

**SB 3236**

SB3236; Health and Consumer Protection; 2/1/07; 1:15; Rm016

SB3226

Health, Chair, Sen. Ige

Commerce and Consumer protection, Chair, Sen. Kokubun

PLEASE KILL THIS BILL.

I am opposed to this bill granting tax credits for clinical trials of pharmaceuticals because so many clinical trials test drugs on animal, causing incredible pain akin to torture, and leading to the death of most test animals.

If you want to amend this bill to make it acceptable, please include a provision banning all animal testing.

Thank you.

Aloha, joel

Dr. Joel Fischer, ACSW

President, 19-3, Democratic Party

Professor

University of Hawai'i, School of Social Work Henke Hall Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."

Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."

Dr. Martin Luther King, Jr.

"Never, never, never quit."

Winston Churchill

SB3236

from Animal Rights Hawai'i

position: oppose

Please deliver to joint hearing:

Committee on Health and

Committee on Consumer Protection

Hearing: Friday, Feb. 1 at 1:15 pm

Conference Room:016

Chairs Ige and Kokubun:

Animal Rights Hawai'i opposes tax credits for clinical trials of pharmaceuticals in Hawai'i. In recent years we have seen a growing number of these studies, with frequent advertisements on radio and in print media trolling for participants. People have been lured by large stipends to put their bodies and health in the hands of companies which have contracted with Big Pharma to test drugs in an increasingly competitive market.

The list of FDA approved drugs that have passed animal tests and human trials and have been found to be either useless and or harmful is growing. We fear that State support of this dubious industry will result in increased health problems amongst participants. The list of drugs formerly rated safe by FDA that have proved to be harmful or useless grows daily: Vioxx, Celebrex, Oxycontin...and more...

In addition, Covance, one of the most aggressive testing companies, and an aggressive Hawai'i advertiser, has violated animal welfare laws in both th US and Europe: Covance—a New Jersey-based animal-testing company—paid PETA Europe \$290,000 following a British court's dismissal of a lawsuit Covance brought against PETA Europe in an attempt to stop the group from publicizing video footage taken during an 11-month undercover investigation of a Covance laboratory in Vienna, Va. The payment covers PETA Europe's costs and attorneys' fees. In 2005, Covance was forced to withdraw another lawsuit that it filed against PETA.

PETA's 2005 undercover investigation at Covance's Vienna, Va., lab documented that workers were striking, choking, and taunting monkeys who were confined to small, barren cages and who received no medical attention for severe injuries. Deprived of any enrichment or socialization, monkeys were documented circling frantically in their cages, pulling out their hair, and chewing their own flesh. An ensuing investigation by the U.S. Department of Agriculture—conducted after PETA filed a formal complaint—resulted in an \$8,270 fine for Covance for violations of the federal Animal Welfare Act. The violations included subjecting animals to painful procedures without any pain relief, physically abusing animals, and denying animals veterinary care, among others.

The British judge ruling in the case characterized PETA's findings as "highly disturbing." The judge also commented on the "rough manner in which the animals [are] handled and the bleakness of the surroundings in which they are kept," matters that he said "cry out for explanation."

We ask that you, as lawmakers, consider the possible negative impact of providing tax incentives to Covance and other clinical trial companies. Don't approve credits now for drugs that may adversely affect Hawai'i's people and become a drain on the already overburdened health care system.

Cathy Goeggel  
Director, Research and investigations  
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January 30, 2008

Committee on Health/Committee on Commerce, Consumer Protection, and Affordable Housing  
Friday, February 1, 2008 1:15 PM  
Conference Room 016, State Capitol, 415 South Beretania Street

COMMITTEE ON HEALTH

- Senator David Y. Ige, Chair
- Senator Carol Fukunaga, Vice Chair

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE HOUSING

- Senator Russell S. Kokubun, Chair
- Senator David Y. Ige, Vice Chair

Re: SB 3236 Relating to Life Science – Clinical Trials Income Tax Credit

Honorable Senators:

I would like to voice my support in favor of SB 3236. I am a board-certified physician with 20 years of experience in clinical practice and healthcare administration. I currently serve as Executive Director for the Cheng Health Foundation, a Hawaii-based nonprofit that is dedicated to promoting cooperation in the life sciences between the US and developing countries including China. I also have a daughter who is attending the John A. Burns School of Medicine. I therefore have both a professional and personal interest in the development of the life sciences here in Hawaii.

Pharmaceutical development is a key driver of innovation worldwide, particularly in the US. The Pharmaceutical Research and Manufacturers of America (PhRMA) estimates that in 2006, pharmaceutical and biotechnology companies spent over \$98 billion on research and development. Some estimates have estimated that the cost of developing a single new drug is approaching \$1.4 billion. Clinical trials contribute a significant amount to this cost, in part due to their increasing complexity.

