dystrophy. CBI was the recipient of the 2005 R&D 100 Award in recognition of its development of the Neural Matrix Chip as one of the most innovative products in the US.

CBI has benefitted from Act 221/215, which has significantly assisted us in raising capital.

I respectfully request that this committee resist the repeal of these important tax credits and exemptions and refuse to pass this damaging legislation.

Thank you for the opportunity to testify.

Testimony before the  
Senate Committee on  
Economic Development & Business Concerns  
SB 2829, SD2, Proposed HD1 - Relating to Taxation  
Tuesday, March 18, 2008  
8:45 a.m., Conference Room 325  
By Patsy Nanbu, Controller  
Hawaiian Electric Company, Inc.

Chair Yamashita, Vice Chair Wakai and members of the Committee:

My name is Patsy Nanbu 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 respectfully opposes SB 2829, SD2, Proposed HD1.

SB 2829 SD2 originally proposed amendments to the general excise tax statute in preparation for the adoption of the Streamlined Sales and Use Tax Agreement. SB 2829 SD2, HD1 proposes to replace these provisions with a blanket repeal of all income, franchise and general excise tax exemptions and credits as of 12/31/08.

Many of these exemptions and credits have developed over time to address double taxation of specific industries or to encourage certain behavior. Therefore, 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.

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 since the latter 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 4%/4.5% general excise tax rate and a second time at the 5.885% public service company tax rate.

SB 2829, SD2, Proposed HD1 would remove this exemption and create a double tax on utility revenue, resulting in an increase in the cost of electricity to all Hawaii residents. In 2007, HECO and its subsidiaries paid approximately \$120.5 million in public service company taxes. The repeal of the exemption could increase our tax burden by as much as \$89 million based on 2007 revenues with a comparable 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 Proposed HD1 will remove many perfectly reasonable exemptions and credits and ultimately will 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.

Testimony before the  
House Committee on  
Economic Development and Business Concerns  
S. B. 2829 SD 2, Proposed HD 1 - Relating to Taxation  
Tuesday, March 18, 2008  
8:45 a.m., Conference Room 325

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

Chair Yamashita, Vice Chair Wakai 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 SD 2, Proposed HD 1.**

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. If SB 2829 SD2, Proposed HD1 is passed, this tax credit, 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 affect 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.