

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
THURSDAY, FEBRUARY 26, 2009
2:00 P.M.
ROOM 308

HOUSE BILL NO. 1583
RELATING TO TAXATION

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill 1583, which proposes to temporarily reduce various income tax credits. While we are sensitive to the economic situation facing the State and recognize the merits of the bill, we are opposed to the inclusion of Section 235-110.93, Hawaii Revised Statutes in this bill.

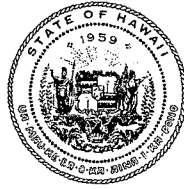
The inclusion of Section 235-110.93, Hawaii Revised Statutes in this bill would effectively decrease the value of the most important of all of the incentives created in the 2008 session to start the process to designate and protect important agricultural lands (IAL) as mandated by the State constitution. It would cause an additional delay in designating IAL as landowners would likely wait until the bill was repealed on January 1, 2012 in order to obtain maximum benefit.

It has been 30 years since Article XI; section 3 was added to the constitution. During that period, thousands of prime agricultural lands were lost to development. Now, more than ever, in these uncertain times, we need to ensure that the state will have a minimum level of food self-sufficiency which requires the utilization of our most productive lands.

The incentives are working. Within six months of the passage of the incentives, a landowner has initiated the process to designate thousands of acres as IAL. In both the short and long-term, protecting and using our important agricultural lands will contribute to our economic recovery and growth. Using our important agricultural lands to grow food for local and visitor consumption rather than rely on imports can make a significant impact on our economy. It has been estimated that using our agricultural lands to replace just 10% of the food we import could generate an economy-wide impact of \$188 million in sales, \$47 million in earnings, \$6 million in state tax revenues, and more than 2,300 jobs. Please do not stop 30 years of effort to protect Hawaii's agricultural lands and jeopardize the State's future ability to feed its people.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 1583
RELATING TO TAXATION**

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

DATE: FEBRUARY 26, 2009

TIME: 2PM

ROOM: 308

This measure provides for the reduction of "business tax credits" in the amounts of 75%, 50%, and 25% of the amount allowable, starting with taxable years beginning on or after January 1, 2009, over three successive years. The measure defines business tax credits to include non-welfare or constitutionally required credits. The measure also suspends any carry-forward credit generated prior to January 1, 2009 for the three year period and precludes any credit from generating a carry-forward during the credit reduction period.

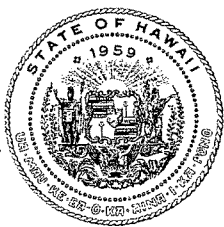
The Department of Taxation (Department) **appreciates the intent of this measure and offers comments.**

Many businesses in Hawaii enjoy extremely beneficial tax credits whereby they ultimately pay little or no taxes on business income. With the current budget constraints, it is important to recognize that the State is less able to pay these generous credits than in years past. This measure ensures that all taxpayers are paying their fair share of tax by reducing the means of calculating certain business credits (non-welfare credits) for the next three taxable years.

From the Department's perspective, this measure is a creative means of temporarily suspending the pressure on the general fund's liabilities for payment of many business credits. The Department understands that the state of California passed a similar measure, which suspended certain credits and net operating losses for two years to minimize that state's general fund gap.

The Department appreciates that the committee has heard this measure in the interest of balancing the State's budget this session. The Department suggests that these measures be kept alive for further discussion.

This measure will result in a revenue gain of \$150.1 million in FY 2010, \$103.2 million in FY 2011, and \$32.7 million in FY 2012.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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**Statement of
THEODORE E. LIU
Director**

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Thursday, February 26, 2009
2:00 PM
State Capitol, Conference Room 308

in consideration of
HB 1583
RELATING TO TAXATION.

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

The Department of Business, Economic Development, and Tourism (DBEDT) appreciates the intent of this measure, however, due to the downturn of Hawaii's economy, the closing of so many businesses and the loss of jobs, we have serious concerns about this measure as it would temporarily reduce or suspend §235-17 motion picture, digital media and film production income tax credit, known as Act 88, which has generated \$322 million in direct expenditures since its inception in 2006, provided high paying jobs, resulted in tourism sector support, and has provided education and workforce development across the state. In addition, the reduction or suspension of §235-110.9 high technology business investment tax credit, known as Act 221/215; and the royalties tax exemption under §235-7.3, would deal a devastating blow to the performing arts sector--including film and digital media--that these high technology credits were intended to build.

As we continue our work in a highly competitive climate to attract more production business to Hawaii to stimulate our economy, the temporary reduction of these important tax credits for film sends the wrong message and will adversely affect revenues coming to the state from these industry sectors.

The entertainment industry should be viewed as part of the **solution** to the economic challenge we face. Not only does production provide skilled, well-paying jobs, it works to support our visitor industry infrastructure and provides valuable exposure the state might not otherwise be able to afford. The marketplace has become fiercely competitive on a global scale,

with Hawaii competing for its share of production business more often with countries rather than other U.S. states.

To the extent we can maintain our tax incentives, Hawaii will continue to attract business to our islands. We must be mindful that the global entertainment industry is monitoring closely which jurisdictions they can depend upon for stability and certainty in their production planning. Hawaii needs to be careful it does not inadvertently drive production away by contemplating changes in current film incentive programs for our state.

Thank you for the opportunity to offer testimony.

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

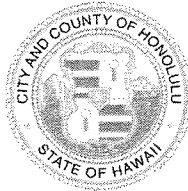
HONOLULU FILM OFFICE

530 SOUTH KING STREET, ROOM 306 • HONOLULU, HAWAII 96813

PHONE: (808) 527-6108 • FAX: (808) 527-6102

EMAIL: info@filmhonolulu.com • WEB: <http://www.filmhonolulu.com>

MUFI HANNEMANN
MAYOR



WALEA CONSTANTINAU
FILM COMMISSIONER

Testimony of Walea Constantinou, Film Commissioner
Honolulu Film Office - Office of the Mayor
City and County of Honolulu

HOUSE COMMITTEE ON FINANCE

February 26, 2009 – 2:00 pm
State Capitol, Conference Room 308

RE: 1583 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

I oppose a portion of HB 1583 that seeks to alter Section 235-17 as it would adversely affect the basic refundable 15-20% film tax credit known as Act 88.

I appreciate the long-standing support the legislature has given the film industry and the particular attention that legislators, the administration and the industry cooperatively engaged in when developing Act 88. The measure has served to **attract and encourage more than \$300M of spending** in the state from July 2006 (it's inception) through October 2008, at **no cost to the state**.

The bill was designed to be **revenue neutral** and numbers confirm that the intent is being met and exceeded. For calendar year 2007, the **state netted an estimated \$11 million in tax revenue, after the payout of the credit**.

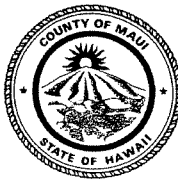
Couple this with the knowledge that the bill has served to create a jobs across a broad spectrum, contributed to workforce development, supported our #1 industry, tourism with literally thousands of hotel room nights as well as millions of dollars of free advertising, and you see why we feel that Act 88 is a part of the **SOLUTION** and not a contributor to the economic challenge we now find ourselves in.

I respectfully request that the provision that speaks to Act 88, referred to as Section 235-17 in the measure, be removed from the bill.

CHARMAINE TAVARES
MAYOR

DEIDRE M. TEGARDEN
OED COORDINATOR

BENITA BRAZIER
FILM COMMISSIONER



2200 Main Street Suite 305
Wailuku, Maui, Hawai'i 96793-2155
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e-mail:filmmaui@mauicounty.gov

Office of Economic Development
COUNTY OF MAUI – Kalana O Maui

February 25, 2009
Testimony from
Benita Brazier
Maui County Film Commissioner

House Committee on Finance

February 26, 2009 2:00pm
State Capitol, Conference Room 308

RE; HB 1583

Dear Chair Oshiro, Vice-Chair Lee and members of the committee:

As the film commissioner from the County of Maui, I strongly oppose the portion of HB 1583 that applies to 235-17. This is the refundable tax credit, known as Act 88. I respectfully request that you remove its reference from the measure. While I understand that we find ourselves in economically challenging times, this measure is a fiscally responsible credit.

The bill named Act 88 does not take money from the general fund – it is revenue neutral. Language in the bill bases the credit on a percentage of what is actually spent by a production company. Since its signing in 2006 the measure has generated over \$300 million dollars in direct expenditures into the local economy at no cost to the state.

This bill has created hundreds of direct industry jobs as well as creating business opportunities for hundreds of vendors throughout the state.

Finally, the bill provides the state with millions of dollars in free advertising.

As I mentioned, I am well aware and understand that a review of all credits has become necessary; however, I feel that the above information strongly supports the fact that this measure is part of the solution and not part of the problem.

I respectfully request you eliminate Section 235-17 from the measure.

I thank you for the opportunity to provide testimony.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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Executive Director
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Fax: 808.528.0922

NORA A. NOMURA
Deputy Executive Director
Tel: 808.543.0003
Fax: 808.528.0922

DEREK M. MIZUNO
Deputy Executive Director
Tel: 808.543.0055
Fax: 808.523.6879

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

**Testimony by
Hawaii Government Employees Association
February 26, 2009**

**H.B. 1583, H.B. 1588 – RELATING TO
TAXATION
H.B. 1589 – RELATING TO TAX
CREDITS**

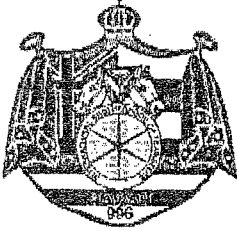
The Hawaii Government Employees Association supports the purpose and intent of all three bills (H.B. 1583, H.B. 1588, and H.B. 1589), which reduce various tax credits allowable under multiple sections of Hawaii Revised Statutes. These tax credits apply to individual income taxes, public service companies, banks/financial institutions and insurance companies.

We believe that a temporary reduction of certain tax credits provided by the State of Hawaii is necessary during these difficult economic times. These bills will enable the Legislature to make more fiscally sound and effective spending decisions and reduce the necessity of drastic spending cuts. Every dollar provided through tax credits has the same impact on the budget deficit as spending that dollar.

To balance the State budget, we need to ensure that ineffective or overly expensive tax credits are reduced. Thank you for the opportunity to testify in support of H.B. 1583, H.B. 1588 and H.B. 1589.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director



HAWAII TEAMSTERS AND ALLIED WORKERS, LOCAL 996

Affiliated with the International Brotherhood of Teamsters

1817 Hart Street
Honolulu, Hawaii 96819-3205

Telephone: (808) 847-6633
Fax: (808) 842-4575

HOUSE COMMITTEE on FINANCE

Hearing Date:

Thursday, February 26, 2009 at 2:00 p.m.
State Capitol – Conference Room 308

February 25, 2009

TO: Rep. Marcus R. Oshiro, Committee on Finance
Rep. Marilyn B. Lee, Vice Chair, Committee on Finance
Members of the House Committee on Finance

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

RE: TESTIMONY OPPOSING a PORTION of HB1583 (RELATING TO TAXATION)

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

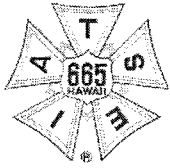
The Hawaii Teamsters and Allied Workers Union, Local 996, strongly opposes the portion of HB 1583 which applies to Section 235-17. This is the basic refundable tax credit known as Act 88. We ask that you remove Section 235-17 from the measure as Act 88 has proven to be a revenue neutral and fiscally responsible credit. This is so significant in these times of economic scrutiny. Since its enactment eighteen (18) months ago, Act 88 has generated more than \$300 million dollars in direct expenditures into our state's economy at no cost to the state. This tax credit is based on a percentage of actual spending; in other words, if a company doesn't spend money here, it won't be eligible for a rebate. In addition, Act 88 generates hundreds of direct film industry jobs, supports our local merchants and vendors (clothing stores, food markets, entertainment, etc.), our visitor industry (airlines, hotels, restaurants, car rentals, etc.) and our communities (donations to public schools, charitable organizations, etc.)

Each island has benefitted from Act 88: "Pirates of the Caribbean 3" (Maui), "Forgetting Sarah Marshall" and "Lost" (Oahu), "Indiana Jones and the Kingdom of the Crystal Skull" (Big Island), and "Tropic Thunder" (Kauai). All of these productions (and many others) have provided a huge boost to each island's economy, not to mention the fringe benefit of the fantastic publicity and advertising that our state receives from each production that comes to film in Hawaii.

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

Sincerely,

Jeanne C. Ishikawa
Business Representative, Hawaii Teamsters Local 996



LOCAL 665

FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS
OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Donovan K. Ahuna
Business Agent
IATSE Local 665

RE: Testimony in Strong Opposition of:
HB1583 - Relating to Taxation

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


Aloha, We are the Membership of the International Alliance of Theatrical Stage Employees Local 665, better known as the IA or IATSE, with over 300 Signatures from members as well as other Labor Unions, Private and Public, Vendors and Businesses that are currently working on projects. (see attachment) strongly oppose to HB1583.

Any changes to reduce or suspend Act - 88 and Act - 221/215 - even now in these challenging times when we need to keep our people employed - would mean hundreds and thousands of jobs lost. Act - 88 and Act - 221/215 without a doubt HAS and IS creating JOBS - right now -- for the working people of Hawaii, including my members of the IATSE. We are the technicians in the following crafts just to name a few - camera, sound, grips, electricians, special effects, make-up artists, set construction workers, etc..

"We Are The Union Behind Entertainment" and "This IS All We Do"

Thank you for the opportunity to provide these comments.

Mahalo,


Donovan K. Ahuna
Business Agent
IATSE Local 665

PRINT NAME:	SIGNATURE:	DEPARTMENT:
GUY BELEGAUD	<i>G Belega</i>	665
Milo Ferrell	<i>M Ferrell</i>	665
William Preston	<i>W Preston</i>	665
Jason Skaggs	<i>J Skaggs</i>	665
Cary Beall	<i>Cary Beall</i>	665
Andrew Palma Jr.	<i>Andrew Palma Jr</i>	665
Andrew Panckee	<i>A Panckee</i>	996
Chris L. Boie	<i>C L Boie</i>	665
Warren Roberts	<i>Warren Roberts</i>	665
Freddy Kalura	<i>Freddy Kalura</i>	996
MILITAS PANTAN	<i>Milidas Pantan</i>	996
CHRIS BARNES	<i>Chris Barnes</i>	'LOST'
Jim Van Houten	<i>Jim Van Houten</i>	LOST
Salvador Anaya	<i>Salvador Anaya</i>	LOST
Steve Badillo	<i>Steve Badillo</i>	LOST
Michael Crowe	<i>Michael Crowe</i>	LOST
Mel Kunen	<i>Mel Kunen</i>	LOST/665
Edward Timmer	<i>Edward Timmer</i>	CLV/665
ALYCE FATHSHAZZ	<i>Alyce Fathshazz</i>	665
Michael Hira	<i>Michael Hira</i>	996
SCOTT LIEB	<i>Scott Lieb</i>	665
Sami Tialiso	<i>Sami Tialiso</i>	PRIVATE SECURITY
CHRISTOPHER ENGICHY	<i>Christopher Engichy</i>	Private security
JOLIE-LYN SMYK	<i>Jolie-Lyn Smyk</i>	LOST
WALTER GOWEIA JR	<i>Walter Goweia Jr</i>	PRIVATE SECURITY
WALTER K. WONG	<i>Walter K. Wong</i>	LOST
BERNIE TOI LAMHO	<i>Bernie Toi Lamho</i>	LOST
FRANK S. LAURE	<i>Frank S. Laure</i>	665
JOHN E RINGGOLD JR	<i>John E Ringgold Jr</i>	665
Keala Nakawala	<i>Keala Nakawala</i>	Risk Mgmt 665
Karin Kerstin	<i>Karin Kerstin</i>	Risk 665
Quil Nithipati Day	<i>Quil Nithipati Day</i>	Risk 665
Olga Jan	<i>Olga Jan</i>	Labor
PIKESHA NAKI	<i>Pikeshan Naki</i>	665
Ronald Wong	<i>Ronald Wong</i>	665
DERICK KUPKO	<i>Derick Kupko</i>	665
Vicki DeKane	<i>Vicki DeKane</i>	996

	PRINT NAME:	SIGNATURE:	DEPARTMENT:
	ANE TRONETZKI	<i>[Signature]</i>	GRIPS IA
	Louis Freitas	<i>[Signature]</i>	Greens IA
	ALVIN AKU	<i>[Signature]</i>	Greens IA
Mar	"Aina" Riboca	<i>[Signature]</i>	GRIPS IA
	DAVID CATUBANA	<i>[Signature]</i>	PROPERTY IA
	Paul Santos	<i>[Signature]</i>	Electric IA
	Mike Sain	<i>[Signature]</i>	FX IA
	Chantal Basmile	<i>[Signature]</i>	Makeup IA
	Susani Zaquira	<i>[Signature]</i>	Wardrobe IA
	AARON E. MULLIGAN	<i>[Signature]</i>	Wardrobe IA
	Cole Chetney	<i>[Signature]</i>	GRIPS IA
	Mark Kalanagher	<i>[Signature]</i>	Set Lighting IA
	Ben Wenzel	<i>[Signature]</i>	Extra
	FIBIRD VAUGHN	<i>[Signature]</i>	ACTOR/STUD
	Jonathan Shirley	<i>[Signature]</i>	Extra
	Jeff Hummels	<i>[Signature]</i>	EXTRA
	KURT SIMAFENKA	<i>[Signature]</i>	LOST GRIP IA
	Chris Puth	<i>[Signature]</i>	Lost Grip IA
	KIMD STOWELL	<i>[Signature]</i>	LOST/ACTOR
	JASON MARUSZ	<i>[Signature]</i>	LOST/SPR
	Brian Matsumura	<i>[Signature]</i>	CAMERA 600
	Kevin Craven	<i>[Signature]</i>	Extra
	Stan Cooper	<i>[Signature]</i>	EXTRA
	STEPHEN BACQUET	<i>[Signature]</i>	Set Lighting IA
	Kanoa Dablin	<i>[Signature]</i>	Set Dressing IA
	Jon Mumper	<i>[Signature]</i>	Sound IA
	Andrew Childers	<i>[Signature]</i>	Set P.A. DGA
	John M.H. Lee	<i>[Signature]</i>	Set Lighting IA
	Roger Thompson	<i>[Signature]</i>	Set Lighting IA
	Akoni Kaano'i	<i>[Signature]</i>	Set Lighting IA
	RACER MOODY	<i>[Signature]</i>	Stand-In IA
	Keola Su'a	<i>[Signature]</i>	Transportation
	DIANE FRAUENHAZ	<i>[Signature]</i>	SCRIPT SUPERVISOR
	Lance Hookano	<i>[Signature]</i>	Grip IA
	W. Jennings Fowler	<i>[Signature]</i>	PROPERTY IA
	Brad Barrylin	<i>[Signature]</i>	Actor
	Carla Bowen	<i>[Signature]</i>	PRODUCTION DGA
	FRANCIS CHAN	<i>[Signature]</i>	Kator
	Anne Hoss	<i>[Signature]</i>	Costumes IA
	Jon T. Dahl	<i>[Signature]</i>	Transex

PRINT NAME:	SIGNATURE:	DEPARTMENT:
Keoua Koulu		Transportation
MIKE EXPAN		Security
Earl Mitchell		Security
Bob Johnson		Elec.
Bruce Vollett		Grip
Hanny Ladan		Production Mgr/AD
DANA K SATO		Art
MARTIN L GREGUSARO		FLOR
Melody N. Low		GRIP
Aileen Joy Levy		GRIP
Tomoko Stagg		Coordinator
Eril Uyeno		Coordinator
Ryan Mariz		Medic
RICE CRUM		Lighting
Scott Lisetor		GRIP
Don Tomisch		Lighting
JASON FRATIS		ELECTRIC
BRANDON PAGE		Coordinator
PAUL SMITH		GRIP
JAMES C LEVY		GRIP
ISKIA ROBINS		GREENS
Linda Lee		art dept
KAHUAKAILANI BROWN		SECURITY
CLYDE L. WONG		Greens/Props
WENDELL TITCOMB		CRAFT SERVICE
James Spruill		PROPS
Reuben Iao		PROPS
John Reed		Transportation
Kenneth Smith		TRANSPORTATION
Jon Piper		PROP
LEE KANEAKUA		GRIP
PUNA TITCOMB		CS
Talissa Niko		LABORER
BRIAN COSTA		PROPS
JOHN KUNZOLD		MEDIC

PRINT NAME:	SIGNATURE:	DEPARTMENT:	
Michael A Broady	<i>Michael A Broady</i>	Sat Medic	IA
JAMES THURSTON	<i>James Thurston</i>	YES Grip	IA
Colin Jones	<i>Colin Jones</i>	SALES	IA
Soraya Masinovsky	<i>Soraya Masinovsky</i>	PRODUCTION	DGA
Jim McLane Jr	<i>Jim McLane Jr</i>	PRODUCTION	IA
Steve Luehn	<i>Steve Luehn</i>	PROPS	IA
ROBERT WEYMAN	<i>Robert Weyman</i>	STAND IN	
KEITH FRANK	<i>Keith Frank</i>	LABORER	IA
KEONI WAKAHEIMA	<i>Keoni Wakaheima</i>	DRIVER	
Robert Anderson	<i>Robert Anderson</i>	Sound Mixer	IA
Tony Nagy	<i>Tony Nagy</i>	CAMERA	600
TORRY TUKUAKA	<i>Torry Tukuaka</i>	CAMERA	600
GLENN GRIMES	<i>Glenn Grimes</i>	GRIP	IA
MIKE SCHWABE	<i>Mike Schwabe</i>	GRIP	IA
John Sardinha	<i>John Sardinha</i>	LOCATIONS	
Charles Kramer	<i>Charles Kramer</i>	ELECTRIC	IA
LIZABETH MASSINI-MARCA	<i>Lizbeth Massini-Marca</i>	COSTUME	IA
Joey Vidal	<i>Joey Vidal</i>		
MATHIAS WEISSINGER	<i>Mathias Weissinger</i>		IA
LANCE TRIMBLE	<i>Lance Trimble</i>	DRIVER	
JACK BEAVER	<i>Jack Beaver</i>	Production Director	
John Griffiths	<i>John Griffiths</i>	TRAMP	
NGAMANI KAIS	<i>Ngamani Kais</i>	A.D.	DGA
A. HOWE	<i>A. Howe</i>	PLACING GEAR	IA
JORGE GARCIA	<i>Jorge Garcia</i>	ACTOR	
SHANDLE MERSEBURN	<i>Shandle Merseburn</i>	SECURITY	
IAN TRAVERS	<i>Ian Travers</i>	LOCATIONS	
Gregory Dui Jr.	<i>Gregory Dui Jr.</i>	CAMERA	
SERGE NOFIELD	<i>Serge Nofield</i>	CAMERA	IA
STAN PASOHL	<i>Stan Pasohl</i>	BLUEPRINT	
Peter Williams	<i>Peter Williams</i>	Transportation	
Thornton Lukela	<i>Thornton Lukela</i>	Accounting	
Ken Wong	<i>Ken Wong</i>	Const.	
FRANK SLAUGHTER	<i>Frank Slaughter</i>	665	
Charles Kaahalo	<i>Charles Kaahalo</i>	665	
WILLIAM RISSO	<i>William Risso</i>	665	
LYLE GIBBS	<i>Lyle Gibbs</i>	CONTS.	
STAN JANNING	<i>Stan Janning</i>	661	
MARY RASMUSSEN	<i>Mary Rasmussen</i>	LOCAL 44	
FRASU KALUNA	<i>Fraser Kaluna</i>	Driver	