While costs are rising, the number of new drugs being approved in the US is declining and, as demonstrated by the problems associated with VIOXX, even after approval some drugs must be withdrawn from the market. These risks are particularly high for certain classes of drugs. For example, the Tufts Center for the Study of Drug Development has reported that only 8% of cancer drugs in clinical development win marketing approval in the US. Increasing costs along with increasing risks have placed drug companies in a bind.

Cheng Health Foundation  
PO Box 240577  
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(808) 377-8520

The "paradise tax" places Hawaii at a particular disadvantage in regards to drug research. While drug companies are looking to reduce the cost of clinical studies, the high cost of living in Hawaii can deter the pursuit of trials here. Other state actions such as Act 215/221 and the significant investment in the Kakaako life science campus are beginning to bear fruit in developing the life sciences. SB 3236 can build and enhance these efforts, lending further support to efforts to develop pharmaceutical, biotechnology, and medical device companies here in Hawaii.

Another opportunity for Hawaii life sciences is developing in Asia. Due to the above-mentioned cost difficulties, drug companies are increasingly outsourcing drug development in an attempt to reduce costs. Numerous multinational drug companies have established research and development centers in Asia, particularly in greater China. With increasing research and a growing domestic industry, *Nature Biotechnology* estimates that China's biotechnology and biopharmaceutical industry is growing 30% annually and now exceeds \$3 billion.

The fast growth of China's pharmaceutical/biotechnology industry is straining the supply of trained researchers, particularly those with experience in achieving drug approvals in the US. As the US is China's most important market, US approvals are seen as being critical for the long term success of drug development in China.

I feel that Hawaii can play a critical role in addressing this research shortfall. Hawaii has a wealth of research experience here in the islands, state of the art educational and research facilities, and ready access to US markets and government agencies. I feel that life science organizations here in Hawaii can partner successfully with Chinese counterparts to benefit from these long term trends in drug development. SB 3236 can only enhance the attractiveness of our state as an Asia-Pacific life science center.

I am optimistic about the potential for developing the life sciences here in Hawaii, and I believe that SB 3236 can play a key role. Thank you for your public service and for your consideration of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Roe". The signature is fluid and cursive, with the first name being the most prominent.

Timothy J. Roe, MD, MBA  
Cheng Health Foundation  
troe@chenghealth.org

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Testimony in opposition to SB3236, relating to Clinical Trials; Tax Credit

Committee on Health and  
Committee on Consumer Protection  
Hearing: Friday, Feb. 1 at 1:15 pm  
Conference Room:016

Dear Chairs Ige and Kokubun,

Why should the State subsidize an industry whose enormous profits are way out of balance with the rest of the economy, that practices cruelty to animals, and aggressively advertises prescription drugs directly to the public? Please kill this ill-conceived bill. Thank you.

Aloha,

Roberta & William Bailey  
2161 Puna St.  
Honolulu 96817  
447-9118

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
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## SENATE COMMITTEE ON HEALTH

### TESTIMONY REGARDING SB 3236 RELATING TO LIFE SCIENCES

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

**DATE: FEBRUARY 1, 2008**

**TIME: 1:15 PM**

**ROOM: 016**

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This bill would establish an income tax credit amounting to fifteen per cent of costs incurred for qualified clinical trials conducted in any county of Hawaii with a population over 700,000, and twenty per cent in any county with a population under 700,000. This bill caps the credit at \$8,000,000 per clinical trial. The bill would apply to taxable years beginning after December 31, 2007.

The Department of Taxation ("Department") takes no position on this legislation; however provides the following comments.

#### **I. DEFERRAL OF PRE-QUALIFICATION**

In order to receive the tax credit, a taxpayer must first pre-qualify the clinical trial for the credit by registering with the Department of Taxation. The Department believes that such a determination of clinical trial is outside of the scope of the Department's focus. The Department therefore suggests that pre-qualification registration be deferred to the Department of Business, Economic Development, and Tourism or the Department of Health.

#### **II. REASONABLE EFFORTS TO HIRE LOCAL RESEARCHERS AND STAFF**

As a pre-qualification requirement, this legislation provides that a clinical trial provide "reasonable efforts to hire local researchers and staff." Section 2 – (d)(3). The bill further requires the submission of "the number of total hires versus the number of local hires by category (*i.e.*, department) and by county." Section 2 – (h)(3). This bill does not provide further guidance into what constitutes a "local hire."



Furthermore, the favoring of local researchers and staff might raise possible concerns dealing with the privileges and immunities clause of the United States Constitution. This, however, would be an issue that the Department of the Attorney General would be better suited to address.

### **III. SHOULD REQUIRE WAIVER OF THE RESEARCH & DEVELOPMENT CREDIT.**

The Department points out that Hawaii income tax law already provides one of the most generous research and development credits in the nation, which provides a 20% refundable credit for qualified costs. A taxpayer that claims the proposed credit should be required to waive the R & D credit.

### **IV. ADMINSTRATIVE DIFFICULTY**

The Department requests that subsection (h) be eliminated in its entirety because it is unnecessary. If this subsection remains, however, the Department respectfully requests an appropriation.

This bill results in an indeterminate revenue impact.