

LATE TESTIMONY

From: Louis Kauakahi [louis_kauakahi@msn.com]
Sent: Thursday, February 26, 2009 1:59 PM
To: EBMtestimony
Subject: HB1451 - Relating to Taxation

TO: House Committee on Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Louis R. "Moon" Kauakahi
Leader, Makaha Sons
Makaha Sons, Inc.

RE: Testimony in Strong Opposition to HB1451

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

While MAKAHA SONS, INC. and the Makaha Sons support the intent of extending the R & D and infrastructure renovations credits, it opposes the bill and respectfully requests that you hold it.

First, MAKAHA SONS, INC. and the Makaha Sons opposes that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting of their primary source of capital.

Secondly, this bill requires companies to increase their workforce by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and product that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawai'i. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

Over the years, our company and group have provided scholarships to deserving individuals throughout the State with what limited funds we can accumulate, have performed for many benefits to help other groups, schools, and non-profit organizations at our own expense in order to further their cause in the community. We hope to continue to do so.

Thank you for the opportunity to submit testimony on this important bill. We respectfully ask that you hold this bill.

Sincerely,

Louis R. "Moon" Kauakahi
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