PRINT NAME:	SIGNATURE:	DEPARTMENT:
HENRY FORDHAM	[Signature]	FATSE 665
NATHANIEL E. DEARMORE	[Signature]	FATSE 665 / TEAMSTER 996
DANE AWUNA	[Signature]	FATSE 665
Michael R. Kachawala	[Signature]	FATSE 665
Cory L. Bathke	[Signature]	FATSE 665
Drew Desjarlais	[Signature]	FATSE 665
ALLEN MOZO	[Signature]	FATSE 665, 600, SAG
Danell Tachihara	[Signature]	FATSE 665
Primo "Sonny" Julian	[Signature]	FATSE 665 / MEDIC
Rahgan Woodsan	[Signature]	FATSE 665
Drew Desjarlais	[Signature]	FATSE 665, BEW 1260
CHRIS WICKINS	[Signature]	FATSE 665, 695, BEW 1260
CHARLEY KAEQ	[Signature]	FATSE 665
CURIS PUPES	[Signature]	CYKIN 6
Zachary Kim	[Signature]	665
Mike Kleisbrack	[Signature]	66.5 / 600
KALIKO PALMIRA	[Signature]	665
DANIEL ROSNER	[Signature]	GRU 665
Tiffany Cheney	[Signature]	Set PA - DGA
LUKAS SENO	[Signature]	FATSE 665
Sonja Balmores	[Signature]	SAG Actor
Chaz Canite	[Signature]	MODEL
Kelsey Campbell	[Signature]	Model
Nalani Ravelo	[Signature]	Model
Kiya Lee	[Signature]	Wordrobe
Tani Fujimoto	[Signature]	actress/model
Caruldo Kato	[Signature]	665 / wardrobe
Kristy Romero	[Signature]	MODEL
Kelly Chinone	[Signature]	Performer
Sarah Indije	[Signature]	model
Meredith Cardenas	[Signature]	model
Ashley van der Buren	[Signature]	model
Sophia On	[Signature]	Actress
Alanna Yoshitaka	[Signature]	model
CHELSEA RODRIGUES	[Signature]	Model
Mokihana Aki	[Signature]	model
Astila Tanaka	[Signature]	model
Eri Aihara	[Signature]	model
Sayaka Ogura	[Signature]	model

PRINT NAME:

SIGNATURE:

DEPARTMENT:

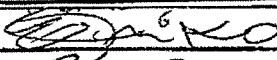

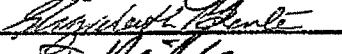
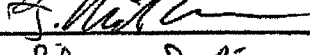
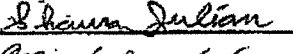
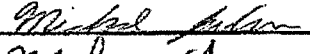
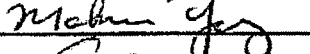

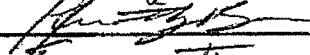
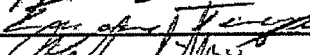
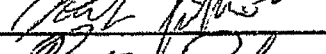

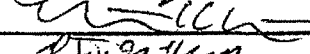
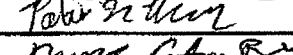
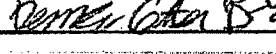
PRINT NAME:	SIGNATURE:	DEPARTMENT:
Christi Urata	Christi Urata	Model
Chantelle Sawia	Chantelle Sawia	Model
Jennifer Kennedy	Jennifer Kennedy	Talent
Cristina de la Riosa	Cristina de la Riosa	Talent/Model
RICHARD DRAKE	Richard Drake	PROP MASTER
Pamora DARCHUCK	Pamora Darchuck	ART DEPT. TAGGS
KELLY ALBEMILLER	Kelly Albemiller	ART DEPT. TAGGS
ICEVOLOD ULITSKY	Icevolod Ulitsky	PRODUCTION
Shoto Kubo	Shoto Kubo	PRODUCTION
Wesley Marju	Wesley Marju	Production
SHANNAN AVEGABER	Shannan Avegaber	PRODUCTION
ADALIA J. COLBERT	Adalia J. Colbert	1065/Hair
JOH. SHIMABUKU	John Shimabuku	Cosmetologist
Janet Kohler	Janet Kohler	Hair
KAMARIA YOUNG	Kamaria Young	SOUND
Brian Racc	Brian Racc	976
BERNARD BROWN	Bernard Brown	SPECIAL EFFECT
ARCHE PHEWA	Arche Phewa	SPECIAL EFFECTS
Shane White	Shane White	SPECIAL EFFECTS
CHARLES RAYMOND	Charles Raymond	EFF
Fern A. Abuna	Fern A. Abuna	EFF
Jim Curtis	Jim Curtis	ELEC.
GOO PYO	Goopyo	GRIP
Jui Seulan	Jui Seulan	GRIP
Garrett Harab	Garrett Harab	Audio
DAN GARAB	Dan Garab	SOUND/VIDEO
ADAM E. KYLE	Adam E. Kyle	MAKEUP
Timothy Chinn	Timothy Chinn	PROPS
Gregory Doi Jr	Gregory Doi Jr	Electric
STACY NEWHOUSE	Stacy Newhouse	STAGE SOUND
John Kendrick	John Kendrick	Prod/Stage Sound/Ele
JOEL CARMICHAEL	Joel Carmichael	MAKEUP/Hair/Stage
RON EVANS	Ron Evans	Elec.
John Q. Adams	John Q. Adams	PRODUCTION GRIP
DAVID WALLACE	David Wallace	Set Medic/Marine
Curtis Winsenter	Curtis Winsenter	GRIP/STAGE Elec
Chuck Butler	Chuck Butler	Stage/Prod
HARRY SAWYER	Harry Sawyer	Stage Prod

PRINT NAME:	SIGNATURE:	DEPARTMENT:
James Kim Moore		Film + Stage
Robert Wong		Trade Show
Darren Rodriguez		Trade Show
EVERETT CALISA		FILM
LARRY SMITHSON		FILM
Kay Carter	KAY CARTER	FILM/STAGE
Ben Shaffer	Ben Shaffer	Film/Stage
Terri L. Laigo	Terri L. LAIGO	Film/Stage
MATTHEW K. LYONS	Matthew K. Lyons	STAGE/SOCIETY
ALEMA RYDER		STAGE
Melvin Pang	Melvin Pang	Film/Stage
Patricia W.K. (Paz) Lopez		STAGE/REGISTRATION
PATRICK LUM		AUDIO
William Kosta		Stagehand
Edward Kosta		Lead Stagehand
Kim Shipton		CARP. Stagehand
Sandy Sandelin		Stagehand
Mark Atkinson		PROPS
Charles Roberts		Audio
James Takahashi	James Takahashi	Grip, Construction
AL OMO		STAGE
Jim Murphy	Jim Murphy	STAGE
Joseph R.R. Cahill III		
CAROL "CASEY" CAMERON	Carol Casey Cameron	STAGE/FILM
FASTER K LOGAN		STUD
JUDITH MATSUMOTO	Judith Matsumoto	WARDROBE
DOUG KISSEL		Trade Show
RICHARD F. HOOPER	Richard F. Hooper	Construction Keys
PAUL KAHA CHUCK II	Paul Kaha Chuck II	FILM / CONST.
JANET FERR		STAGE / FILM
RONALD EVANS		STAGE / FILM
WKE THOMPSON		STAGE / FILM
GENE LISO		STAGE / FILM
WILLIAM KOSTA		STAGE
JOHN M. BURNORDS	JOHN M. BURNORDS	STAGE / FILM
Alexander Aranda		G.I.S STAFF

PRINT NAME:

SIGNATURE:

DEPARTMENT:

Ekechiti Niko		Driver
Andrew Parryke		DRIVER
ELIZABETH BARTON		SCRIPT SUPERVISOR
J. Nick Porreca		Accounting
Shawn Julian		labor
Michael Julian		labor
Makani Young		stage
Sean Brislin		Lifeguard
Timothy Brandon		Lifeguard
EUGENE TEJEPIC		Lifeguard
Noah Williams		Seitch
Brian Julian		labor
Kainoa Reaple		LABOR
Patrick Miller		labor
DUNCAN COSTA BRUM		LABOR

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Temporary tax credit reduction

BILL NUMBER: HB 1583

INTRODUCED BY: Say

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to provide that all allowable business tax credits that may be claimed against a taxpayer's net income tax liability under HRS chapters 235, 239, 241, and 431 shall be reduced according to the following: (1) for the tax year beginning on January 1, 2009 and ending before January 1, 2010, the allowable business tax credit that may be claimed shall be reduced by 75%; (2) for the tax year beginning on January 1, 2010 and ending before January 1, 2011, the allowable business tax credit that may be claimed shall be reduced by 50%; and (3) for the tax year beginning on January 1, 2011 and ending before January 1, 2012, the allowable business tax credit that may be claimed shall be reduced by 25%.

"Business tax credits" shall mean all tax credits allowable under HRS chapters 235, 239, 241, and 431 except the following tax credits:

- (1) Section 235-55 (relating to a tax credit for resident taxpayers);
- (2) Section 235-55.6 (relating to expenses for household and dependent care services necessary for gainful employment);
- (3) Section 235-55.7 (relating to an income tax credit for low-income household renters);
- (4) Section 235-55.85 (relating to the refundable food/excise tax credit);
- (5) Section 235-110.7 (relating to the capital goods excise tax credit);
- (6) Section 239-6.5 (relating to the tax credit for a lifeline telephone service subsidy); and
- (7) Any credit against any tax required by the Constitution or the laws of the United States.

Any business tax credit applicable to a tax year beginning before January 1, 2009 that resulted in a carryover, shall be suspended and not applied to any tax liability for tax years beginning on January 1, 2009, or ending before January 1, 2012; provided that any business tax credit carryover applicable to a tax year beginning before January 1, 2009, may be used against a tax liability in tax years beginning on or after January 1, 2012, until exhausted.

For tax years beginning on January 1, 2009 and ending before January 1, 2012, no allowable business tax credits that may be claimed against a taxpayer's net income tax liability under HRS chapters 235, 239, 241, and 431 shall be carried over to another taxable year.

This section shall apply to taxable years beginning on or after January 1, 2009, and shall not apply to taxable years beginning on January 1, 2012. Repeals this act on January 1, 2012.

EFFECTIVE DATE: Tax years beginning on January 1, 2009

HB 1583 - Continued

STAFF COMMENTS: While it is understandable given the dire financial situation of the state, this proposal represents a reasonable response as it would reduce the amount of tax credits that could be claimed by any one taxpayer. The excluded credits that would not be subject to reduction are basically those which reduce the regressivity of the tax system and should be retained at their full value.

Again whether or not this measure alone will help solve the state's financial situation is anyone's guess without a careful evaluation of how much revenue this measure would generate.

Digested 2/26/09



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819
Phone: (808) 848-2074; Neighbor Islands: 1-800-482-1272
Fax: (808) 848-1921; e-mail: info@hfbf.org

TESTIMONY

HOUSE COMMITTEE ON FINANCE

RE: HB1583: RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our member farm and ranch families and organizations is in strong opposition to HB 1583, suspending tax credits allowable in chapters 235, 239, 241 and 431.

During economic hard times, the fragile tend to be impacted more severely than others in the population. Hawaii's agriculture is in just that category. Astronomical input costs have put our farmers at risk farm ahead of other business categories. While paying higher input costs, they have not been able to pass them on to the consumer, resulting in reduced profitability and in some cases suffering losses. In effect, our farmers and ranchers are imposing a form of tax on themselves by absorbing losses in their operations.

Recognizing the need of long term sustainability for agriculture in Hawaii, we embarked on a path to identify ways to ensure long term agricultural viability. By having viable farms and ranches, the lands would be in agriculture for future generations. The IAL Qualified Agricultural Cost Tax Credit provides for this goal. Unlike material things such as televisions and automobiles, food and fiber is the very basis of human life. As an isolated island state, it makes sense to provide some level of stability for the industry that provides for this very basic need. During difficult economic these incentives become especially important.

We respectfully request that this measure be held. Thank you.

**HB 1583
RELATING TO TAXATION**

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

FEBRUARY 26, 2009

Chair Marcus Oshiro and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and Hawaiian Commercial & Sugar Company, one of its agricultural companies, on HB 1583, "A BILL FOR AN ACT RELATING TO TAXATION."

After over twenty five years of debate, negotiation, and compromise, the IAL Law was finally passed in the 2005 Legislative Session. After years of pursuing a land-use approach to this constitutional mandate, the IAL law that was successfully passed was one premised on the principle that the best way to preserve agricultural lands is to preserve agricultural businesses and agricultural viability. As such, Act 183 (2005) not only provides the standards, criteria, and processes to identify and designate important agricultural lands (IAL) to fulfill the intent and purpose of the Hawaii State Constitution, it also provides for the passage of a package of incentives designated to support and encourage sustained, viable agricultural activity on IAL—prior to the designation of IAL. Act 233 (2008) contains the comprehensive package of incentives to attract the broad spectrum of parties needed to build and foster a viable agricultural industry in Hawaii—to incent farmers, landowners and farmer/landowners, of all sizes, with varying situations and needs, to commit to both designating and farming IAL.

This bill reduces until January 1, 2012, various tax credits including the IAL Qualified Agricultural Cost Tax Credit, which is a part of the comprehensive package of IAL incentives in Act 233 (2008). Not only will this tax credit encourage investment in agricultural infrastructure and operations on IAL, it will greatly assist these dedicated farmers with the basic costs of farming, assisting their viability which is particularly key as many have been badly weakened financially by the impacts of the past two years of unprecedented drought in Hawaii. Furthermore, this tax credit, as part of the comprehensive package of IAL incentives, is central to the IAL law—intended to encourage farmers and landowners to consider the voluntary designation of their agricultural lands as IAL, a process that is currently ongoing and will provide for much quicker designation of IAL. While we understand the fiscal constraints that the Legislature must deal with, we believe that impacting the core aspects of the IAL law may negatively impact the outcome. We also believe that the IAL law should be given a chance to work, the way the Legislature intended it to work when it passed the law.

While we note that this bill excludes various other tax credits from the purview of this bill, we respectfully request that the IAL Qualified Agricultural Cost Tax Credit be added to this list of tax credits excluded from this reduction.

Thank you for the opportunity to testify.



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Allen R Koenig, President & CEO, Claim Check

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Claim Check opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction or suspension of the credit or the carryover provisions prior to 2010 would affect investor confidence and reduce my opportunity to interest investors. This action will have a direct negative affect on the operations of my company.

Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years resulting in severe hardships to our company. Our projected plans related to this credit will be adversely affected to include future job opportunities.

Claim Check is a software development technology company that has patent pending technology that will have a direct affect on the future claims management industry. We need the benefits of Act 221/215 to secure the financial strength to develop and market our unique services. Upon securing the necessary funding, we project the hiring of at least 3 executive level, 5 mid-management level, 5 technical level, and 8 support level employees within 3 months of funding. Our growth plans will provide up to 38 new jobs by the end of our 2nd year of operations.

Please do not force my company to seek opportunities outside of Hawaii.

We feel that HB 1451 provides a better approach.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Allen R. Koenig, BSN, RN

President & CEO, Claim Check
808-533-1776 Roy@ClaimProfile.com



SUPERB DEVELOPMENT & SERVICE CORPORATION

999 BISHOP ST. #1850 - HONOLULU, HI 96813-4457
T. 808.544.0300 - F. 808.441.0952

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Haralds Jass
President & CEO
Superb Development & Service Corp.

RE: Testimony In Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Superb Development & Service Corp. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Superb Development & Service Corp. believes that a better approach is contained in HB 1451.

Superb Development & Service Corp. has started business in Hawaii just in February of 2009, and a significant reason behind our costly and time-consuming move from Vancouver, BC, Canada to Honolulu, Hawaii was precisely the Act 221 tax credits, that are applicable to us as an advanced software developer & researcher. We are adding 2-4 new advanced software developer jobs per month, and expect to grow many fold this year, creating 10 or more well-paid local jobs. However, the proposed changes to Act 221 would greatly erode our confidence in Hawaii and may prompt us to move back to the mainland.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Haralds Jass
President & CEO
hjass@superb.net
808-544-0333



HB1583: Relating to Taxation
HB1588: Relating to Taxation
HB1589: Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair,
Representative Marilyn B. Lee, Vice Chair

FROM: Lisa Gibson
President
Hawaii Science & Technology Council

RE: Testimony In Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. The Hawaii Science & Technology Council (HISciTech) opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

HISciTech believes that a better approach is contained in HB 1451.

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

Sincerely,

Lisa H. Gibson
President
Hawaii Science & Technology Council
(808)536-4670
lgibson@hiscitech.org

HOUSE COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Hearing Date: **February 26, 2009**
State Capitol, Conference Room 308

Re: Opposition to HB 1583 – Seeking to Reduce the Amounts of Tax Credits Available

Dear Chairman Oshiro, Vice Chair Lee, et al:

I **strongly oppose** the portion of HB 1583 that applies to **Section 235-17**, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure.

As a former film producer who has shot all over the country, I am well aware of the different types of state tax credits available to producers. I assure you, **tax credits have a serious impact on a producer's decision on where to base the production.**

Pretending that these tax credits costs taxpayers money is a gross misunderstanding of the basic situation. Without competitive tax breaks available, the filming will simply take place elsewhere. **The tax credits generate revenue because if the filming goes to another state, there will be NO REVENUE to tax.**

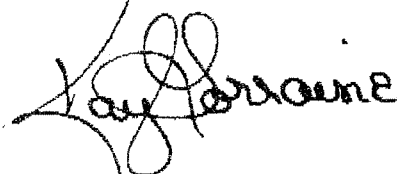
Film people are a unique lot:

1. They hire hundreds of local people and create jobs wherever they go
2. They also bring people with them – people who stay in hotels, eat out, rent cars, and buy stuff
3. These same people dump a whole bunch of money into the local economy while generally not draining our social services.
 - a. Mostly, they don't put their kids in our schools
 - b. They don't spend prolonged periods in our jails
 - c. They don't go on unemployment
 - d. They don't apply for subsidized housing
4. They just come into a community, create jobs, contribute to the economy and then leave the place in as good or better shape than it was before they arrived.

And as if that isn't enough, they take beautiful images of Hawaii and plaster them all over television and movie houses, providing free exposure for the state – a service that HVCB is currently paying for!

I respectfully request that you keep tax credits allowable under chapters 235, 238, 241, and 431, HRS just as they are.

Thank you for the opportunity to provide these comments.



Kay Lorraine
1st Assistant Director
Director's Guild of America

Cellular Bioengineering, Inc.

Invent. Disrupt. Inspire.

HB1583: Relating to Taxation
HB1588: Relating to Taxation
HB1589: Relating to Tax Credits

Date: February 26, 2009
Time: 2:00 p.m.
Place: Conference Room 308

To: House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
From: Michael J. Coy, Vice President, Cellular Bioengineering, Inc. (CBI)

Re: Testimony in Opposition to HB1583, HB1588 and HB1589

Aloha Chair, Vice Chair and Members of the Committee:

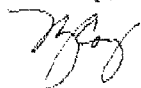
Thank you for the opportunity to testify on these bills. CBI opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until December 31, 2010 and investments were made on that statutory commitment. Any reduction or suspension of the credit or the carryover provisions prior to December 31, 2010 would erode, if not destroy, investor confidence; would dry up investments; and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the September 2008 DoTax study, QITBs spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4,000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTBs will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

CBI believes that a better approach is contained in HB1451, HD1.

With help from Act 221, CBI has grown from 2 employees to 30; acquired technologies from leading scientific institutions around the world; harnessed a robust portfolio of over 25 patents and patent applications; developed the world's most advanced artificial cornea technology which holds the promise of restoring vision to 10 million people around the world; commercialized from concept to market a new generation of green technology for surface cleaning and decontamination; brought talented kama'āinas back home to work, thrive, and pay taxes; and demonstrated to the world that it is entirely possible for a Hawaii-based technology company to have impact that is truly global. Without Act 221, many of these feats could not possibly be accomplished in Hawaii.

Sincerely,



1946 Young Street, Suite 288 · Honolulu, Hawaii 96826
Ph: 808.949.2208 · Fax: 808.949.2209
www.cellularbioengineering.com



702 Kanaha Street
Kailua, HI 96734

808-221-5955

February 24, 2009

HB1583 - Relating to Taxation, HB1588 - Relating to Taxation, & HB1589 - Relating to Tax Credits

HEARING DATE: February 25, 2009
HEARING TIME: 2:00 p.m.
HEARING ROOM: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

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

RE: **Testimony in Opposition** to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Steiner & Associates opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Steiner & Associates believes that a better approach is contained in HB 1451. Steiner & Associates is a consulting firm that provides business and management expertise to entrepreneurs, start-ups and professional service firms. Act 221 incentives will provide the impetus to attract and retain new viable business which will produce jobs and provide a much needed source of revenue.

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

Michael Steiner, CLM, Principal
Steiner & Associates
Telephone: (808) 221-5955
Email: MSteiner@SteinerAssoc.com



Edutainment Resources, Inc.

美國教娛資源有限責任公司

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Lishan Chong
President & CEO
Edutainment Resources, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Edutainment Resources, Inc. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Edutainment Resources, Inc. believes that a better approach is contained in HB 1451.

Edutainment Resources, Inc. integrates digital media in education – specifically developing learning English as a second language (ESL) multimedia materials delivered via iPhone, DVD and Internet platforms to users around the world. We are headquartered in Hawaii and have been able to work with over 50 independent contractors during our peak production. We were the first company to launch ESL Apps (applications) in December 2008 on iPhone 3G and within weeks our ESL Apps were used by learners from over 30 countries. We are confident this initial strong response from the market will lead to revenue generation that in return will benefit our economy.

Since we started several years ago, we have been able to raise money through the Act 221 tax credit program to conduct R&D and product development. Although we have made significant progress, we

still need additional capital to continue our development until enough revenue can be generated to sustain our operation. Without Act 221, we would not have been able to raise the funding to get us to where we are – closer to fruition of our hard work and a success that will benefit all of us in Hawaii!

Thank you for the opportunity to testify on these important bills.

Sincerely,

A handwritten signature in black ink, appearing to be 'Lishan Chong', with a long horizontal stroke extending to the right.

Lishan Chong
President and CEO
808-778-6348
Lishan@EdutainmentResources.com

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as ACT 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Katherine A. James CUSTOMER
1103 Luanaai St.
Kailua, HI 96734

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

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Thank you for the opportunity to provide these comments.

Kenneth A. Kauter
Producer
Creative Service Assoc
Box 458, Kailua, HI 96731

Hawaii Film Authority, Inc.

Stephanie Spangler

4599 Waikui Street

Hono, HI 96821

808-373-2710

HOUSE COMMITTEE ON FINANCE

February 26, 2009 - 2pm

State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

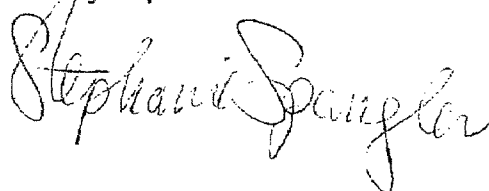
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Thank you for the opportunity to provide these comments.

Stephanie Spangler





Hawai'i
Association of
REALTORS[®]
www.hawaii Realtors.com

The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaii Realtors.com

February 25, 2009

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 1583, Relating to Taxation

HEARING DATE: Thursday, February 26, 2009 at 2:00 p.m.

Aloha Chair Oshiro and Members of the Committee on Finance:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **opposes** H.B. 1583, Relating to Taxation, to the extent that it reduces temporarily the Low-Income Housing Tax Credit allowable under HRS §235-110.8 by 75% in 2009, 50% in 2010, and 25% in 2011.

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

The Rental Housing Trust Fund Program, coupled with federal and state low income housing tax credits, is the most productive of all government assistance programs. However, there is never enough money in the Rental Housing Trust Fund to satisfy the need for low-income rentals and therefore, the Low-Income Housing Tax Credit allowable under HRS §235-110.8 should not be reduced.

HAR also questions whether H.B. 1583 imposes a substantial and unreasonable impairment of an existing contract with a taxpayer who invested in a qualified low-income building in exchange for Low-Income Housing Tax Credits allowable under HRS §235-110.8, which may be in violation of the Contract Clause (Article I, Section 10, Clause 1) of the U.S. Constitution.

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.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819
Phone: (808) 848-2074; Neighbor Islands: 1-800-482-1272
Fax: (808) 848-1921; e-mail: info@hfbf.org

TESTIMONY

HOUSE COMMITTEE ON FINANCE

RE: HB1583: RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our member farm and ranch families and organizations is in **strong opposition to the deletion of the IAL provision in HB 1583**, suspending tax credits allowable in chapters 235, 239, 241 and 431.

During economic hard times, the fragile tend to be impacted more severely than others in the population. Hawaii's agriculture is in just that category. Astronomical input costs have put our farmers at risk farm ahead of other business categories. While paying higher input costs, they have not been able to pass them on to the consumer, resulting in reduced profitability and in some cases suffering losses. In effect, our farmers and ranchers are imposing a form of tax on themselves by absorbing losses in their operations.

Recognizing the need of long term sustainability for agriculture in Hawaii, we embarked on a path to identify ways to ensure long term agricultural viability. By having viable farms and ranches, the lands would be in agriculture for future generations. The IAL Qualified Agricultural Cost Tax Credit provides for this goal. Unlike material things such as televisions and automobiles, food and fiber is the very basis of human life. As an isolated island state, it makes sense to provide some level of stability for the industry that provides for this very basic need. During difficult economic these incentives become especially important.

We respectfully request that **the section referencing the deletion of the IAL Qualified Agricultural Cost Tax Credit** be deleted. Thank you.

Stuart "Randy" Spangler
The Location Company
LOST - Location Consultant

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-8001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as ACT 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

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- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Stuart Randy Spangler





Pacific Aquaculture and Biotechnology LLC

91-329 Kauhi Street Unit B-2, Kapolei, Hawaii 96707

Phone: 808 386-4489 (Oahu), 808 334-9737 (Kona)

DATE: February 25, 2009

TIME: 2:00pm

PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Joseph Tabrah
President
Pacific Aquaculture and Biotechnology LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Pacific Aquaculture and Biotechnology LLC opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

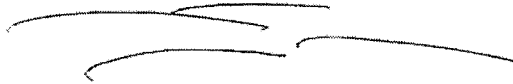
Pacific Aquaculture and Biotechnology LLC believes that a better approach is contained in HB 1451.

Our company has recently completed a seven year development program resulting in specific pathogen free stocks of penaeus monodon shrimp. We are now in the process of establishing selectively bred lines of these shrimp for commercialization. In the past 12 months, the company has grown from two to eleven employees. Pacific Aquaculture and Biotechnology is actively negotiating with local partners to raise capital under the terms of acts 215/221 to provide for the expansion of facilities at NELHA to provide sufficient

infrastructure to support commercial production of shrimp broodstock from these selectively bred lines. These commercial operations will employ upwards of 30 people. Acts 215 and 221 provide one of the few avenues we have encountered here in Hawaii to raise capital to support the growth of technology based companies such as ours.

Thank you for the opportunity to testify on these important bills.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping, fluid strokes that form the name 'Joseph Tabrah'.

Joseph Tabrah
President
Pacific Aquaculture and Biotechnology LLC
808 386 4489/808 334 9737
jtabrah@pabllc.biz

Millennium Films

P.O. Box 183 Kihei, HI 96753
Office (808)874-0995 Fax (808)879-8822
e-mail milfilm@maui.net

February 25, 2009

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

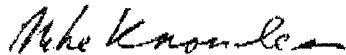
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Thank you for the opportunity to provide these comments.

Sincerely



Mike Knowles
Director of Photography

MAKAI MOTION PICTURES

VIA EMAIL: February 23, 2009

Email/upload to: Rep. Marcus Oshiro, Finance Committee

From: coreytong@aol.com, coreytong@earthlink.net

HB1583 - Relating to Taxation

HB1588 - Relating to Taxation

HB1589 - Relating to Tax Credits

DATE: February 26, 2009

TIME: 2:00pm

PLACE: Conference Room 308

TO: House Committee on Finance

Representative Marcus R. Oshiro, Chair

Representative Marilyn B. Lee, Vice Chair

FROM: Corey Tong

President and Chief Creative Executive, Producer of new feature film 'THE GATHERING PLACE'

Makai Motion Pictures, Honolulu, Hawaii

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

Aloha Chairman Oshiro, Vice Chair Lee and Members of the Committee,

Thank you for the opportunity to testify on these bills. On behalf of my film production company MAKAI MOTION PICTURES I oppose HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Our new media and film company Makai Motion Pictures believes that a better approach is contained in HB 1451.

MAKAI MOTION PICTURES is an international film financing, development and production company based in Hawaii. The company is committed to creating original, high-quality film and television programming for the international marketplace with a particular emphasis on stories and content originating from or in Hawaii. Makai Motion Pictures also forms co-production,

MAKAI

MOTION PICTURES

Page 2 of 3

creative and financial partnerships with filmmakers, production-distribution companies and original content creators around the Asia-Pacific Region and the globe.

Born and raised in Hilo – and then having lived away on the mainland U.S., as well as in France, Germany and Japan for over 20 years – I have always had dreams to return to the islands to work professionally and creatively, and to showcase the unique social, cultural and geographic beauty of the islands to the rest of the world. Hawaii's Act-221 investment credits – created with such vision for the development of new industries – provided me with the single most important opportunity to bring my professional international film knowledge and experiences back to the islands and to create projects in Hawaii that would give the islands vast international exposure. I helped to produce a film called THE LAND HAS EYES with some Hawaii-partners in 2004, and spending time professionally back in the islands – along with the opportunities to develop new projects that Act-221 provided – gave me the incentives and financial opportunities to consider moving back to Hawaii to launch our media company Makai Motion Pictures.

Makai Motion Pictures is currently in the midst of financing a new international feature film project called THE GATHERING PLACE which we intend to shoot in summer-fall of 2009, set mostly on the island of Oahu (with newly renovated The Royal Hawaiian Hotel, local restaurants and homes, Kapiolani/Sans Souci and Waimanalo beaches as primary locations), with local production crews and as many 'hapa-local' cast as possible. Budgets/expenditures in Hawaii would range from \$1M to more than \$3M, upwards of 60-100 local positions or roles per project, along with needs for production services and support, hotels, transport, catering, post-production, music talent, etc.

Makai Motion Pictures is utilizing international (Hong Kong, Japan, mainland U.S.) financing to support this film production partnered with the vital contributions of Hawaii equity and 221 investment. Makai Motion Pictures also has several other projects in development, most created with Hawaii in mind as primary locations and character inspiration. We want to remain a viable Hawaii production and development company, and our project financing, production and distribution phases all depend on the vision and financial opportunities that the state of Hawaii provides for long-term sustainability for companies like ours to remain in the islands.

Especially crucial, Makai Motion Pictures is currently negotiating to bring in upwards of \$2million for our feature film THE GATHERING PLACE from outside the state. The film is one of the few international-level films written and produced by a 'local boy' using local executive/producing teams, and using Hawaii musicians and cast that will have international exposure not only in the U.S. but in Japan and Chinese-speaking territories.

If Act 221's investment benefits were to be altered, that would effectively cut off opportunities for financing in 2009 and beyond, and our company Makai Motion Pictures will very likely need to move to California. THE GATHERING PLACE film would likely need to be shelved or re-worked into another setting and location, as there would be little or no incentive to use Hawaii creative talent or settings if there are no financial opportunities to support them. Makai has spent over two years developing this project inspired by – and created and set in – Hawaii. We sincerely want to continue developing the local talent base, producing international

MAKAI

MOTION PICTURES

Page 3 of 3

quality programs and showcasing Hawaii to the world, as no one else will if we don't do it ourselves.

Thank you for the opportunity to testify on these important bills. We respectfully ask that you hold these bills and continue providing Hawaii and new businesses with long-term unique economic opportunities to flourish and grow.

Sincerely,

Corey Tong
President & Chief Creative Executive
Makai Motion Pictures
Honolulu, Hawaii
+1 808 524 5738
+1 415 626 5585
ctong@makaimotionpictures.com



integrated branding + production

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308
FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

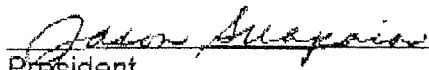
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Thank you for the opportunity to provide these comments.



President



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Danny Rosner
Title: President
Company: Hawaii Media, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Hawaii Media, Inc. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Hawaii Media, Inc. believes that a better approach is contained in HB 1451.

Hawaii Media, Inc. is a production service company servicing the film and television industry in Hawaii. We currently have ten (10) employees and have been in business here for 17 years.

Act 221/215 has been responsible for the expansion of our business to include sound stages, production offices, investment and financing. Without opportunities created by the Act, Hawaii Media Inc. may well have gone out of business with the production downturn after the events of 9/11/2001.

Thank you for the opportunity to testify on these important bills.

Sincerely,



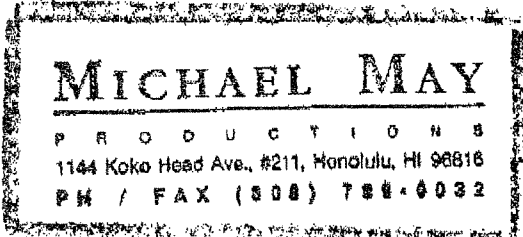
Danny Rosner

President

Hawaii Media, Inc.

(808) 484-5706

Email: danny@hawaiimedia.com



HOUSE COMMITTEE ON FINANCE
 February 26, 2009 - 2pm
 State Capitol, Conference Room 308

FAX: 586-6001

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I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Michael M. May
 PRODUCER, MEDIA



LAND USE RESEARCH
FOUNDATION OF HAWAII
700 Bishop Street, Ste. 1928
Honolulu, Hawaii 96813
Phone 521-4717
Fax 536-0132

Via Capitol Website

February 26, 2009

**House Committee on Finance
Hearing Date: February 26, 2009, at 2:00 PM in CR 308**

**Comments Regarding HB 1583: Relating to Taxation.
(Graduated Reduction of Tax Credits for select taxable years)**

Honorable Chair Marcus Oshiro Vice-Chair Marilyn Lee and
Finance Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments regarding HB 1583, which reduces tax credits allowable under chapters 235, 239, 241, and 431, HRS, by a certain amount for taxable years beginning on or after January 1, 2009, and ending before January 1, 2012. This measure suspends the use of tax credit carryovers generated from taxable years beginning before January 1, 2009, until January 1, 2012.

HB 1583. HB 1583 proposes to add a new section to Chapter 231 of the Hawaii Revised Statutes (HRS), which would limit a select number of tax credits a by a graduated percentage from seventy-five per cent to twenty-five per cent differing in tax years from 2009 to 2011, as follows:

"§231- Temporary tax credit reduction. (a) Notwithstanding any law to the contrary, all allowable business tax credits that may be claimed against a taxpayer's net income tax liability under chapters 235, 239, 241, and 431, except for those tax credits provided in subsection (b), shall be reduced as follows:

(1) For the taxable year beginning on or after January 1, 2009, and ending before January 1, 2010, the allowable business tax credit that may be claimed shall be reduced by seventy-five per cent;

(2) For the taxable year beginning on or after January 1, 2010, and ending before January 1, 2011, the allowable business tax credit that may be claimed shall be reduced by fifty per cent; and

(3) For the taxable year beginning on or after January 1, 2011, and ending before January 1, 2012, the allowable business tax credit that may be claimed shall be reduced by twenty-five per cent.

Those that qualify under "business tax credits" and would be exempt from this graduated reduction include the following listed in subsection (b), HB 1583 states:

(b) For purposes of this section, "business tax credit" means all tax credits allowable under chapters 235, 239, 241, and 431, except for the following tax credits:

(1) Section 235-55 (relating to a tax credit for resident taxpayers);

(2) Section 235-55.6 (relating to expenses for household and dependent care services necessary for gainful employment);

(3) Section 235-55.7 (relating to an income tax credit for low-income household renters);

(4) Section 235-55.85 (relating to the refundable food/excise tax credit);

(5) Section 235-110.7 (relating to the capital goods excise tax credit);

(6) Section 239-6.5 (relating to the tax credit for a lifeline telephone service subsidy); and


(7) Any credit against any tax required by the Constitution or the laws of the United States.

HB 1583 also suspends the use of tax credit carryovers generated from taxable years beginning before January 1, 2009 until January 1, 2012.

LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawai'i's economy. The effects of a reduction of such tax credits will directly affect current and future projects that have already finalized their budgets. Especially those affordable housing projects that will attempt to address Hawaii's housing shortage.

For example, HB 1583 would apply the graduated reduction to Section 235-110.46, which include tax credits for **Ko Olina Resort and Marina**, which is set to expire in May 2009. The intent behind this tax credit was to benefit west Honolulu region and specifically the Waianae Coast by providing training facilities and programs in hotel and resort training for the community. The proposed reduction may have an affect on the current Disney project, which broke ground in 2008 and hopes to open in 2011 on 21 acres with 350 hotel rooms and 480 time-share villas for Disney Vacation Club members.

Similarly, the **Renewable Energy Technology Tax Credit**, which falls under HRS §235-12.5 will also be affected. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing



more affordable, and enhance Hawaii's economy. This tax credit is important because it provides incentives for homeowners and developers to employ renewable technologies that reduce the use of fossil fuels. The loss of tax incentives under HB 1583 will be detrimental to new efforts relating to renewable energy technology and will adversely affect current and future projects which involve renewable energy.

Another affected tax credit, under HB 1583 will include the **Important Agricultural Lands (IAL) tax credits** under Section 235-110.93, which incentivize farmers and agricultural land owners to invest in agricultural infrastructure and operations on lands designated under Act 233 (2008) as IAL. IAL tax credits under Act 233 (2008) could provide valuable assistance to farmers with initial costs of farming, especially during these difficult economic times.

LURF requests that the following tax credits be included in the list in subsection (b) which excludes it from the fifty per cent reduction:

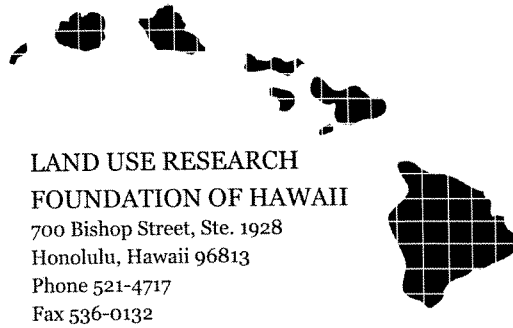
- **Renewable Energy projects (Section 235-12.5);**
- **Affordable housing projects (Section 235-110.8);**
- **Ko Olina Disney projects (Section 235-110.46); and**
- **Farmers designating Important Agricultural Lands (Section 235-110.93).**

LURF and its Members respectfully request that these sections be qualified under the "business tax credit" categories and be listed under subsection (b), because it will significantly impact a number of initiatives already in place. While we agree that as a state and nation, we must determine where and what needs trimming in government, we must not take away from the investors that help to stimulate the economy. Tax credits can also help the construction industry which is involved in resort development, affordable housing projects and infrastructure improvements.

We understand the need to reduce tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

Based on the above, we respectfully request that the above-mentioned Tax Credit sections be added to the list in subsection (b) being proposed by HB 1583.

Thank you for the opportunity to testify.



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Via Capitol Website

February 26, 2009

House Committee on Finance
Hearing Date: February 26, 2009, at 2:00 PM in CR 308

Comments Regarding HB 1583: Relating to Taxation.
(Graduated Reduction of Tax Credits for select taxable years)

Honorable Chair Marcus Oshiro Vice-Chair Marilyn Lee and
Finance Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawai'i's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments regarding HB 1583, which reduces tax credits allowable under chapters 235, 239, 241, and 431, HRS, by a certain amount for taxable years beginning on or after January 1, 2009, and ending before January 1, 2012. This measure suspends the use of tax credit carryovers generated from taxable years beginning before January 1, 2009, until January 1, 2012.

HB 1583. HB 1583 proposes to add a new section to Chapter 231 of the Hawaii Revised Statutes (HRS), which would limit a select number of tax credits a by a graduated percentage from seventy-five per cent to twenty-five per cent differing in tax years from 2009 to 2011, as follows:

"§231- Temporary tax credit reduction. (a) Notwithstanding any law to the contrary, all allowable business tax credits that may be claimed against a taxpayer's net income tax liability under chapters 235, 239, 241, and 431, except for those tax credits provided in subsection (b), shall be reduced as follows:

(1) For the taxable year beginning on or after January 1, 2009, and ending before January 1, 2010, the allowable business tax credit that may be claimed shall be reduced by seventy-five per cent;

(2) For the taxable year beginning on or after January 1, 2010, and ending before January 1, 2011, the allowable business tax credit that may be claimed shall be reduced by fifty per cent; and

(3) For the taxable year beginning on or after January 1, 2011, and ending before January 1, 2012, the allowable business tax credit that may be claimed shall be reduced by twenty-five per cent.

Those that qualify under "business tax credits" and would be exempt from this graduated reduction include the following listed in subsection (b), HB 1583 states:

(b) For purposes of this section, "business tax credit" means all tax credits allowable under chapters 235, 239, 241, and 431, except for the following tax credits:

(1) Section 235-55 (relating to a tax credit for resident taxpayers);

(2) Section 235-55.6 (relating to expenses for household and dependent care services necessary for gainful employment);

(3) Section 235-55.7 (relating to an income tax credit for low-income household renters);

(4) Section 235-55.85 (relating to the refundable food/excise tax credit);

(5) Section 235-110.7 (relating to the capital goods excise tax credit);

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(7) Any credit against any tax required by the Constitution or the laws of the United States.

HB 1583 also suspends the use of tax credit carryovers generated from taxable years beginning before January 1, 2009 until January 1, 2012.

LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawaii's economy. The effects of a reduction of such tax credits will directly affect current and future projects that have already finalized their budgets. Especially those affordable housing projects that will attempt to address Hawaii's housing shortage.

For example, HB 1583 would apply the graduated reduction to Section 235-110.46, which include tax credits for **Ko Olina Resort and Marina**, which is set to expire in May 2009. The intent behind this tax credit was to benefit west Honolulu region and specifically the Waianae Coast by providing training facilities and programs in hotel and resort training for the community. The proposed reduction may have an affect on the current Disney project, which broke ground in 2008 and hopes to open in 2011 on 21 acres with 350 hotel rooms and 480 time-share villas for Disney Vacation Club members.

Similarly, the **Renewable Energy Technology Tax Credit**, which falls under HRS §235-12.5 will also be affected. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing

more affordable, and enhance Hawaii's economy. This tax credit is important because it provides incentives for homeowners and developers to employ renewable technologies that reduce the use of fossil fuels. The loss of tax incentives under HB 1583 will be detrimental to new efforts relating to renewable energy technology and will adversely affect current and future projects which involve renewable energy.

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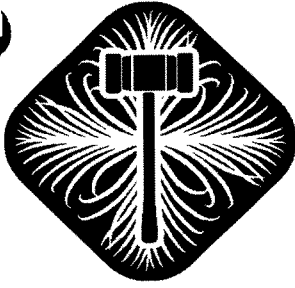
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We understand the need to reduce tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

Based on the above, we respectfully request that the above-mentioned Tax Credit sections be added to the list in subsection (b) being proposed by HB 1583.

Thank you for the opportunity to testify.



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To: House Committee on Finance
From: Moya Gray, Executive Director
RE: Testimony In Support of H.B. 625 Relating To Surcharges For
Indigent Legal Services

Hearing: February 27, 2008, 4:00 PM

Chair Oshiro, Vice Chair Lee and members of the Committee, thank you for this opportunity to testify in support of H.B. 625, relating to surcharges for indigent legal services.

I am Moya Gray, Executive Director of Volunteer Legal Services Hawaii. Through the generosity of our volunteer lawyers, we provide legal services to clients throughout the State of Hawaii. I also serve as a Commissioner on The Access to Justice Commission and as a member of the Consortium of Hawaii Legal Service Providers, many of whom have submitted testimony.

The Commission's predecessor, the Access to Justice Hui, found in its groundbreaking 2007 report, that **only 1 in 5 low and moderate income residents of Hawaii have their serious legal needs met because the legal services providers lack adequate funding and attorneys.**

This bill proposes that the surcharge be increased to help sustain the work of Hawaii's legal service providers and that the distribution formula be changed to be more equitable. The current surcharges have not been changed in over 13 years.

Should this proposal become law the increased surcharges will only offset the **very significant losses of income from the Interest on Lawyers Trust Accounts (IOLTA) which is administered through the Judiciary.** This loss of income is tied directly to the very low federal interest rate. The drop in the federal interest rate, while intended to help credit flow again, has only aggravated a very difficult situation for poor folks.

Increased charges will be paid for by the court users, initially by plaintiffs and in those cases in which plaintiffs win the plaintiff will likely pass the charges on to the defendant. However, the bill retains very significant exemptions from the surcharge for those individuals who file small claims cases, for temporary restraining orders, for protective orders, for indigent clients who have received permission to proceed in forma pauperis and the government.

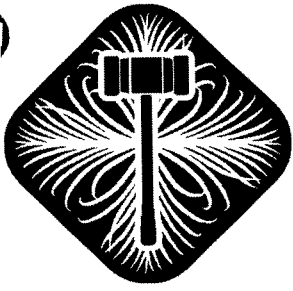
As you know these funds are collected by the Judiciary and administered under contract with the Hawaii Justice Foundation. The Hawaii Justice Foundation distributes these funds based upon the statutory formula. The current distribution formula provides more funds to the largest of the all the service providers, in fact 50% currently goes to the largest service provider whereas less than 4% goes to the smallest agency. This bill proposes to change the distribution formula so that 30% of the entire fund will be split evenly among **qualified** legal service providers and that the remaining 70% will be distributed pro rata based upon actual expenditures.

In order to qualify for such revenues each applicant to the fund must meet statutory requirements which the Hawaii Justice Foundation ensures and accounting for such revenues is provided through this process. The ILAF Program has procedural safeguards to ensure accuracy and accountability. All successful applicants are strictly monitored by the Hawaii Justice Foundation. Quarterly reports and a yearly summary report are required of each organization, and these are reviewed by the Hawaii Justice Foundation.

Finally, we would support an amendment to the bill to set off the distribution under the proposed formula to July 2010, thereby maintaining the current one year lag in the distribution of the increased surcharge.

This bill will improve the ability of the large, medium and small legal services providers to provide much needed legal services to the poor, the disabled, the homeless, the abused and the most vulnerable of all of us. For that reason, Volunteer Legal Services Hawaii supports this bill and we respectfully ask that you pass this bill.

Thank you.



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To: House Committee on Finance
From: Moya Gray, Executive Director
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Indigent Legal Services

Hearing: February 27, 2008, 4:00 PM

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Finally, we would support an amendment to the bill to set off the distribution under the proposed formula to July 2010, thereby maintaining the current one year lag in the distribution of the increased surcharge.

This bill will improve the ability of the large, medium and small legal services providers to provide much needed legal services to the poor, the disabled, the homeless, the abused and the most vulnerable of all of us. For that reason, Volunteer Legal Services Hawaii supports this bill and we respectfully ask that you pass this bill.

Thank you.



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Via Capitol Website

February 26, 2009

**House Committee on Finance
Hearing Date: February 26, 2009, at 2:00 PM in CR 308**

**Comments Regarding HB 1588: Relating to Taxation.
(Adding New Chapter entitled Credits against Income; claim limitation)**

Honorable Chair Marcus Oshiro Vice-Chair Marilyn Lee and Finance Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawai'i's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments regarding HB 1588, which reduces tax credits allowable under Hawaii Revised Statutes (HRS) Chapters 235, 239, 241, and 431, for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011. Imposes a tax credit ceiling.

HB 1588. HB 1588 proposes to add a new section to HRS Chapter 235, which would limit any business credit claim of not more than fifty percent of a taxpayer's liability for tax credits under HRS Chapters 235, 239, 241 or 431 for years beginning after January 1, 2009 and ending before January 1, 2011. HB 1588 defines business credit as all tax credits allowable under chapters 235, 239, 241, 431 **except** for the following:

- (1) Section 235-15 (relating to a tax credit for child passenger restraint systems);
- (2) Section 235-17 (relating to a tax credit for motion picture, digital media, and film production);
- (3) Section 235-55 (relating to a tax credit for resident taxpayers);
- (4) Section 235-55.6 (relating to a tax credit for household and dependent care services);

(5) Section 235-55.7 (relating to a tax credit for low-income household renters);

(6) Section 235-55.85 (relating the refundable food/excise tax credit);

(7) Section 235-110.3 (relating to a tax credit for ethanol investment);

(8) Section 235-110.6 (relating to a tax credit for commercial fishers' fuel);

(9) Section 235-110.8 (relating to a credit for capital goods excise taxes);

(10) Section 235-110.91 (relating to a credit for research activities);

(11) Section 239-6.5 (relating to the tax credit for lifeline telephone services); and

(12) Any credit against any tax required by the Constitution or the laws of the United States.

HB 1588 also limits any credit carryovers to the fifty percent restriction in subsection (a). This bill is applicable to taxable years beginning on or after January 1, 2008, and shall not apply to taxable years beginning on or after January 1, 2011.

LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawai'i's economy. The effects of a reduction of such tax credits will directly affect current and imminent projects that have already solidified their budgets.

For example, HB 1588 would apply the graduated reduction to Section 235-110.46, which include tax credits for **Ko Olina Resort and Marina**, which is set to expire in May 2009. The intent behind this tax credit was to benefit the west Honolulu region and specifically the Waianae Coast by providing training facilities and programs in hotel and resort training for the community. The proposed reduction may have an affect on the current Disney project, which broke ground in 2008 and hopes to open in 2011 on 21 acres with 350 hotel rooms and 480 time-share villas for Disney Vacation Club members.

Similarly, the **Renewable Energy Technology Tax Credit**, which falls under HRS §235-12.5 will also be affected. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing more affordable, and enhance Hawaii's economy. This tax credit is important because it provides incentives for homeowners and developers to employ renewable technologies that reduce the use of fossil fuels. The lost of tax incentives under HB 1588 will be detrimental to new efforts relating to renewable energy technology and will adversely affect current and future projects which involve renewable energy.

Another affected tax credit, under HB 1588 will include the **Important Agricultural Lands (IAL) tax credits** under Section 235-110.93, which incentivize farmers and agricultural land owners to invest in agricultural infrastructure and operations on lands designated under Act 233 (2008) as IAL. IAL tax credits under Act 233 (2008) could



provide valuable assistance to farmers with initial costs of farming, especially during these difficult economic times.

For the reasons mentioned above, LURF respectfully requests that the following tax credits be included in the list in subsection (b) which excludes it from the fifty per cent reduction:

- **Renewable Energy projects (Section 235-12.5);**
- **Ko Olina Disney projects (Section 235-110.46); and**
- **Farmers designating Important Agricultural Lands (Section 235-110.93).**

While we agree that as a state and nation, we must determine where and what needs trimming in government, we must not take away from the investors that help to stimulate the economy. Tax credits can help the construction industry which is involved in resort development, preservation of local agriculture and infrastructure improvements.

We understand the need to reduce tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

Based on the above, we respectfully request that the above-mentioned Tax Credit sections be added to the list in subsection (b) which will be excluded from this proposed fifty per cent reduction proposed by HB 1588.

Thank you for the opportunity to testify.



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Via Capitol Website

February 26, 2009

**House Committee on Finance
Hearing Date: February 26, 2009, at 2:00 PM in CR 308**

**Comments Regarding HB 1588: Relating to Taxation.
(Adding New Chapter entitled Credits against Income; claim limitation)**

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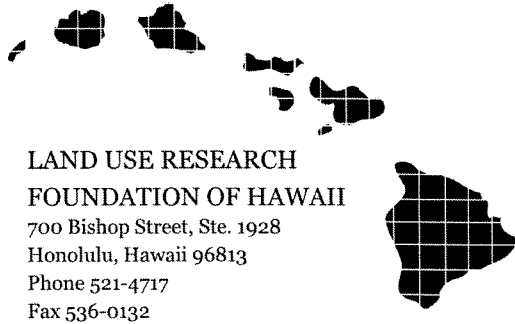
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February 26, 2009

House Committee on Finance
Hearing Date: February 26, 2009, at 3:00 PM in CR 308

Comments Regarding HB 1746: Relating to Taxation.
(Temporary Suspension of Select Tax Credits)

Honorable Chair Marcus Oshiro Vice-Chair Marilyn Lee and Finance
Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawai'i's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments regarding HB 1746, which temporarily suspends selected stat tax relief measures enacted within the past six years fro a unspecified period.

HB 1746. HB 1746 proposes to temporarily suspend select tax credits adopted within the past six years from July 1, 2009 to December 31, 2015 including:

Hawaii Revised Statutes	Subject Matter
(1) §235-7(a)(13)	Excluded Income/Condo Fee Sale;
(2) §235-12.5	Renewable Energy Technology Tax Credit;
(3) §235-17	Motion Picture/Film Tax Credit;
(4) §235-19	Exceptional Tree Tax Deduction;
(5) §235-110.3	Ethanol Facility Tax Credit;
(6) §235-110.51	Technology Infrastructure Renovation Tax Credit;
(7) §235-110.9	High Technology Business Investment Tax Credit;
(8) §235-110.91	Research Activities Tax Credit;
(9) §235-110.93	Important Agricultural Land Tax Credit;
(10) §237-24.75(2)	Convention Center Operator General Excise Tax Exemption;

- (11) §237-24.75(3) Professional Employment Organization General Excise
Tax Exemption; and
(12) §239-6 Airlines/Certain Carriers Tax.

HB 1746 effective date is July 1, 2009.

LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawai'i's economy. The effects of a suspension of such tax credits will directly affect projects that have already finalized their budgets.

LURF requests that Subsection (9) §235-110.93 Important Agricultural Land Tax Credit and Subsection (2) 235-12.5 Renewable Energy Technology Tax Credit be deleted from this bill.

IAL Tax credits, which fall under HRS §235-110.93 are important to encourage farming and growing of local produce. Additionally, the IAL tax credit was intended to encourage farmers and landowners to voluntarily designate their agricultural lands as IAL to preserve prime lands for agricultural production. The IAL tax credit supports the new green thinking and the concept of sustainability – growing local produce makes us less dependable on outside resources.

Similarly, the **Renewable Energy Technology Tax Credit**, which falls under HRS §235-12.5 is also important as it provides incentives for homeowners and developers for renewable technologies that take away from the use of fossil fuels. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing more affordable, and enhance Hawaii's economy. The suspension of the Renewable Energy Technology Tax Credits proposed by HB 1746 will detrimentally impact renewable energy technology in Hawaii and adversely affect current and future projects which involve renewable energy.

We understand the need to repeal tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

Based on the above, we respectfully request that the above-mentioned Tax Credit sections be excluded from this proposed temporary suspension by HB 1746.

Thank you for the opportunity to testify.



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FOUNDATION OF HAWAII
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Phone 521-4717
Fax 536-0132

Via Capitol Website

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Tax Exemption; and
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LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawai'i's economy. The effects of a suspension of such tax credits will directly affect projects that have already finalized their budgets.

LURF requests that Subsection (9) §235-110.93 Important Agricultural Land Tax Credit and Subsection (2) 235-12.5 Renewable Energy Technology Tax Credit be deleted from this bill.

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Via Capitol Website

February 26, 2009

**House Committee on Finance
Hearing Date: February 26, 2009, at 2:00 PM in CR 308**

**Comments Regarding HB 1589: Relating to Tax Credits
(Reducing IAL Tax Credits by Fifty Per Cent)**

Honorable Chair Marcus Oshiro Vice-Chair Marilyn Lee and Finance
Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawai'i's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments regarding HB 1589, which reduces tax credits allowable under chapters 235, 239, 241, and 431, HRS, by a certain amount for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011. HB 1589 also suspends the use of tax credit carryovers generated from taxable years beginning before January 1, 2009 until January 1, 2011.

HB 1589. HB 1589 proposes to add a new section to Chapter 235 of the Hawaii Revised Statutes (HRS), which would limit a number of tax credits by **fifty percent** except for those tax credits listed in subsection (b), which include:

(b) For purposes of this section, "business tax credit" means all credits allowable under chapter 235, chapter 239, chapter 241, or chapter 431, except the following tax credits:

(1) Section 235-55 (relating to a credit for taxes paid to other jurisdictions);

(2) Section 235-55.6 (relating to a credit for care expenses of dependents);

(3) Section 235-55.7 (relating to a credit for low-income household renters);

- (4) Section 235-55.85 (relating to a credit for low-income refundable food/excise taxes);
- (5) Section 239-6.5 (relating to a credit for lifeline telephone services); and
- (6) Any credit against any tax required by the Constitution or the laws of the United States.

HB 1589 limits the tax credit of those that do not fall under business tax credit to fifty percent of a taxpayer's tax liability for various tax credits.

LURF's Position. Although the State and nation are facing very difficult economic times it would be even more detrimental to take away some of the few existing incentives available that could help jumpstart Hawai'i's economy. The effects of a reduction of such tax credits will directly affect current and imminent projects that have already solidified their budgets. HB 1589 will negatively affect farmers voluntarily designated as "Important Agricultural Lands" (IAL), affordable housing projects, low-income household renters renewable energy projects, and the Ko Olina Disney project.

Impact on IAL. Another affected tax credit, under HB 1589 will include the **Important Agricultural Lands (IAL) tax credits** under Section 235-110.93, which incentivize farmers and agricultural land owners to invest in agricultural infrastructure and operations on lands designated under Act 233 (2008) as IAL. IAL tax credits under Act 233 (2008) could provide valuable assistance to farmers with initial costs of farming, especially during these difficult economic times.

Impact on Affordable Housing. Reducing the amount of tax credits allowable for affordable housing projects would greatly affect Hawaii's existing housing shortage crisis. In 2007, the Administration convened a statewide task force to identify barriers to affordable housing development in Hawaii and to recommend appropriate solutions. The Affordable Housing Regulatory Barriers Task Force comprised of representatives from the counties, business, labor, developers, architects, non-profit providers of services, the state and the legislature to recommend solutions to address barriers to affordable housing. The initiation of this Task Force illustrates the need of affordable housing in Hawaii and how critical it is to Hawaii's people. Thus, support of the Low Income Housing Tax Credit is not only important on a national level, but also very important to our people in the State of Hawaii.

Impact on Renewable Energy Projects. Similarly, the **Renewable Energy Technology Tax Credit**, which falls under HRS §235-12.5 will also be affected. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing more affordable, and enhance Hawaii's economy. This tax credit is important because it provides incentives for homeowners and developers for renewable technologies that take away from the use of fossil fuels. The lost of tax incentives under HB 1589 will be detrimental to new efforts relating to renewable energy technology and will adversely affect current and future projects which involve renewable energy.

Impact on Ko Olina Resort. Another example, is the impact of the loss of tax credits under Section 235-110.46 for **Ko Olina Resort and Marina**. The intent behind this tax credit was to benefit west Honolulu region and specifically the Waianae Coast by providing training facilities and programs in hotel and resort training for the community. The proposed reduction may have an affect on the current Disney project, which broke ground in 2008 and hopes to open in 2011 on 21 acres with 350 hotel rooms and 480 time-share villas for Disney Vacation Club members.

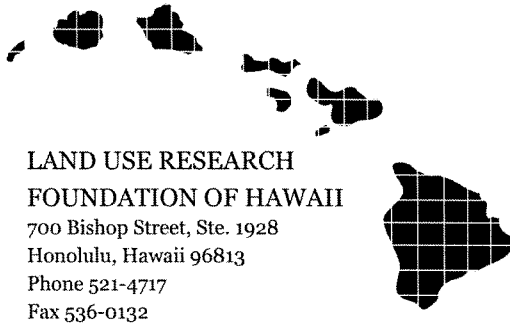
For these reasons, LURF respectfully requests that the following tax credits be included in the list in subsection (b) which excludes it from the fifty per cent reduction:

- **Renewable Energy projects (Section 235-12.5);**
- **Affordable housing projects (Section 235-110.8);**
- **Income tax credit for low-income household renters (Section 235-55.7);**
- **Ko Olina Disney projects (Section 235-110.46); and**
- **Farmers designating Important Agricultural Lands (Section 235-110.93).**

Based on the above, we respectfully request that the above-mentioned Tax Credit sections be added to the list in subsection (b) which will be excluded from this fifty per cent reduction proposed by HB 1589.

We understand the need to reduce tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

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Thank you for the opportunity to testify.

FINTestimony

From: Dir [Dir@NHKS.org]
Sent: Thursday, February 26, 2009 1:31 PM
To: FINTestimony
Subject: HB1742
Attachments: Testimony RE Nonprofit GET.jpg

Aloha House Finance Committee,

I am submitting the attached testimony in opposition of HB1742 which would dramatically affect our small, nonprofit school. Please consider the impact that this bill would have on agencies that work directly with children, the elderly, and individuals in need.

Respectfully,

Shari Gulledge
Navy Hale Keiki School
(808) 423-1727

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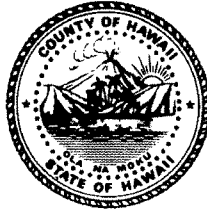
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J YOSHIMOTO
Chair & Presiding Officer
Council District 3



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HAWAI'I COUNTY COUNCIL
COUNTY OF HAWAI'I

TESTIMONY OF COUNCIL CHAIR J YOSHIMOTO,
HAWAI'I COUNTY COUNCIL
TO THE HOUSE FINANCE COMMITTEE
ON HOUSE BILL NO. 345
RELATING TO CAMPAIGN SPENDING

February 27, 2009
4:00 p.m.

Chair Oshiro, Vice-Chair Lee, and members of the House Finance Committee, thank you for the opportunity to testify in support of House Bill No. 345. I am testifying in my capacity as an individual Hawai'i County Council Member; the current County Council, as a body, has not taken any position on this matter.

The purpose of House Bill No. 345 is to delay the applicability of Act 244, Session Laws of Hawai'i 2008 (a pilot project for publicly funded campaigns for Hawai'i County Council) to the 2014, 2016, and 2018 general election years. While the previous Hawai'i County Council passed a resolution in favor of public funding for elections to the Hawai'i County Council, Act 244 raises a number of operational, policy and fiscal concerns that need to be addressed; at the very least, implementation of this program needs to be delayed.

I am primarily concerned with the "equalization funds" provided for in the current law. In Day v. Holahan, 34 F.3d 1356 (8th Cir. 1994), a Minnesota law provided that candidates would receive one half the amount of independent expenditures made by opposing candidates. In finding this scheme unconstitutional, the court emphasized the "self-censorship" that resulted as: "no less a burden on speech that is susceptible to constitutional challenge than is direct government censorship." Id. at 1360. The United States Supreme Court in Davis v. Fed. Election Commission, 128 S.Ct. 2759 (2008) quoted from Day extensively in finding that provisions of the Bipartisan Campaign Reform Act of 2002 violated the First Amendment to the United States Constitution. In that case, the court concluded that the right to use personal funds to finance a campaign should not produce fundraising advantages for opponents in the competitive context of electoral politics. Id. at 2772. In my opinion, the constitutionality of "equalization funds" is seriously at question and might impermissibly discourage a candidate from spending money for campaign speech.

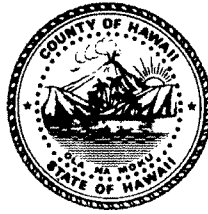
I am also very concerned about the fiscal implications of Act 244, Session Laws of Hawai'i 2008. Massachusetts and Kentucky have terminated full funding for their programs due to increased costs. The Hawai'i Campaign Spending Commission has stated that the Hawai'i fund would be bankrupt within the first year of a statewide program. Another concern is the potential for misuse of public funds. Emilie Boyles, a candidate for Portland's City Commission, was accused of improperly using public funds to pay her 16-year-old daughter \$12,500 for campaign work (see the April 9, 2008 edition of the Seattle Weekly). In Arizona, a couple of college students qualified for public financing, then spent the money on extravagant parties and bar tabs (see the July 3, 2005 edition of the Scottsdale Tribune). Of course, misuse of public funds is punishable, but how to determine legitimate campaign expenditures for public money versus privately raised donations is not clear and may, unfortunately, lead to making criminals out of candidates.

If this pilot project is not delayed, it will very likely create disparities and funding disadvantages to those seeking to participate in the program. If the program were to take effect for the 2010 election cycle, a candidate for Council District 8 would have considerably fewer dollars available to them than a candidate running for Council District 6. Furthermore, if revenues are insufficient to meet distributions to all candidates, which is very likely, the resulting adaptation to the program is problematic.

It is also disputable as to whether public-financed campaigns have increased the number of candidates running for offices, impacted incumbent re-elections, increased voter turnout, or prevented out-of-state money from influencing local campaigns. A study of the Arizona publicly funded elections system by Allison Hayward, ("Campaign Promises: A Six-Year Review of Arizona's Experiment with Taxpayer-Funded Campaigns," 2006) concluded that the Arizona system actually reduced participation and confidence in government. According to that report, the number of primary candidates for office has decreased, the law has not increased minor or third-party participation, and incumbency reelection rates have not changed. A University of Missouri study ("Campaign Finance Laws and Political Efficacy: Evidence from the States," 2005) also concluded that public funding laws can have a statistically negative effect on public views of whether people have a say in their government.

Thank you for the opportunity to testify in support of House Bill No. 345.

J YOSHIMOTO
Chair & Presiding Officer
Council District 3



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Business Address:
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HAWAI'I COUNTY COUNCIL
COUNTY OF HAWAI'I

TESTIMONY OF COUNCIL CHAIR J YOSHIMOTO,
HAWAI'I COUNTY COUNCIL
TO THE HOUSE FINANCE COMMITTEE
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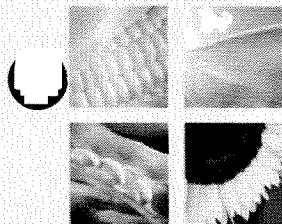
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Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii



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Board of Directors**

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Paul Koehler

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Martha Smith

Mark Stoutemyer

Jill Suga

Past President

Sarah Styron

Executive Director

Alicia Maluafiti

Testimony By: Alicia Maluafiti
HB 242, Relating to Agriculture
House FIN Committee
Friday, Feb. 27, 2009 – Agenda #1
Room 308, 10:00 am

Position: Strong Support

Chair Oshiro and Members of the House FIN Committee:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

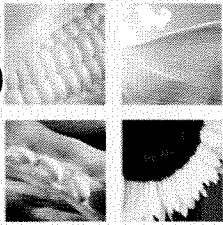
HCIA strongly supports this measure and appreciates the request for general obligation bonds for the planning, repair and modification of the Del Monte and Maui Community College facilities for value-added agricultural production. To paraphrase Richard Ha at the HFBB State of Agriculture briefing, "farmers will farm if they are making money." The added-value processing facilities provide a needed venue for off-grade produce and also increases the range of products that are bonafide made in Hawaii products, such as guava jam/jellies, pineapple juice, etc.

Your support of this measure is strongly urged. Thank you for the opportunity to present testimony.

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Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii



**HCIA 2008-2009
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Sarah Styan

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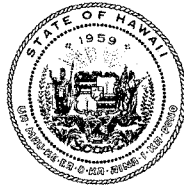
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**HOUSE COMMITTEES ON FINANCE
TESTIMONY REGARDING HB 1167 HD 1
RELATING TO HIGHWAYS**

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

DATE: FEBRUARY 26, 2009

TIME: 10AM

ROOM: 308

This measure proposes various tax and fee increases in order to accomplish a much-needed comprehensive transportation modernization effort statewide.

The Committee on Transportation amended the bill by reducing the increase on rental motor vehicles; amending the triggering event to provide all fee increases effective July 1, 2011; as well as other technical amendments.

The Department of Taxation (Department) **supports this measure; however prefers the original measure.**

The Department **defers to the Department of Transportation on the implementation and management of this legislation and its incumbent tax and fee increases.**

This measure provides for various tax and fee increases relating to motor vehicles and transportation consumables. For example, the fuel tax is increased by ten cents for most counties. Also, fees for vehicle registration and the rental motor vehicle surcharge tax are increased. The Department supports the intent of these tax increases because the increased revenues reflect a state-wide investment in the critical infrastructure of the islands that is long overdue. Equally as important as the overdue investment is that for each dollar of increased revenue from state monies deposited into the State Highway Fund yields matching federal dollars to assist in the State's efforts.

The Department prefers financing the State's infrastructure modernization through these various tax and fee increases because there is a logical nexus between the tax and the expenditures being made, namely that car owners and drivers benefit from the transportation improvements.

Though this measure reflects fee increases, the Department prefers this legislation's original

Department of Taxation Testimony

HB 1167 HD 1

February 27, 2009

Page 2 of 2

effective date, which only allowed the taxes to increase when the State's economy shows sufficient growth to accommodate these increases.

As amended, this legislation will result in a revenue gain of \$144 million in Fiscal Year 2012 and \$159 million in Fiscal Year 2013, \$161 million in Fiscal Year 2014, and \$162 million in Fiscal Year 2015.

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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 370 HD 1
RELATING TO TAXATION**

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

DATE: FEBRUARY 27, 2009

TIME: 1PM

ROOM: 308

This legislation specifies that the fuel tax rate on diesel fuel used in electricity generation shall be one-cent per gallon.

The House Committee on Energy & Environmental Protection amended the measure by adding a purpose clause and making technical, nonsubstantive amendments.

The Department of Taxation has **opposes this measure's potential revenue impact.**

CURRENT LAW—The Department points out that there currently exists a one-cent per gallon fuel tax rate on naphtha fuel used for the generation of electricity. The naphtha fuel tax rate is set to expire on December 31, 2009. The Department points out that this legislation may be unnecessary due to the current naphtha fuel tax rate. Should the Legislature desire this rate for electricity generation, it could simply pass HB 371, which eliminates the repeal date on the naphtha tax rate.

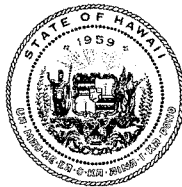
PREFERENCE FOR NAPHTHA ONLY—The Department prefers the naphtha-specific fuel tax rate in the fuel tax law because naphtha, the Department understands, is cleaner than ordinary diesel. Due to environmental benefits, it may be best to provide a naphtha-only preferential fuel tax rate for electricity generation.

CONSUMER PROTECTION ELEMENT—The Department appreciates that this measure involves the Public Utilities Commission and a certificate that the preferential tax rate benefits customers.

OPPOSITION FOR POTENTIAL COSTS—The Department opposes this measure to the extent it provides additional unbudgeted tax benefits. Based upon the Department's projections, this legislation will result in no impact in Fiscal Year 2009, a revenue loss of \$1.6 million in Fiscal Year 2010, and a loss of \$1.079 million in Fiscal Year 2011 and after.

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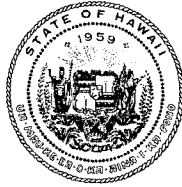
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 1404
RELATING TO GENERAL EXCISE TAX**

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

DATE: FEBRUARY 27, 2009

TIME: 1PM

ROOM: 308

This bill proposes to make the general excise tax (GET) exemptions for reimbursements from managers of condominium associations to submanagers of condominium associations and hotel operators to timeshare associations or suboperators, distributed as employee costs, permanent.

The Department of Taxation takes **no position on the merits** measure; however must **oppose the unbudgeted revenue loss**.

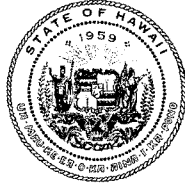
This bill merely extends the current common reimbursements exemption from the general excise tax.

The Department cannot support the revenue loss in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

The cost of making these GET exemptions permanent will result in a revenue loss of approximately \$3.6 million per year.

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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 895 HD 1
RELATING TO TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES**

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

DATE: FEBRUARY 27, 2009

TIME: 12PM

ROOM: 308

This measure, among other things, proposes to increase the tobacco tax on non-cigarette tobacco items. This measure also creates a new special fund.

The House Committee on Health amended the measure's effective date.

The Department of Taxation (Department) takes **no position on the tax provisions** in the measure; however **would prefer that any tax increases similar to those in this measure be deposited to the benefit of the general fund rather than a special fund.**

Creation of new special funds will not help with this year's budget constraints. Regardless of the merits of the special fund proposed in this legislation, the Department cannot support a tax increase of this kind to be deposited into a special fund. Any sin tax increase this session must be deposited to the benefit of the general fund. However, in the interest of resolving the State's budget issues this session, the Department recommends that this measure be passed out of committee for further discussion.

Assuming a current effective date, this bill will result in revenue gain in FY 2010 (8 months w/ 1-month lag) of \$1.2 million; a gain in FY 2011 and after of \$1.75 million, per year for the Community Health Center Special Fund.

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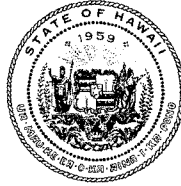
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**HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
TESTIMONY REGARDING HB 371 HD 1
RELATING TO TAXATION**

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

DATE: FEBRUARY 11, 2009

TIME: 2PM

ROOM: 325

This legislation eliminates the repeal date for Act 103, Session Laws of Hawaii 2007, which extends the one-cent per gallon fuel tax rate on naphtha fuel used for the generation of electricity.

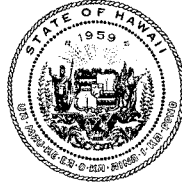
The House Committee on Energy & Environmental Protection amended the measure by providing an introductory discussion on the background of the tax rate.

The Department of Taxation (Department) takes **no position** on this matter.

This legislation would result in foregone revenue of approximately \$6.7 million per year.

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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HB 1043 RELATING TO LOW-INCOME HOUSING TAX CREDIT

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 27, 2009
TIME: 1PM
ROOM: 308

This legislation amends Hawaii's low income housing tax credit provisions by shortening the credit payout to provide for a five-year credit period.

The Department **supports** this Lingle-Aiona Administration bill.

I. **THE DEPARTMENT DEFERS TO THE HOUSING AGENCIES ON THE MERITS.**

The Department defers to the various executive housing agencies on the merits of this bill in general. Hawaii is currently facing an affordable housing crisis. It will take meaningful initiatives in order to eliminate the shortage of affordable housing suitable for Hawaii residents.

II. **THE ISSUE OF AFFORDABLE HOUSING IS IMPORTANT AND MAKING HAWAII'S CREDIT MORE ATTRACTIVE IS CRITICAL.**

The Department recognizes that affordable housing is an important issue. To properly eliminate the affordable housing crisis, sufficient incentives must be available in order to leverage public-private partnerships to construct additional housing in Hawaii. Through the use of the Low-Income Housing Tax Credit, partnerships between the state and private developers are leveraged through tax incentives that subsidize investments in projects.

Under current law, §235-110.8, HRS, allows an eligible taxpayer to claim 50% of the federal low income housing credit over a period of ten years. The federal low-income housing tax credit is claimed over ten years. §42 of the Internal Revenue Code (the "Code"), which Hawaii conforms to, allows eligible taxpayers to obtain a credit equal to the present value of 70% of the qualified basis of

new low income housing buildings that are not federally subsidized. Thus, Hawaii's current law effectively allows low income housing investors to obtain 35% (or 50% of 70%) of their qualified basis in low income housing projects in the form of credits.

This legislation is a positive solution. This legislation effectively reduces the horizon of years over which the Low-Income Housing Tax Credit must be claimed. Currently, the Hawaii credit must be claimed over a 10-year period. This bill reduces that period to 5 years. The reduction in the claim period makes the credit far more attractive to investors. The reduction also makes the credit more useful to project partnerships because cash from the government is released in a much shorter time.

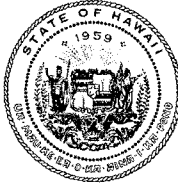
III. BUDGETED REVENUE IMPACT

The Department supports the budget impact of this measure because it has already been factored into the executive budget. The revenue loss for this measure is estimated to be as follows:

Revenue Loss		
FY 2011	\$	1,275,000
FY 2012	\$	2,550,000
FY 2013	\$	3,187,500
FY 2014	\$	3,442,500
FY 2015	\$	3,697,500

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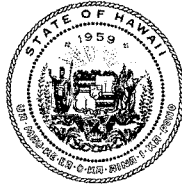
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KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 896
RELATING TO TOBACCO**

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

DATE: FEBRUARY 27, 2009

TIME: 12PM

ROOM: 308

This bill proposes to amend Act 131, Session Laws of Hawaii 2005, by amending section 9 by deleting the repeal date.

The House Committee on Health passed this measure unamended.

The Department of Taxation (Department) **strongly supports** this legislation.

**SIGNIFICANT TIME, EFFORT, AND MONEY HAS GONE INTO MAKING SURE
THE ENFORCEMENT OF THIS LAW IS A TOP PRIORITY.**

The Department strongly supports this legislation. The Department, in connection with the Tobacco Enforcement Unit of the Department of the Attorney General, has expended significant time and effort in what has been a successful effort to enforce the tobacco tax laws of Hawaii.

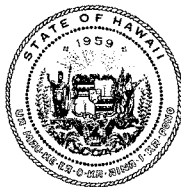
The Department has promulgated administrative rules related to enforcement. The Department has also coordinated extensively with the Attorney General's Tobacco Enforcement Unit. Enforcement of Act 131 is up and running. Allowing the Act to repeal would be a sever hit to the enforcement efforts and subsequent revenue realized from the permitting of tobacco retailers.

The Department strongly supports making Act 131 permanent and encourages the Committee to pass this measure unamended.

The Department projects that any loss in enforcement efforts in the monitoring of tobacco retailers could result in a revenue loss of approximately \$5.3 million per year.

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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 1464 HD 2
RELATING TO ENERGY RESOURCES**

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

DATE: FEBRUARY 27, 2009

TIME: 1PM

ROOM: 308

This clarifies application of the required solar-thermal energy system law.

The House Committee on Energy & Environmental Protection made technical amendments to this measure.

The House Committee on Consumer Protection & Commerce amended provisions relating to the counties' control to modify the solar water heater requirements.

The Department of Taxation **prefers the Administration measure HB 1053**, which better accomplishes the renewable energy policy needed to reduce the State's dependence on oil.

SUPPORT FOR ALTERNATIVE ENERGY—The Department strongly supports the encouragement and implementation of alternative energy systems in Hawaii in order to lessen the State's dependence on alternative energy. As fossil fuel and petroleum prices become more volatile, Hawaii's ability to generate its own energy from home will make the State more secure and less reliant on others. The Department concurs that photovoltaic and other sun-related energy generation is particularly beneficial given Hawaii's relative location to the sun.

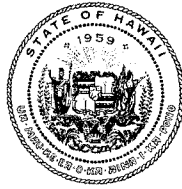
BUILDING PERMIT LANGUAGE WAS UNCLEAR—The Department prefers the language in HB 1053. The Department understands the intent that only "new construction" homes are to be disqualified. However, the law is not that clear. A building permit is necessary for any addition or amendment to a home, as well as installation of the energy system. The issue then, is that the term "building permit" could be interpreted to be any permit, which could disqualify a taxpayer. However, by eliminating the permit language, as this bill does, any single-family home may qualify for the solar thermal credit even newly-constructed homes where the solar water heater is mandated by HRS § 196-6.5.

This bill has a positive impact of about \$0.2 million.



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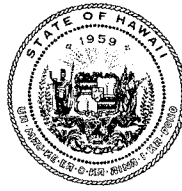
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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HB 333 HD 1 RELATING TO TAXATION

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

DATE: FEBRUARY 27, 2009

TIME: 1PM

ROOM: 310

This Bill would provide qualified Hawaii taxpayers with an earned income tax credit (EITC) equal to a blank percentage of the federal EITC. This bill would also make a person charging over a certain amount to prepare a return claiming the EITC would be guilty of a misdemeanor.

The House Committee on Human Services amended the measure by defecting its effective date to encourage additional discussion.

The Department of Taxation ("Department") **appreciates the intent of alleviating the tax burden of those who need it most; however has concerns regarding administration of this measure.**

This bill provides for a refundable tax credit equal to a blank percentage of the EITC allowed under section 32 of the Internal Revenue Code (IRC) and reported on these qualified individuals' federal income tax returns. The bill requires the Department to alert eligible taxpayers of the proposed Hawaii EITC and prepare an annual report containing certain information.

I. INCREASING STANDARD DEDUCTION MORE EFFECTIVE

The Department strongly supports alleviating the tax burden on the poor. However, the Department suggests considering alternative measures such as increasing the standard deduction because it would help more Hawaii taxpayers.

Based on former data presented to the Legislature, this legislation will only assist roughly 68,560 taxpayers or less than 13%. This legislation only provides approximately \$23.8 million in total tax relief with a claimed benefit of \$347 per taxpayer, assuming a 20% Hawaii earned income tax credit.

II. COMPLIANCE PROBLEMS.

The Internal Revenue Service (IRS) admits that the EITC has been plagued by persistent compliance problems. The IRS has been unable to reduce noncompliance problems significantly. Between \$8.4 and \$9.9 billion (27% to 32%) in EITC claims have been paid improperly as reported in a compliance study of tax year 1999 returns. The EITC credit is listed as a "high risk area for the federal government" by the General Accounting Office. *See EITC Reform Initiative*, FS-2003-14, June 2003). In its 2005 EITC Initiative Final Report to Congress, the IRS stated that although "the IRS has implemented a number of legal and administrative changes since [the 1999 study], IRS officials believe the error rate is still substantial." The 2005 report, in an analysis of preliminary data from tax year 2001 returns stated that EITC over claim estimates would not be "substantially different" than that of tax year 1999. *See http://www.irs.gov/pub/irs-utl/irs_earned_income_tax_credit_initiative_final_report_to_congress_october_2005.pdf.*

"The EITC credit is a social welfare program embedded in the tax code where the tax system primarily relies on self-reporting." (*See EITC Reform Initiative*, FS-2003-14, June 2003). Unlike other social welfare programs, no requirement is imposed for EITC eligibility proof prior to payments and the payments rely on the claimants' self-assessment for eligibility. Crucial EITC eligibility factors such as marital status, residency, and the relationship test of a claimed child, are difficult for the IRS to confirm. *See id.*

III. TAX BENEFITS TO TAXPAYERS DO NOT OUTWEIGH UNDUE ADMINISTRATIVE BURDEN.

IMPACTS TOO FEW—The EITC tax benefits do not outweigh the administrative burden. The Federal EITC is only available to taxpayers who meet the eligibility criteria. To name a few, the taxpayers must have earned income and cannot exceed the earned income ceiling; must be between 25 to 65 years old; and must not file "married filing separate returns".¹ The tax benefits provided by the EITC program do not cover the wide range of taxpayers, which is accomplished by increasing the standard deduction. For example, the EITC phases out at the following levels for 2008—

Number of Children	Filing Single	Filing Joint
0	\$12,880	\$15,880
1	\$33,995	\$36,995
2 or more	\$38,646	\$41,646

ADMINISTRATIVE BURDEN—The bill would place an administrative burden on the Department due to the high rate of noncompliance with respect to the Federal EITC claims. The requirement of the Department alerting eligible taxpayers of the proposed Hawaii EITC would also place an adverse administrative burden on the Department. Due to the unclear and incomplete annual reporting requirements set forth in this bill and the existing annual reporting of tax credits claimed by Hawaii taxpayers, the Department would be unduly burdened in compiling duplicate reports.

¹ The Department suggests that the provision in the bill allowing a husband and wife to file separately and claim the credit be eliminated.

IV. TANF MONEY SHOULD BE THE ONLY MONEY PUT AT-RISK.

The Department appreciates that this measure utilizes federal TANF money to accomplish its purpose. However, the use of TANF funds is limited to the 2009 taxable year. The Department suggests modifying this provision so that only TANF funds are put at-risk of the noncompliance in this area. General fund revenues should not be subjected to the high level of abuse experienced with the EITC.

Also, the Department is not the proper agency to receive the TANF monies. The Department believes that the Department of Budget & Finance would be more appropriate. The Department does not pay out tax incentives, rather administers them.

V. REQUEST FOR RESOURCES.

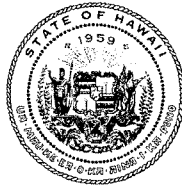
This bill requires the Department to alert taxpayers to the ability to claim this credit. Public outreach costs could be substantial in order to provide adequate notice of this tax credit. Moreover, given the high fraud costs associated with this bill, the Department will likely focus audit efforts toward fraudulently claimed EITC credits. As a result, the Department respectfully requests a reasonable resource allocation for the costs of implementing the public outreach and fraud mitigation efforts.

V. REVENUE ESTIMATE.

This legislation will result in revenue loss of approximately \$25.8 million annually, assuming a 20% conformity to the federal EITC.

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

DATE: FEBRUARY 27, 2009

TIME: 1PM

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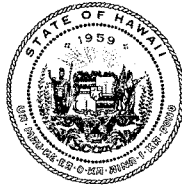
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 1204 HD 1
RELATING TO TOURISM**

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

DATE: FEBRUARY 27, 2009

TIME: 3PM

ROOM: 308

This bill amends section 237D-6.5(b) by requiring that certain transient accommodations tax revenue be deposited in the tourism special fund rather than the general fund.

The House Committee on Tourism, Culture & International Affairs amended the measure by defecting its effective date.

The Department of Taxation ("Department") **opposes this bill because of its implications on the general fund.**

The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

Assuming a current effective date, the Department estimates that this bill would result in a general fund revenue loss of \$10 million in both 2010 and 2011. The tourism special fund would see a \$10 million gain for both of those years.

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FINTestimony

From: John R. Bates [jrbatesusmc@aol.com]
Sent: Thursday, February 26, 2009 2:58 PM
To: FINTestimony
Cc: Sarah Hunt
Subject: TAX RELIEF

Representative Marcus Oshiro,

As the Chairman of Finance, you have been given stewardship and oversight of our State taxing laws and policies. You are assisting in the demise of our taxpayers. I read that as being taxed to death. You are fiscally supporting corrupt entitlement and pork programs that are continually abused by those that pay no taxes, or that benefit only a select few that do. You are not representing the public interest. You are not representing me or my views. You should be held accountable for your actions.

I will do everything in my power to see that you are defeated at the next election. I will vote; and encourage all others to vote, for whomever is running against you. You should be ashamed of yourself.

Colonel John R. Bates USMC (ret)
808-721-1012 (c)

A Good Credit Score is 700 or Above. See yours in just 2 easy steps!

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HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

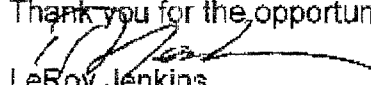
Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as **ACT 88** and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.


LeRoy Jenkins
Producer

Shinkawa Limited

1481 S. King Street #201, Honolulu, Hawaii 96814, 808-947-9475, Fax 808-949-3229, onlinesurf@yahoo.com

2/25/09

FAX to: 808-586-6001

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Paul Shinkawa, Vice President

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

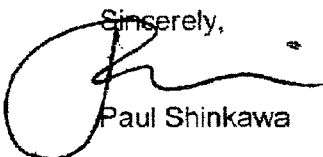
Thank you for the opportunity to testify on these bills. Shinkawa Limited opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

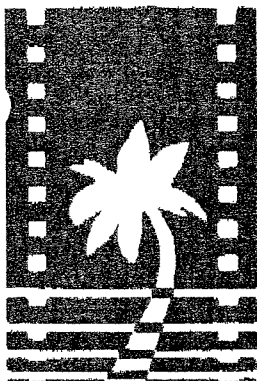
Shinkawa Limited believes that a better approach is contained in HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,



Paul Shinkawa



REEL SERVICES/HAWAII, INC.

350 Ward Ave.
(808) 941-CAST
suereel@pobox.com

#106-226

Honolulu, Hawaii 96813
(877) 743-7029 (toll-free fax)
reelserviceshawaii.com

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February 26, 2009 - 2pm
State Capitol, Conference Room 308

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Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as ACT 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Aue Larkin
CASTING DIRECTOR

Private Security Inc.

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as ACT 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

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- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Sincerely,
Brad Long
Vice President





February 25, 2009

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

Re: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583 that applies to Section 235-17, the basic refundable tax credit also known as ACT 88 and ask that you remove its reference from the measure because it is a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

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I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter J. Mago'.

Peter J. Mago - Owner

Private Security Inc.

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

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- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Sincerely,
Charles Long
Owner / President



Private Security Inc.

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

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I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

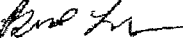
Thank you for the opportunity to provide these comments.

Sincerely,
Brad Long
Vice President



Thank you for the opportunity to provide these comments.

Sincerely,
Brad Long
Vice President



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Mark Loughridge, President, Aloha Island, Inc.
RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Aloha Island, Inc. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Aloha Island Inc. believes that a better approach is contained in HB 1451. Aloha Island, Inc. is a digital media company that would not exist without Act 221. We hire local artists, engineers and programmers to develop software.

Thank you for the opportunity to testify on these important bills.

Sincerely,
Mark Loughridge
President
Aloha Island, Inc.
808.945.7745
info@alohaislandinc.com



DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Charles M. Brotman
Title: owner
Companies: Charles Michael Brotman Music, LLC; MIX808
RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Charles Michael Brotman Music LLC and MIX808 oppose HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

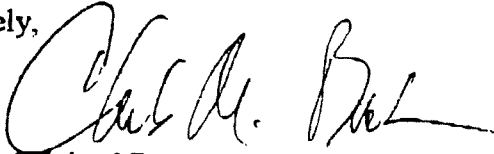
Charles Michael Brotman Music LLC and MIX808 believe that a better approach is contained in HB 1451.

I would like to provide you with testimony concerning the beneficial impact of Act 221 on two Hawaii businesses: Charles Michael Brotman Music LLC, and MIX808. First, a bit of background: I am composer, producer, performer, recording studio owner, record company owner, and have been in the music business in Hawaii for over 25 years. I started Palm Records on the Big Island over 10 years ago with partners, and our catalogue includes slack key guitar CDs, albums by Kohala, Sonny Lim, Jeff Peterson and several other Hawaiian music artists. The catalogue also includes 'Slack Key Guitar Volume 2', the first CD to win a Grammy in the Hawaiian music category. Our CDs are distributed in Hawaii, on the mainland, in Japan, and on most digital download websites such as iTunes.

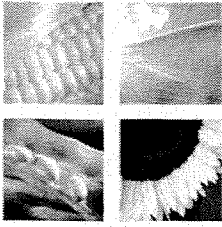
I do music production at my Big Island Recording studio (www.lavatracks.com) under my company, Charles Michael Brotman Music LLC, and a company we have just started, MIX808 (www.mix808.com), was formed to create recording projects that will result in recording careers for local artists. In the case of both companies, the invested funds are immediately spent here in Hawaii on production and talent. As a result of the investment, and subsequent music recordings, there will be multiple income streams to Hawaii from abroad for our label, the artists, the composers and publishers, and our investors. The investments in both companies would not have been possible without Act 221.

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

Sincerely,



Charles Michael Brotman
Owner: Charles Michael Brotman Music, LLC
Partner: MIX808
(808) 885-6558
cb@lavatracks.com



Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

Testimony By: Alicia Maluafiti

HB 1583, Relating to Taxation, HB 1588, Relating to Taxation,

HB 1589, Relating to Tax Credits

House FIN Committee - Thursday, Feb. 26, 2009

Room 308, 2:00 pm – Agenda #5

Position: Strong Opposition

Chair Oshiro, and Members of the House FIN Committee:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

HCIA member companies do not participate in technology R&D and infrastructure renovations tax credits and exemptions. We strongly believe that such tax credits and exemptions are necessary to stimulate long-term economic growth in the science, innovation and technology industries.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit (September 2008) concluded that the benefits of Act 221 have far exceeded its costs. For example, the 333 – ACT 221 technology and media 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.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy. We ask that you consider HB 1451's approach to this matter. Thank you for the opportunity to testify on this measure.

HCIA 2008-2009 Board of Directors

President

Adolph Helm

Vice President

Fred Perlak

Treasurer

John Anderson

Secretary

Alika Napier

Directors At Large

Mike Austin

Ray Foster

David Gilliland

Cindy Goldstein

Laurie Goodwin

Kirby Kester

Paul Koehler

Leslie Poland

Martha Smith

Mark Stoutemyer

Jill Suga

Past President

Sarah Styron

Executive Director

Alicia Maluafiti

91-1012 Kahi'uka Street

'Ewa Beach, HI 96706

Tel: (808) 224-3648

director@hciaonline.com

www.hciaonline.com



new boomer music

TM

the record label for the Boomer Generation

New Boomer Music LLC
P.O. Box 490, Kalaheo, HI 96741
www.newboormusic.com

(808) 332-7893

RE: HB 1583; HB 1588 and HB 1589

DATE: February 26, 2009
TIME: 2:00 p.m.
PLACE: Conference Room 308

TO: Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Jerry Brocklehurst
President
New Boomer Music LLC

RE: Testimony In STRONG OPPOSITION TO HB 1583; HB 1588 and HB 1589

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

Thank you for the opportunity to testify on these bills. My name is Jerry Brocklehurst, and I oppose HB 1583, HB 1588 and HB 1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

I believe that a better approach is contained in HB 1451, HD1.

I am a small start-up record label and am just beginning to gain traction in my business. I have recorded and released music by John Cruz, The Barefoot Natives, Sistah Robi Kahakalau, Kohala, Titus Kinimaka, and others. It is my business plan to continue to promote Hawaiian artists, especially to the mainland and worldwide audiences. Over the long term, the plan is to hire many employees to help with production, distribution, and promotion of our wonderful Hawaiian artists. However, we must all start somewhere and Act 221/215 has helped me gain that start. If the Act 221 tax credits are eliminated, I will be forced to close my operation.

Thank you for the opportunity to testify on these important bills.

Sincerely,
Jerry Brocklehurst
President
New Boomer Music LLC
(808) 332-7893



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Harry Jackson
President & CEO
Ocean Engineering and Energy Systems, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on this bill. Ocean Engineering and Energy Systems, Inc., opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

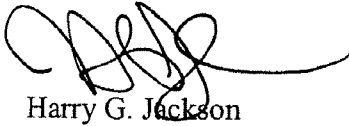
Ocean Engineering and Energy Systems, Inc., believes that a better approach is contained in HB 1451.

Our small business company is in the renewable energy sector providing local opportunity to develop and commercialize Ocean Thermal Energy Conversion technologies for Hawaii and other locations. Since we are in the early start-up phase of establishing our corporate presence and marketing our technology/ability to build these

projects that provide electricity, fresh water and seawater air conditioning, Act 221/215 is our life source to provide the funding to keep our company operating! Act 221/215, in its current format, makes investors excited about investing in our technology and it gives them a stronger incentive to make an investment here in Hawaii with our company instead of going somewhere else like Nevada, Texas or North Carolina to invest their dollars.

Thank you again for the opportunity to testify on these important bills.

Sincerely,



Harry G. Jackson
President & CEO
Ocean Engineering and Energy Systems, Inc.

808-954-6020
hjackson@ocees.com



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Norman Wayne Karo
CEO
Pipeline Micro

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Pipeline Micro opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Pipeline Micro believes that a better approach is contained in HB 1451.

Hawaii-based Pipeline Micro is the developer of the world's smallest and most efficient liquid cooling systems for consumer electronics, including computers, laptops, and video graphics cards. Liquid cooling systems developed by the company use a patented thermal system design that dramatically improves heat transfer, stabilizes temperature, and enables products to run faster, perform longer, and use less energy.

Pipeline Micro grew from 5 to 13 employees in 2008, and will grow to over 20 employees in 2009. We hire University of Hawaii graduates and are bringing world renowned talent into the State. Our customers are global electronics giants from the Mainland and Japan. Act 221/215 has enabled us to take a "holy grail", breakthrough invention from the University of Hawaii and make products that are in high demand even in this recession.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Norman Wayne Karo
CEO
Pipeline Micro
(808) 292-0131
wayne.karo@pipelinemicro.com



HB1583 - Relating to Taxation

DATE: February 26, 2009

TIME: 2:00pm

PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: James P. Karins
President and CEO
Pukoa Scientific

RE: Testimony in Opposition to HB1583

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

Thank you for the opportunity to testify on these bills. Pukoa Scientific opposes HB1583.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Pukoa Scientific believes that a better approach is contained in HB 1451.

Pukoa Scientific is a 15 person company started in 2004 specializing in the interpretation of image and signal data to identify objects, threats or targets. Pukoa Scientific is in the dual use sector. Our average salary is over \$100,000, 12 of our 15 people are full time and 11 of those 12 reside in Hawaii. Of the 11 full time staff in Hawaii, 8 graduated from high schools in Hawaii, 10 graduated from University of Hawaii or Hawaii Pacific University and at least 4 worked on the mainland prior to finding work in Hawaii. We currently generate more than \$2.5M in revenue and pay over \$1.5M in salaries.

Sincerely,

/s/James P. Karins

James P. Karins
President and CEO
Pukoa Scientific
karins@pukoa.com



2800 Woodtown Drive
Suite 141
Honolulu, HI 96822

PHONE (808) 457-1569
FAX (808) 237-5959
WEB SITE <http://www.pukoa.com>

FINTestimony

From: mailinglist@capitol.hawaii.gov
nt: Wednesday, February 25, 2009 4:56 PM
J: FINTestimony
Cc: candramaita@yahoo.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: comments only
Testifier will be present: No
Submitted by: candra maita
Organization: Individual
Address:
Phone:
E-mail: candramaita@yahoo.com
Submitted on: 2/25/2009

Comments:

If you are serious about helping the economic picture in Hawai'i, you MUST keep Act 88 and Act 221/215 in effect. If these acts are lessened or eliminated, Hawai'i will lose upward of 100 million dollars of production per year. Additionally, these acts have created jobs, and brought millions of dollars in secondary spending into our state. They have also contributed to Hawai'i receiving millions of dollars in free advertising in TV and film. Act 88 and Act 221/215 have helped the Hawaii film and television industry grow dramatically. With this growth has come an increase in the number of industry professionals as well as facility and equipment infrastructure. All of which make it easier and less expensive for film and television projects to be made in Hawaii. More important, however, is that Act 88 and Act 221/215 have been strong economic drivers for the Hawaii economy and support the creation of high-pay, high-skilled jobs for our current residents and future generations.

P.1

Sohbi Y. Reynolds
Excor Inc.
3860 Nikolo Street, Honolulu, HI 96815

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as **ACT 88** and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is **NOT** a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
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- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

P 2



Sohi Y. Reynolds

Philip H. Kinnicutt
341 Iliaina Street
Kailua, Oahu, HI 96734-1807
808-254-4534
Fax: 808-356-0554
LEAFISHING@AOL.COM

DATE: February 25, 2009

TO: House Committee on Finance

FROM: Phil Kinnicutt
Kinnicutt Consulting, LLC

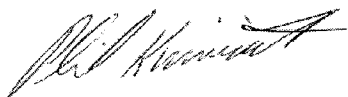
VIA FAX #: 808-586-8519

SUBJECT: Strong Opposition to HB 1583, HB 1588 & HB 1589

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

I believe a better approach is contained in HB 1451.

Respectfully,



Phil Kinnicutt

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583 (to be heard on 2/26 at 2pm) that applies to Section 235-17, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure because it is a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.



Art Rivers
Location Manager

66-392 D HALBIWA Rn.
HALBIWA, HI 96712
808/637-5682 OR 222-0672

February 25, 2009

TO: (808) 586-6001

Testimony for Hearing before the House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Thursday, February 26, 2009, 2:00pm
State Capitol, Conference Room 308

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

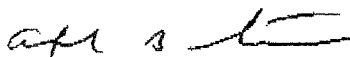
Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. I oppose HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify on these important bills.

Sincerely,



Alfred B. Fernandes, CPA

Margaret J. Doversola Casting
676 Aipo St.
Honolulu, HI 96825

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation


Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as **ACT 88** and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.


Margaret J. Doversola
Hawaii Casting Director

Juno e-mail for SeeRescue@juno.com printed on Wednesday, February 25, 2009, 1:51 PM

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Dr. Robert Yonover
President
SEE/RESCUE Corporation

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. SEE/RESCUE Corporation opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

SEE/RESCUE Corporation believes that a better approach is contained in HB 1451. SEE/RESCUE Corporation designs, develops, and patents Survival technologies for Military, Commercial and Civilian Markets. SEE/RESCUE Corporation developed the patented and military-approved RescueStreamer® technology that is now in use by all branches of the U.S. military and by commercial and civilian groups around the world (www.RescueStreamer.com). SEE/RESCUE Corporation licensed the RescueStreamer technology to Rescue Technologies Corporation in Aiea, Hawaii, where they build and distribute the RescueStreamer product worldwide from their Oahu base. Although SEE/RESCUE Corporation does not directly benefit from Act 221/215, we believe it is a critical piece to continue to build a technology sector to diversify the Hawaiian economy.

Sincerely,
Dr. Robert Yonover
President
SEE/RESCUE Corporation
tel. 808-395-1688
e-mail: SeeRescue@juno.com

HB1745 - Relating to Taxation

DATE: February 26, 2009
TIME: 3:00pm
PLACE: Conference Room 308

: House Committee on Finance



Turtle Bay Resort
true hawaii

HOUSE COMMITTEE ON FINANCE

February 26, 2009 - 3pm

State Capitol, Conference Room 308

Re: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583 that applies to Section 235-17, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Mahalo,

Robert Boyle
Vice President & General Manager



57-091 Kamehameha Highway, Kahuku, Oahu, Hawaii 96731
Telephone 808-293-6000; Toll Free 800-203-3650
www.TurtleBayResort.com



creative **GYR** media

George Y. Russell Independent Filmmaker 2020 Metcalf St. Honolulu, HI 96822-3333

HOUSE COMMITTEE ON FINANCE

February 26, 2009 - 2pm
State Capitol, Conference Room 308
FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

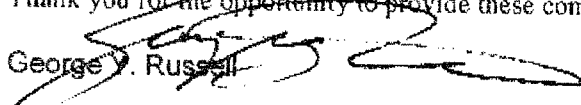
I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17. the basic refundable tax credit also known as **ACT 88** and ask that you remove its reference from the measure because it is a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

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- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

George Y. Russell

 02/25/09

Producer "Hawaiian Ghost Story" a local feature film in the early pre-production phase.



1600 Kapiolani Boulevard, Suite 600
Honolulu, HI 96814
(808) 949.8316 / (808) 942.4298 FAX
www.decisionresearch.com

February 25, 2009

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

via file transfer to <http://www.capitol.hawaii.gov/emailtestimony>

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

Dear Mr. Chair, Ms. Vice Chair, and Members of the Committee:

Thank you for the opportunity to testify in regards to the above-referenced bills. DRC hereby voices its opposition to HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. Changing the law after the fact sends a grave message to investors, businesses and the general public.

Any reduction or suspension of the credit or the carryover provisions prior to 2010 would cause great detriment to, if not the demise of a number of qualified high tech businesses and the thousands of local folks that they employ.

Published Tax Department data shows more than \$1.2 billion has been invested in Act 221 companies. These organizations have spent more than \$1.4 billion in Hawaii, representing 87% of their expenses. They are buying local. Further, these companies are responsible for the creation of more than 4000 local jobs.

The cost of the credits is less than \$437 million from 1999 through 2007, and this is before state tax revenues generated by these Act 221 companies, their activities, as well as their employees and contractors have been included.

We believe that the loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the state's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.



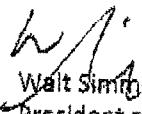
1600 Kapiolani Boulevard, Suite 900
Honolulu, HI 96814
(808) 949-8316 / (808) 942-4298 FAX
www.decisionresearch.com

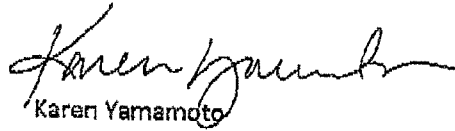
DRC believes that a better approach is contained in HB 1451, which extends Act 221/215 to December 31, 2015. HB 1451 also provides for reasonable caps in tax credits. We have submitted separate testimony regarding that bill.


DRC is a Hawaii based software development and professional services company. Founded in 1971, we employ nearly 50 individuals in Hawaii. We believe Act 221/215 to be beneficial to the local technology community as well as the state as a whole.

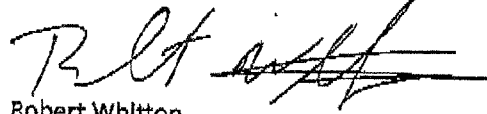
Thank you for the opportunity to testify on this important bill.

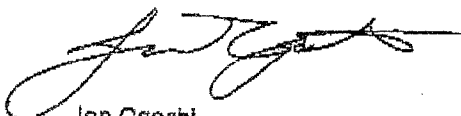
Sincerely,

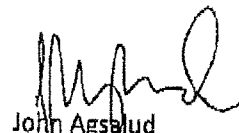

Walt Simmons
President and CEO
DRC
(808) 949-8316
waltsimmons@decisionresearch.com


Karen Yamamoto
Senior Vice President
DRC
(808) 949-8316
karenyamamoto@decisionresearch.com


Stephen Korow
Vice President
DRC
(808) 949-8316


Robert Whitton
Vice President
DRC
(808) 949-8316


Jon Ogoshi
Chief Financial Officer
DRC
(808) 949-8316


John Agsalud
Director of Professional Services
DRC
(808) 983-9171
johnagsalud@decisionresearch.com



Turtle Bay Resort
true hawai'i

HOUSE COMMITTEE ON FINANCE

February 26, 2009 - 3pm

State Capitol, Conference Room 308

Re: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

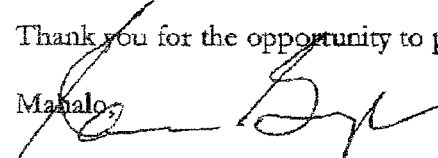
I strongly oppose the portion of HB 1583 that applies to Section 235-17, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
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- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Mahalo,


Robert Boyle

Vice President & General Manager



57-091 Kamehameha Highway, Kahuku, Oahu, Hawaii 96731
Telephone 808-293-6000; Toll Free 800-203-3650
www.TurtleBayResort.com



2/25/09



Fax: 586.6001

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

Re: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose HB 1583.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode, if not destroy, investor confidence, would dry up investments, and, would lead to the demise of a number of qualified high tech businesses.

Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services.

These expenditures and jobs created a revenue stream for the State of Hawaii.

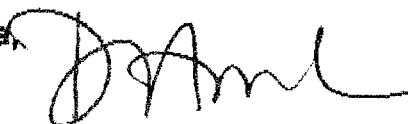
The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

As the line producer/production supervisor for the theatrical feature film THE TEMPEST, shot on Lanai and Big Island last year, my approval and signature on all expenditures allowed approximately \$8m to flow into our state's economy from just this one project, in a three month period.

At a time when the whole country is looking to provide encouragement and support for the well-being of our business communities, HB1583 would destructively put at end to any growth.

Thank you for the opportunity to provide these comments.

Aloha,



Dana Hankins
Redhead Productions, LLC
928 Nuuanu Ave. #503
Honolulu, HI 96817

Production Supervisor, THE TEMPEST (rel. 12/09)
Producer, CHIEF (Sundance premiere 1/08)
Producer, MOONGLOW
Line Producer, PICTURE BRIDE

HOUSE COMMITTEE ON FINANCE

February 26, 2009 - 2pm

State Capitol, Conference Room 308

Re: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

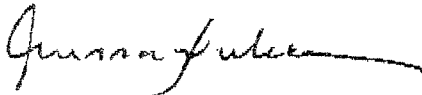
I strongly oppose the portion of HB 1583 that applies to Section 235-17, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
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- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Sincerely,



Elissa Dulce, local actress

February 25, 2009

Aloha Chairman Oshiro, Vice-Chairwoman Lee, and esteemed Members of the Finance Committee,

My name is Ben London and I am the Executive Director of The Recording Academy's Pacific Northwest Chapter. We represent musicians, producers, songwriters, and other industry recording professionals, and are committed to protecting cultural conditions and improving policy respecting arts and culture. Hawaii is part of our Chapter, and as such we hold an annual Music and Technology conference each May in Honolulu for our Hawaiian members. It is in these capacities that I wish to express my opposition to Hawaii's proposed House Bills with this written testimony.

Each of these bills - HB 1743, HB 1746, HB 1583, HB 1588, HB 1589, and HB 611 - seeks to undo the support and investment in Hawaii's cultural and performing arts products deemed necessary in legislative Act 221/215 and Act 88. The availability of investment tax credits has resulted in the investment of more than \$1.2 billion in over 300 Hawaiian companies. This is at a cost to the state of less than \$450 million between 1999 and 2007. Act 221/215, together with the legislative investment of Act 88, has contributed to a doubling in film, television, and music video production since the passage of these Acts.

Not only the music, television, and film industries would suffer due to a loss of investments and tax incentives; Hawaii's nascent technology risks a loss of footing. Thousands of jobs would potentially vanish, services would be lost, and any tech-related revenue stream would flow with them.

In addition to eroding investor confidence, HB 1743 would deal a crippling blow directly to the recording artists and other creative individuals who comprise and contribute to the State of Hawaii's copyrightable performing arts products by repealing and eliminating their current income tax exclusion. Similarly, HB 1746 would have a detrimental effect on local artists and those involved in the production of television and film.

I can't over-emphasize the devastating impact HB 1743, HB 1746, HB 1583, HB 1588, HB 1589, and HB 611 would collectively have on all sectors of Hawaii's creative community. I respectfully ask that the State of Hawaii's House Finance Committee continue to facilitate the ability of individuals in the cultural industries to flourish by opposing these bills, not only for your constituency, but for those who visit Hawaii to experience your unique culture and musical heritage.

I respectfully ask you, as alternatives to the misguided House Bills listed above, that you consider HB 1451, HD1 which would continue Act 221/215 for another five years. An extension in investment tax credits would benefit Hawaii's cultural industries far more than their repeal. While this bill is subject to some technical corrections and clarification of language, I would like to express my support of HB 1451, HD1.

Sincerely,

Ben London
Executive Director
The Recording Academy, PNW Chapter
206.834.1000
BenL@Grammy.com



700 Bishop Street, Suite 2000 Honolulu, HI 96813

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Traci H. Downs, Ph.D.
President & COO
Archinoetics, LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Archinoetics, LLC opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Archinoetics, LLC believes that a better approach is contained in HB 1451.

Archinoetics, LLC is a woman owned world class technology company focused on the research and development of human-centered technologies. Our current research and development projects include functional brain imaging systems, human fatigue and performance monitoring devices, intelligent algorithms based on genetic programming and biometric sensors, remote sensing, and specialized computing platforms. We were created in 2005 with the help of Act 221 which allowed my husband and I to make the leap of investing in our own company. Today we employ 30 software and hardware engineers and scientists from varying backgrounds. Over 1/2

of our employees are kamaaina who left Hawaii and never dreamed that they would be able to work in their profession and raise their children back here at home.
Thank you for the opportunity to testify on these important bills.

Sincerely,

Name
Title
Company
Phone
Email

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 FINANCE

February 26, 2009 – 2:00 pm
State Capitol, Conference Room 308

RE: 1583 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

The Hawaii Film and Entertainment Board, whose members include all of Hawaii's film unions, film commissions and leading industry associations, thank the legislature for its strong support of Hawaii's film industry but **oppose the portion of HB 1583** that would make changes to Act 88, referenced as Section 235-17.

We respect the tough job at hand and to assist with your decision-making, submit that Act 88 is a part of the **SOLUTION** and not a part of the problem because:

- Act 88 is a **fiscally responsible bill** that is **NOT A DRAIN** on the general fund
- Act 88, **has GENERATED REVENUES** for the state while providing significant economic stimulus (over \$11M in calendar year 2007).

In addition, Act 88:

- **creates jobs**
- **supports visitor industry** infrastructure
- provided millions of dollars of **free advertising** for Hawaii

The credit applies statewide and has generated **over \$300M of direct spending** into all four of Hawaii counties at **NO EXTRA COST TO THE STATE**. Attached please find a summary of the numbers compiled with the assistance of economist, Dr. William Boyd, that show that **over \$11M in revenues was generated, after the payout of the credit for calendar year 2007**.

The HFEB board, and over 300 members of its various entities, respectfully request that Act 88 **remain as written** so it can continue to be a significant economic stimulus for Hawaii.

Sincerely,
Brenda Ching
Chair

Attachments: Act 88 Petition; 2007 Act 88 ROI spreadsheet

2007 Economic Impact estimates - Act 88 and non-Act 88 Scenario

Oahu split calculated at	50%		
NI split calculated at	50%		
Oahu cost	15% x estimated split		\$11,592,208
NI cost	20% x estimated split		\$15,456,277
	\$77,281,387 Oahu split		
	\$77,281,387 NI split		
	Total Act 88 cost:		\$27,048,486
Indirect Impact (Production Spend x multiplier)			\$294,997,152
Indirect revenues generated =			\$66,317,189
Indirect revenues x Revenue calculation =			\$8,621,235
total direct and indirect impact			\$303,618,387
multiplier			1.29
Annual Production Spend	\$228,679,963		
Act 88 Spend	\$154,562,775	% of Act 88 total	67.589120%
non-Act 88 Spend	\$74,117,188	% of non-Act 88 total	32.410880%
			100.000000%
Annual Tax Revenues	\$29,728,395	Revenue calculation @	13.00%
Rebate Cost	\$27,048,486	Oahu and NI figures	
subtotal (cost to state)	\$2,679,910	(net gain/net loss)	
Indirect Impact	\$8,621,235		
+ cost to state	\$2,679,910		
TOTAL	\$11,301,144	(net gain/net loss)	

Legend- base figures:

Blue = input figures

Green = formula figures

Black = formula figures with positive results

(Red) = formula figures with negative results

Total figures

Black = net gain to state

(Red) = net loss to state

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Abrosius	Gregg	production manager	Honolulu
Aguinaldo	Arlene	production assistant	Ewa Beach
Aguinaldo	Luke	video editor	Waipahu
Ahuna	Harold	driver	Waimanalo
Akamine	Riley	driver	Kapolei
Aleck	Nancy	non-profit director	Honolulu
Amaral	William	driver	Kailua
Anbe	Brent	film industry development spec.	Honolulu
Andres	Sally	accounts receivable clerk	Honolulu
Anno	Yoshitaka	vice president	Honolulu
Anthony	Benjamin	grip	Honolulu
Archibald	Jo	copywriter	Honolulu
Asato	Charlene	advertising traffic manager	Honolulu
Asiata	Philip	driver	Kaneohe
Atkins	Paul	director of photography	Honolulu
Atkins	Grace	producer / sound mixer	Honolulu
Bacon	Michael	sound mixer	Mililani
Beercka	Meleana	hotel worker	Kahuku
Bellerose	Ann	sales coordinator	Kahuku
Benson	Mark	driver	Pearl City
Beteta	Jonathan	hotel worker	Laie
Blake-Scott	Aren	make up artist	Koloa
Blue	Maria	activities manager	Waianae
Boyd	Lawrence	associate specialist	Honolulu
Boyle	Bob	hotel worker	Kahuku
Boynton	Susan	photographer	Kilauea
Brazier	Benita	film commissioner	Wailuku
Brenner	Renee	accounting	Kahuku
Bresson	John	driver	Honolulu
Brewerton	Katie	project manager	Honolulu
Britos	Peter	professor / writer / producer	Honolulu
Cabalar Jr	M.	driver	Kapolei
Cadiz	Phillip	hotel worker	Haleiwa
Camenson	Anna	driver	Kaneohe
Cannon	Glenn	president, SAG Hawaii branch	Honolulu
Cappos	Constance	costume designer	Keaau
Carrillo	Rubin	cinematographer	Honolulu
Cassity	Clifton	property manager	Kaaawa
Castro	Daren	senior art director	Honolulu
Ching	Brenda	executive director	Honolulu
Chock	Nilda	Nat'l business agent, AFC-CIO	Honolulu
Cho-Moody	Sylvian	background talent	Honolulu
Christmas	Amy	director of food and beverage - hotel	Kapaa
Chun	Brycen	production assistant	Honolulu
Chunn	Johanna		Honolulu
Clevelend	Katherine	actor	Kailua
Coad	Michael	VP, Admin, cement company	Kaneohe
Coen	Shawn	welder	Honolulu
Cole	Jessica	talent coordinator	Kula

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Cole	Josh	stand-in / extra	Honolulu
Collado	Leslene	administrative assistant	Honolulu
Confair-Sensano	Renee	production supervisor	Waialua
Constantinau	Walea	film commissioner	Kaneohe
Cook	Jennifer	film school student	Honolulu
Cooper	Richard	assistant director	Kapaa
Costa	Dwayne	driver	Waianae
Cotton	Liz	sales executive	Honolulu
Coyne	Andrew	art director	Keaau
Crowell	Oliver	consultant	Honolulu
Dacosin	Darren	driver	Kaneohe
Dahl	Jon	transportation captain	Honolulu
Davey	Jacqueline		Honolulu
Davis	Keith	driver	Mililani
Dawson	Donne	film commissioner	Honolulu
de la Diosa	Christina	actor	Honolulu
deJung	Vanya	prop master / set dresser	Honolulu
Dicion	Joann	conference service manager	Waialua
Dinion	Steve	musician	Honolulu
Domingo	Gregory	safety / security officer	Kahuku
Doversola	Margaret	casting director	Honolulu
Dowell	Joe	driver	Kaneohe
Downey	Miriam	union business agent	Kaneohe
Duarte	Jesse	driver	Honolulu
Duarte	William	driver	Kaneohe
Ekepati	Niko	driver	Ewa Beach
Elmore	Gerard	director	Kapolei
Eugenio	Lynnette	advertising executive	Honolulu
Faumuina	Putoto	driver	Honolulu
Ferrer	Leanne	program manager	Honolulu
Fewell	Richard	graphic artist	Mililani
Fishburn	Anna	casting director	Honolulu
Flores	Serena	assistant production coordinator	Miliani
Florez	Connie	director / producer	Honolulu
Fontaine	Renato	grip	Kaneohe
Forsberg	Dana	videographer	Honolulu
Freeborn	Luke	art director	Honolulu
Fukuda	Sheila		Pearl City
Fukushima	Dirk	producer	Honolulu
Galindez	Richardo	producer	Kailua
Garcia	Vincent	mechanic - heavy equipment	Kapolei
Gillett	Kathryn	graphic designer	Honolulu
Goda	Brandon	marketing manager	Honolulu
Golstein	Mathew	actor	Kaneohe
Gomes	Troy	producer/editor	Ewa Beach
Gomes	Dustin	assist location manager	Kailua
Gomes	Dexter	production coordinator	Honolulu
Gonzalez	Elias	restaurant managar	Hauula
Griffiths	John	driver	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Groden	Richard	driver	Kailua
Gross	Thomas	hotel worker	Honolulu
Hall	Abraham		Honolulu
Hamlett	Kelly	hotel worker	Haleiwa
Hankins	Dana	producer	Honolulu
Hanley	Lauren	production assistant	Honolulu
Hanley	Tom	art director	Honolulu
Hatchell	Linda	administrative assistant	Kaneohe
Haviland	Wes	producer / writer / actor	Honolulu
Hazelwood	Jennifer	actress	Honolulu
Hernandez	William	driver	Kailua
Higa	Michael	production coordinator	Honolulu
Higuchi	Lisa	writer / producer / director	Kaneohe
Hisamoto	John	producer	Honolulu
Hite	Anthony	security officer	Kahuku
Holmbeck	Konari	sales manager	Kahuku
Hooper	Sarah	production manager	Honolulu
Horowitz	Susan	director	Honolulu
Hugar	Tony	audio technician, business owner	Honolulu
Igari	Hirohide	cameraman/production coordinator	Honolulu
Inake	Lauren	associate producer	Waipahu
Inouye	Kevin	administrative assistant	Honolulu
Ishikawa	Jeanne	business agent, local 996	Wahiawa
James	Katherine	costume designer	Kailua
Jenkins	Leroy	producer / company president	Honolulu
Johnson	Sandra	producer	Honolulu
Johnson	Wesley	hotel worker	Laie
Johnson	Jill	business agent, local 996	Kailua
Johnston	Anthony	gaffer	Mountain View
Joseph	Genie	producer	Honolulu
Jung	Korina	office worker	Honolulu
Jung Jr	Ted	executive producer	Honolulu
Kaiwi	Alva	foreman	Waianae
Kanda	Scott	photographer / editor	Honolulu
Kaneshiro	Darrin	producer	Honolulu
Kaneshiro	Arryl	project specialist - land management	Koloa
Kanoa	Victor	driver	Honolulu
Katinszky	Jenni	producer	Honolulu
Kato	Stephan	producer	Honolulu
Kauwalu	Cherilyn	executive assistant	Waianae
Kawakami	Chad	driver	Honolulu
Keamohuli	William	driver	Honolulu
Kekoa	Janice	creative department manager	Honolulu
Kelii	Thomas	electrician	Mountain View
Kelley	Carol	set decorator	Honolulu
Kelly	Michael	production manager	Honolulu
Keomaka	Stanley	operator	Waipahu
Kim	Susie		Honolulu
Kim	Matt	welder	Kaneohe

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Kiyatu	Bliss	account executive	Honolulu
Knowles	Myles	videographer	Kihei
Ko	Helen	advertising executive	Honolulu
Kowal	Robert	sales executive	Honolulu
Kozuma	Ronan	union president	Honolulu
Kribell	Jan	club manager	Haleiwa
Kruse	Emil	pipe repairer	Kaneohe
Kunihara	Duke	actor	Honolulu
Kusano	Hideyo	film school student	Honolulu
Kwak	Charlene	secretary	Honolulu
LaBerge	Nicole	public relations account exec	Mililani
Laguana	Edward	driver	Ewa Beach
Lam Yuen	Sharyl	secretary	Kapaa
Larkin	Sue	casting director	Waianae
Lau	Jann	travel specialist	Honolulu
Lau	Henry		Waimanalo
Lee	Keoni	producer	Mililani
Lee	Lance	driver	Honolulu
Lehman	Sheldon	prop master / grip	Kurtistown
Lehr	Randal	general manager - hotel	Makaha
Levine	Liam	actor	Honolulu
Levy	James	key grip	Honolulu
Lewis	Craig	set dressing shopper	Kaneohe
Lewis	John	business owner	Honolulu
Libby	Kenneth	cinematographer	Kaneohe
Lindsey	Christopher	security officer	Hauula
Lo	Terri	account executive	Kaneohe
Long	Melanie	broker	Honolulu
Long	Charles	security firm - owner	Honolulu
Loo	Earl	travel agency	Honolulu
Lopez	Scott	film school student	Honolulu
Lorraine	Kay	1st assistant director	Honolulu
Lum	Jeff	sales	Honolulu
Lum	Eugene	driver	Aiea
Maduli	Janet	entertainment / talent booker	Honolulu
Maekawa	Mike	location coordinator	Honolulu
Mago	Peter	equipment sales	Kaneohe
Maltby	Joyce	actor	Kailua
Maness	Jennifer	production coordinator	Honolulu
Martin	Joshua	account executive	Honolulu
Martinez	Charles		Waimanalo
Mastro	Mark	account supervisor	Honolulu
Matson	Brien	business agent, local 677	Honolulu
Matthews	William	set designer	Honolulu
Mattos	Wendell	senior editor	Aiea
May	Michael	producer	Honolulu
Medeiros	Joseph	driver	Honolulu
Mick	Marilyn	location manager	Honolulu
Millner	Traci	marketing	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Miranda	Melvin	driver	Kamuela
Misty	Abalos	receptionist	Wahiawa
Mitchell	Frank	craft service	Honolulu
Mitchell	Lisa	production coordinator	Honolulu
Mito	Gerald	driver	Kaneohe
Moniz	Ryan	lifeguard / emt	Honolulu
Moody	Racer	stand-in	Honolulu
Moody	Fuzzy	stuntman	Honolulu
Moriguchi	Alison		Koloa
Morita	Masahiko	production coordinator	Honolulu
Moriyama	Miki	tourism company worker	Honolulu
Mossman	Delphine	receptionist	Honolulu
Mowry	William	rancher	Hanalei
Murphy	K.	executive assistant	Kaneohe
Nagai	Masatoshi	coordinator	Honolulu
Nagata	Wade	driver	Honolulu
Nakamoto	Nicle	accounting clerk	Honolulu
Nakamura	Nao	production coordinator	Honolulu
Newale	Charles	driver	Kaneohe
Nikolaidas	Nik	owner, computer recycling company	Kaneohe
Nishitani	Koki	production coordinator	Honolulu
Nitta	Mark	producer / director / editor	Waipahu
Nomura	Evan	account executive	Honolulu
Nordlum	John	stuntman	Waianae
Norton	Shanna	set dresser / buyer	Honolulu
Odeon	Juan	film school student	Honolulu
Olague	Robert	executive producer	Honolulu
Olivares	Doug	camera operator	Honolulu
Olson	Naomi	camera assistant	Honolulu
Omori	Lyssa		Honolulu
Oney	Thomas	accounting clerk	Honolulu
Ongay	Fiona	director of guest services (hotel)	Wahiawa
Osaki	Richard	senior graphic artist	Honolulu
Oshiro	Manami	officer manager	Honolulu
Ozaki	Yumi	director	Honolulu
Pait	Sharon	executive assistant	Hanalei
Pallett	Jim	actor	Honolulu
Pang Kee	Andrew	driver	Honolulu
Paongo	Elena	operations	Waianae
Pascua	Lono	a/c contractor	Lawai
Pascua	Bruce	driver	Wahiawa
Patterson	Patricia	driver	Honolulu
Paty	Randolph	assist location manager	Waiialua
Pearson	Wendy	actor	Honolulu
Pedrina	Charlie	graphic designer	Pearl City
Perry	Gordon	music supervisor	Kilauea
Pierce	Don	restaurant managar	Honolulu
Pike	Rebecca	visitor publications editor	Honolulu
Powell	William	production accountant	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Pyburn	Gail	location scout	Papaikou
Ramos	Sunny	driver	Waianae
Ranches	Juju	senior art director	Honolulu
Ranion	Vidal	union trustee	Mililani
Rego Jr	Renny	driver	Honolulu
Reid	Carolyn	travel consultant	Honolulu
Relosimon	Judy	assistant account exec	Honolulu
Reynolds	Sohbi	location manager	Honolulu
Riverio	Mike	producer	Aiea
Riverio	Claireq	musician	Aiea
Rodrigues	John	driver	Honolulu
Rodrigues, Jr	Richard	foundation program manager	Honolulu
Rogers	Scott	acting coach	Honolulu
Romualdo	Angelina	hotel worker	Kahuku
Rosen	David	director	Kailua
Ruff	Sean	hotel worker	Kahuku
Russell	George	production coordinator	Honolulu
Ryan	Tim	executive editor	Honolulu
Rydell	Sheila	director, tv studio operations	Honolulu
Sandblom	Marissa	business vp	Waimea
Sasaki	Deborah	print prodution	Honolulu
Sato	Linda	actor	Wahiawa
Sato	Hidemi	graphic designer	Honolulu
Sato	David	camera operator / dp	Honolulu
Schopler	Edward	programmer	Kailua
Schwartz	Cathy	production coordinator	Honolulu
Sears	Leo	producer / film fesitival director	Waikoloa
Shimabukuro	Sheryl	print prodution	Honolulu
Shimabukuro	Shawn	project manager	Waimea
Shirakawa-Baek	Takahiko	travel agent	Honolulu
Silberstein	Morris	location coordinator	Honolulu
Silva	Pat	union agent	Honolulu
Soares	Robert	production director	Honolulu
Sofa	Chadwick	driver	Waianae
Sonada	Harry	driver	Honolulu
Souza	Jonah	route supervisor	Kaneohe
Spangler	Stephanie	location manager	Honolulu
Spangler	Stuart	location manager	Honolulu
Spargur	Patrick	director	Honolulu
Stern	Herman	actor	Honolulu
Sua	Lata	risk manager	Kahuku
Suapaia	Jason	executive producer	Honolulu
Sudipro	Piku	senior copywriter	Honolulu
Sumait	Jeanne	executive assistant	Kahuku
Sunborg	Karen	accountant	Honolulu
Sundby	Sarah	hotel worker	Kahuku
Tang	Jennifer	advertising agency exec	Honolulu
Tanigawa	Stacie	production artist	Honolulu
Tavares	Susan	waste management	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Tayomori	Kyle	driver	Honolulu
Teixeira	Alexander	driver	Honolulu
Teramame	Marlene	account supervisor	Honolulu
Thornton	Michael	film distributor	Honolulu
Tillson	Angela	location manager	Kapaa
Tobaru	Peggy	database operator	Kaneohe
Trask-Batif	Lakea	writer / producer	Honolulu
Tresler	Michael	senior vp, land management	Lihue
Triplett	Jim	location manager	Honolulu
Tupai	Pisa	operations manager - security co.	Honolulu
Tupai	Mate	supervisor - security co.	Honolulu
Turner	Jennifer	rental coordinator - tent rentals	Haleiwa
Uy	Tammy	creative director	Kailua
Vendiola	Amanda	hotel worker	Kahuku
Vendiola	Melvin	foreman	Ewa Beach
Vera	Marisa	hotel worker	Wahiawa
Vidal	Aaron		Ewa Beach
Visser	Thomas	sound department	Honolulu
Wagner	Michael	art director	Honolulu
Wagner	Brett	director	Honolulu
Wallace	Keoki	hotel worker	Hauula
Wilkins	Michael	hotel worker	Waialua
Williams	Jennifer	producer	Aiea
Wiss	Larry	actor	Honolulu
Wong	Susan	sales manager - hotel	Honolulu
Wong	Ben	producer	Kaneohe
Wray	John	broadcast manager	Honolulu
Yadao	Linda	producer	Waialua
Yasufuku	Miki	assist location manager	Honolulu
Yasutake	Michael	cinematographer / editor	Honolulu
Yoshikawa	Clinton	driver	Honolulu
Yotsuya	Stacy	account executive	Honolulu
You	Justin	project coordinator	Pearl City
Yu	Gary-Lee	security officer	Hauula
Yu	Vernon	attorney	Honolulu
Zeng	Minyi	information tech worker	Honolulu
Ziegler	Daniel	writer / director	Honolulu
Zucker	Robyn	costumer	Haleiwa

PACIFIC

Light net

See the light.

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Pacific LightNet opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Pacific LightNet believes that a better approach is contained in HB 1451.

Pacific LightNet serves customers on Oahu, Maui, Kauai, the Big Island, Molokai and Lanai through its undersea cable and land-based fiber network, offering a full range of integrated telecommunications products and services, including local dial tone, high-speed Internet access, dedicated and switched long distance, collocation, special access and enhanced data services.

Thank you for the opportunity to testify on these important bills.

Respectfully



Pat Bustamante
President



**To: Representative Oshiro, Chair
House Committee on Finance**

From: Sopogy Inc.

Date: February 25th, 2009

**Subject: Opposition of HB 1583, HB 1588, HB 1589 – Related to Tax Credits
Thursday, February 25, 2009
2:00pm
State Capitol, Conference Room 308**

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

Sopogy is a solar power technology company based in Hawaii specializing in the research and development of various MicroCSP™ solar technologies that bring the economics of large solar energy systems to the commercial, industrial, and utility sectors. Sopogy also hopes to leverage the innovative MicroCSP™ intellectual property and technologies its develops by commercializing its MicroCSP™ products for sale in both domestic and international markets, which sales and activities will generate additional revenues for and employment in the State of Hawaii.

Sopogy opposes HB 1583, HB 1588, and HB 1589, which temporarily reduces tax credits. The intent of certain tax credits proposed to be reduced is to incentivize research and development, the creation of new intellectual property in the State of Hawaii, attract much needed investment capital for high technology companies, and job creation. It is evident that tax credits foster the continuing development of renewable energy research and development, intellectual property creation, job growth and projects within and without the State of Hawaii.

In addition, a reduction or repeal of existing tax credits at this stage will not only impact the momentum in the renewable energy technology area, but for companies who raised capital in reliance upon tax incentives, it could result in a detrimental effect on the ability to raise future investment capital.

Therefore, Sopogy supports the continuance of the existing tax credits and adoption of renewable energy and energy efficiency measures that lessen the state's dependence on





oil, reduce greenhouse gas emissions, and provide energy price stability to Hawaii's consumers.

Thank you for this opportunity to testify.

Van Matsushige
Energy Project Development
Sopogy - Solar Power Technology
Direct Phone: (808) 237-2405
Direct Fax: (808) 356-0565
www.sopogy.com



TESTIMONY OF WILLIAM G. MEYER, III

**HB1583
HB1588
HB1589**

HEARING DATE/TIME: February 26, 2009
2:00 p.m. in Conference Room 308

TO: Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
(Fax No. 586-6001)

RE: Testimony in STRONG OPPOSITION to HB1583; HB1588 and HB1589

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

My name is William G. Meyer, III. I am a Honolulu attorney and my practice is limited to intellectual property matters, including entertainment law. I represent both national and local stakeholders in Hawaii's recording industry, television and motion picture industry, and digital media and internet sectors. My practice area includes advising entertainment companies regarding the availability of entertainment industry related tax incentives, including the incentives currently available pursuant to Act 221/215 and Act 88.

Thank you for the opportunity to testify on these bills. I oppose HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, I believe, would lead to the demise of a number of performing arts and other qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the September 2008 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

I believe that a better approach is contained in HB1451, HD1.

Thank you for the opportunity to testify on this bill.

Respectfully submitted,



William G. Meyer, III
wmeyer@dwyerlaw.com
Telephone: 534-4412



TO: House Committee on Finance
Honorable Representative Marcus Oshiro, Chairman

RE: Testimony in Opposition to HB1583 Relating To Taxation.

HEARING: Thursday, February 26, 2009, 2:00pm

Mr. Chairman and members of the Committee:

We oppose HB1583 as it relates to the Hawai'i Renewable Energy Tax Credit (HIRETC) contained in HRS 235-12.5, and welcome this to opportunity submit testimony in opposition to it as it affects the HIRETC; we take no position on the bill as it relates to other tax credits.

My name is Larry Gilbert, and I am the Managing Director and Chief Executive of Sennet Capital LLC. Sennet Capital is a Hawai'i merchant bank that focuses entirely on providing and arranging funding for Hawai'i companies and renewable energy projects. We have become one of the leading experts in Hawai'i in solar project financing, and recently completed one of the largest solar project financings done in Hawai'i when we arranged the financing for Hoku Solar to put solar panels on all of the Neighbor Island airports for the State of Hawai'i Department of Transportation.

Solar energy is a proven technology that can help Hawai'i dramatically reduce its dependency on imported oil. Solar energy technologies can be implemented immediately to accomplish this goal. But solar energy technologies involve a capital cost that must be paid up front, and that cost is currently causing Hawai'i companies and citizens to defer installing this important and proven technology.

The HIRETC is a crucial element to fostering more rapid adoption of solar and other renewable energy technologies in Hawai'i.

The Hawai'i market has the potential to immediately attract \$100 million to \$200 million per year in investment capital for renewable energy projects here. These projects would generate hundreds if not thousands of jobs, reduce Hawai'i's dependence on imported oil, and protect our environment.

Reducing or suspending the HIRETC, as this bill proposes to do, would be a major step backwards in both getting Hawai'i weaned from its dependency on imported oil and in creating these hundreds or thousands of new "green" jobs.

If Hawai'i is serious about incentivizing investment in renewable energy projects, then this bill is absolutely the wrong thing to do. Hawai'i could be one of the best states in the country for solar projects, and attract tens and hundreds of millions in outside capital to help build them, which in turn provides stimulus to our economy and jobs for our electricians, construction workers and others who install and maintain these projects, as well as put millions of dollars in energy savings into the economy rather than shipping them overseas to buy foreign oil.

February 25, 2009
Page 2

Thank you for the opportunity to submit this testimony, and please feel free to contact me if I can be of further assistance.

Larry Gilbert
Managing Director
Sennet Capital LLC
737 Bishop Street, Suite 3170
Honolulu, HI 96813
Tel 808 457-1300
Email: LGilbert@sennetcapital.com

Aia Moana Pacific Center, Suite 1800
1585 Kapiolani Boulevard
Honolulu, Hawaii 96814-4500
Telephone 808 942-8108
Facsimile 808 948-9595

DataHouse



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

HEARING DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Lyanne M. Kimura
Chief Financial Officer
DataHouse Consulting, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. DATAHOUSE CONSULTING, INC. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the



State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

DataHouse Consulting, Inc. believes that a better approach is contained in HB 1451.

DataHouse Consulting, Inc. is engaged in the development (from analysis through implementation) of unique computer software and database applications and enhancements (material modification of third-party software) for sale or license. In 2002, we had 43 full-time employees. Today, we have grown to 62 full-time employees. Our growth can be attributed in part to the funding we have received from the R&D credits.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Lyanne M. Kimura
Chief Financial Officer
DataHouse Consulting, Inc.
Direct Phone: (808) 948-9137
Email: lyanne_kimura@datahouse.com



700 Bishop Street, Suite 2000 Honolulu, HI 96813

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Traci H. Downs, Ph.D.
President & COO
Archinoetics, LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Archinoetics, LLC opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Archinoetics, LLC believes that a better approach is contained in HB 1451.

Archinoetics, LLC is a woman owned world class technology company focused on the research and development of human-centered technologies. Our current research and development projects include functional brain imaging systems, human fatigue and performance monitoring devices, intelligent algorithms based on genetic programming and biometric sensors, remote sensing, and specialized computing platforms. We were created in 2005 with the help of Act 221 which allowed my husband and I to make the leap of investing in our own company. Today we employ 30 software and hardware engineers and scientists from varying backgrounds. Over 1/2

of our employees are kamaaina who left Hawaii and never dreamed that they would be able to work in their profession and raise their children back here at home.
Thank you for the opportunity to testify on these important bills.

Sincerely,

Name
Title
Company
Phone
Email

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2009 11:57 AM
To: FINTestimony
Cc: alohairish@aol.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Irish Barber
Organization: Individual
Address: Mokuhano St Honolulu HI
Phone: 808-479-1770
E-mail: alohairish@aol.com
Submitted on: 2/25/2009

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2009 12:26 PM
To: FINTestimony
Cc: jsuapaia@1013integrated.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Jason Suapaia
Organization: 1013 Integrated Branding + Production
Address: 1013 Kawaiahao Street Honolulu, Hi
Phone: 593-8848
E-mail: jsuapaia@1013integrated.com
Submitted on: 2/25/2009

Comments:

PACIFICAP
GROUP

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

February 26, 2009

*Testimony for Hearing before the
House Committee on Finance
Thursday, February 26, 2009, 2:00 pm*

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

*Re: Testimony in Strong Opposition to HB 1583
Relating to Taxation*

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

Thank you for the opportunity to submit testimony in STRONG OPPOSITION to HB 1583, which retroactively reduces the rights of taxpayers to use tax credits and tax credit carryovers that they are already entitled to. I respectfully request that you vote against passage of this bill.

I am Jeff Au, Managing Director and General Counsel of PacifiCap, Hawaii's largest locally based venture capital firm.

I strongly oppose this bill because it would effectively retroactively take away the use of the Act 221 High Technology Business Investment Tax Credit (the "Act 221 Investment Credit") for investments already made in past years.

We need to keep in mind that investors have to wait 5 years to receive all of the investment tax credits that they are entitled to for making an Act 221 investment. To have the State cut off the credits in the middle of this 5 year period, for investments made several years ago, would be like cutting off an agreed to installment payment on a car because I want to spend my money on something else, although I'm still driving the car around.

There is little doubt in my mind that if this bill becomes law, Act 221 investors will stop investing, not only now, but forever because they will have lost confidence in the State's willingness to honor its pre-existing commitments. It will undermine the confidence for investing in Hawaii generally and would likely also scare away non-Act 221 investors.

Terminating the Act 221 Investment Credit will cut off the only source of cash that many local technology companies need to operate and survive. It will cause many of them to "starve to death," possibly resulting in job losses of \$100 million per year or more for hundreds of Hawaii workers.

Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several

years. During this period, these companies need investors to invest new cash each year to provide the money they need to continue their research and operations. Cutting off this source of capital before research and development is completed, and before companies reach profitability, can cause these companies to run out of money and fail, causing not only job losses, but also losses of all the money previously invested, as well as the loss of any "upside" potential for these companies, their workers, their investors and the State.

In short, this would create a "lose-lose-lose" scenario for all parties involved. It would be analogous to a parent cutting off food and support for a three year old child, before the child was mature enough to earn money on his own to support himself, thus causing the child to starve to death.

Tax Department data shows that in 2007, 177 Act 221 companies paid more than \$228 million in salaries and other job compensation, while 78.5% of them still were not profitable. If just 50% of Act 221 companies fail because of repeal of the Act 221 Investment Credit, more than \$100 million of jobs could be lost.

The retroactive January 1, 2009 effective date of this bill also could trigger numerous lawsuits against the State for violations of federal constitutional law.

Retroactively repealing the right to claim Act 221 Investment Credits **two years** before its original sunset date of December 31, 2010 will pull the financial rug out from under local tech companies and their investors who in good faith took a chance on Hawaii as a place to invest and try to grow their companies. It will irreparably harm Hawaii's reputation as a place to invest in and do business for decades to come.

Many of the kamaaina who returned to Hawaii and convinced their families and themselves that it was worth the risk of coming home to work and trying to contribute to our community will conclude that this was all a very, very big mistake.

Even if this bill does not ultimately become law, I fear the negative impact on Hawaii's reputation if your Committee passes out this bill without amendment. It will send a message to both local and outside investors that they cannot rely upon our State to honor its long-term commitments. It will tell Hawaii's investors, entrepreneurs and workers in high tech and all other industries that our State is willing to play "bait and switch" with their money, their companies, their livelihoods and their careers.

The current credit crisis and financial meltdown around the world demonstrates how critical investor trust and confidence is to continued investment and economic growth. Once undermined, this trust and confidence is extremely difficult to restore and can cause irreparable harm for many years to come.

We are all aware of the serious budgetary problems facing our State. However, we need to make sure that proposed solutions do not make existing problems of job loss and economic stagnation even worse. Starving to death dozens of promising companies with growth

potential that currently employ hundreds, if not thousands of employees, is not the way to fix our economy. We need to avoid being "penny wise and pound foolish," and make sure that we do not "jump from the frying pan into the fire."

There are better ways to balance the State budget, such as collecting just a fraction of the \$1 billion of delinquent taxes each year, which totals several billion dollars including past years.

We also must keep in mind that under existing law, Act 221 already has a self-adjusting mechanism with respect to the State budget. As the economy slows, prospective investors make less money and have less money to invest. Their income tax liability also goes down, resulting in less need for and less utilization of tax credits.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- 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.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.
- All of these benefits, already realized long BEFORE most of these Act 221 companies have reached their full potential, have already far exceeded the costs of credits claimed from 1999 through 2006 of less than \$296 million (\$437 million including credits claimed from 1999 through 2007).

Based on DoTax's study, Act 221 is NOT the cause of the State's current budgetary problems. To the contrary, Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. It does not make sense to retroactively repeal the Act 221 Investment Credit at a time when our economy needs it the most.

Young technology companies require several years and multiple rounds of investments to reach their full potential. According to a January 3, 2009 *San Francisco Chronicle* article, venture-backed companies took an average of 8.3 years before going public in 2008. If capital from Act 221 is limited, we will risk prematurely killing many Act 221 companies and losing up to 7 years worth of past investments already made into these companies. To the extent that 78.5% of Act 221 companies in 2007 were not yet profitable and needed additional capital to survive, more than a \$100 million of jobs per year could be lost if less than half of the Act 221 companies run out of money and fail.

Testimony in Strong Opposition to HB 1583
Relating to Taxation
House Committee on Economic Revitalization, Business and Military Affairs
Hearing Date: February 26, 2009
Page 4

Thank you very much for allowing me to submit this testimony today.

Respectfully submitted,

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

022609JAUFINSTRONGOPPOSITIONTOHB1583.022609Draft#1

Wealth Managing Partners, Inc.

HOUSE COMMITTEE ON FINANCE
February 26, 2009 - 2pm
State Capitol, Conference Room 308

FAX: 586-6001

Re: HB 1583, 1588, 1589 - Relating to Taxation.

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB 1583, 1588, 1589 that applies to Section 235-17, the basic refundable tax credit also known as **ACT 88** and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs
- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc
- It provides for millions of dollars of free advertising

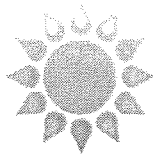
I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Naomi Olson

Naomi Olson
Agent
745 Fort Street, Suite 1614
Honolulu, Hawaii 96813

PHONE (808) 954-7063
FAX (808) 954-7069
CELL (808) 635-6724 (Kauai)
E-MAIL nolson@wm-partners.com



pacific
light & power

Bringing Renewable Energy to Hawaii and Pacific Oceania

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00 pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Pamela S. Miller
VP, Project Development
Pacific Light and Power, LLP

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

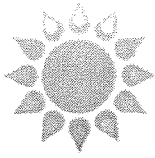
Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Pacific Light and Power opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Pacific Light and Power believes that a better approach is contained in HB 1451.

Pacific Light and Power is a Kauai-based renewable energy company working with resource-constrained grids through the Hawaiian islands and the Pacific Rim. Because



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Bringing Renewable Energy to Hawaii and Pacific Oceania

island grids have special challenges, it is necessary to use unconventional technologies in order to make renewable energy feasible. These technologies are difficult to finance and Act 221 gives investors incentive to promote these projects and technologies.

Pacific Light and Power is developing more than one project. Just one 10 megawatt renewable energy project will create approximately 100 construction jobs and between 4 and 10 permanent jobs, while contributing to the Hawaiian Clean Energy Initiative and Renewable Portfolio Standard targets for energy produced by renewable means. This also reduces the island's dependence on oil as a power generation fuel, keeping resources on island.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Pamela S. Miller
VP, Project Development
Pacific Light and Power, LLP
808.634.8866
pam@pacificlightandpower.com



House of Representatives
The Twenty-Fifth Legislature
Regular Session 2009

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Thursday, February 26, 2009 – 2:00 pm
State Capitol, Conference Room 308

RE: HB 1583 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

The Screen Actors Guild Hawaii Branch strongly opposes HB 1583 that would amend Act 88, referred to in the bill as Section 235-17 (Motion Picture, Digital Media and Film Production Income Tax Credit).

Act 88 is a fiscally responsible bill that has not been a drain on the State's economy. Act 88 has created jobs, supports tourism and other industries, and provides priceless free advertising for the State.

We ask that you carefully weigh the above factors and respectfully request that you make no changes to Act 88.

Thank you for the opportunity to submit testimony.

Glenn Cannon, President
Brenda Ching, Executive Director

SCREEN ACTORS GUILD
949 KAPIOLANI BLVD., SUITE 105, HONOLULU, HI 96814 ★ Tel. 808.596.0388 ★ Fax 800.305.8146
www.sag.org

Branch of Associated Actors and Artistes of America / AFL-CIO • Affiliate of International Federation of Actors

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2009 2:28 PM
To: FINTestimony
Cc: scott@AmericanFilmActor.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Scott Rogers
Organization: Individual
Address: 1111 D Wainiha Street HI
Phone: 808 779-4444
E-mail: scott@AmericanFilmActor.com
Submitted on: 2/25/2009

Comments:

If you really want to help the economy in Hawai'i, You MUST not only keep but increase, the tax incentives in Act 88 and Act 221/215. They create JOBS and bring in millions in secondary spending, not to mention millions of dollars in TV and film exposure. Act 88 and Act 221/215 have helped the Hawaii film and television industry grow dramatically. With this growth has come an increase in the number of industry professionals as well as facility and equipment infrastructure. All of which make it easier and less expensive for film and television projects to be made in Hawaii. More important, however, is that Act 88 and Act 221/215 have been strong economic drivers for the Hawaii economy and support the creation of high-pay, high-skilled jobs for our current residents and future generations.



NATURAL POWER CONCEPTS

1515 Ualakaa Place
Honolulu, HI. 96822
Phone: (808) 944-9283 Fax: (808) 941-2503
E-Mail: larry@naturalpowerconcepts.com
Web: www.naturalpowerconcepts.com

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Larry Lieberman, CEO
Natural Power Concepts
Company

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. NATURAL POWER CONCEPTS opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

NATURAL POWER CONCEPTS believes that a better approach is contained in HB 1451.

Natural Power Concepts (NPC) is an alternative energy technology incubator headquartered in Honolulu, Hawaii. We are working diligently to design, develop and rapidly prototype and test a variety of innovative new renewable energy devices that are a perfect showcase for Hawaii's extraordinary natural renewable energy resources such as wind, waves, current flow, solar, and geothermal heat. We are partially funded through Act-221 investors and I believe it is likely we would have had to move the company to a competing Mainland location for ocean energy research such as California, Oregon, or Florida if we had not been able to secure funding here in Hawaii. NPC currently employs eight full time

staff plus the near-full time services of several contractors and vendors.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Larry Lieberman

CEO

Natural Power Concepts

808-741-7529

larry@naturalpowerconcepts.com

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: William K. Akiona II
Projects Director
OmniGreen Renewables

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. **OmniGreen Renewables LLC** opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

OmniGreen Renewables LLC believes that a better approach is contained in HB 1451.

OmniGreen Renewables LLC is a newly formed **BioEnergy Systems Developer** company conducting renewable energy biomass research and development on the Wai'anae Coast of O'ahu, where we are planning for sustainable development projects that will simulate the rural economy and create "**Green Jobs.**"

Thank you for the opportunity to testify.

Respectfully,

William K. Akiona II
Projects Director
OmniGreen Renewables LLC
808 923-1737
omnigreen2020@yahoo.com



February 25, 2009

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
 TIME: 2:00pm
 PLACE: Conference Room 308

TO: House Committee on Finance
 Representative Marcus R. Oshiro, Chair
 Representative Marilyn B. Lee, Vice Chair

FROM: Rick Holasek, President and CEO, NovaSol

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. NovaSol opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

NovaSol believes that a better approach is contained in HB 1451.

NovaSol is a local Hawaii-based high technology firm working in the aerospace/defense sector. Established in 1998, we specialize in reconnaissance camera systems and free space optical communications.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Rick Holasek, PhD
 President and CEO, NovaSol
 808-441-3666
 rick@nova-sol.com

CORPORATE OFFICE

28th Floor
 733 Bishop St.
 Honolulu, Hawaii 96813
 808.441.3600
 808.441.3601 fax

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 658.376.0185
 658.376.0190 fax

FINANCE OFFICE

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 Honolulu, Hawaii 96813
 808.680.9601
 808.680.9624 fax



1288 Ala Moana Blvd, Suite 201
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Phone: (808) 692-0046
Fax: (808) 524-0766

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Bert A. Kobayashi
Chairman/CEO, Kobayashi Development Group LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. **Kobayashi Development Group LLC** opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Kobayashi Development Group LLC believes that a better approach is contained in HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Bert A. Kobayashi
Chairman/CEO
Kobayashi Development Group LLC
Phone: 692-0046
Email: bak@kobayashi-group.com

HB1583, HB1588 and HB1589. - Relating to Taxation

DATE: February 26, 2009

TIME: 3:00pm

PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: GB Hajim
Managing Director
Island Planet One Productions

RE: Testimony in Opposition to HB1583, HB1588 and HB1589.

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

Thank you for the opportunity to testify on this bill. Island Planet One Productions opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses.

Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Our company's workforce has grown 500% within the last year and we have over a million dollars of investment lined up for the first half of 2009. Two thirds of this amount is from mainland investors. If you change the law now, you instantly kill our company since we are depending on this capital until our film is completed and revenue stream begins in the first quarter of 2010. These investors will take their money elsewhere and we would be forced to move our company overseas. Is this what you want? Another brain drain and capital flight?

You need to come to the local high schools here and take a look into the eyes of

these kids and their parents. Most of the jobs are in the waning tourism industry. The unemployment rate is around 7% here and growing - Where is their hope for a better life? Where are their options?

When we started this production the economically prudent thing to do would have been to do the production in Eastern Europe where a government offered to pony up 50% of the budget. No credits. A simple cash infusion. Because of the cheaper labor and other costs, our \$2.5 million feature would have cost under \$1 million with the government of Bulgaria putting up 1/2 of the total!

But that's not the reason I developed this style of animation and this production pipeline. It is not the reason why I go to high schools and the local colleges to teach workshops and classes. The reason in a nutshell: I want to create something sustainable here so that the youth (including my own) can be inspired and our best and brightest can be encouraged to stay here. This tax incentive for investment allows us to reach for that dream.

The UH Student who now does most of my high end Maya stuff - I hired him back when he was 16 at Pahoa High. His mom couldn't afford to keep him in the same house for more than a few months at a time. He built his own computer, but had no place to plug it in most of his time in high school. He was helping his mom survive by bagging groceries at \$8/hr! Now, 3 years later, he is writing render engines, paying his way through college with his wages from my company and, recently, was flown to the mainland to compete in a software competition.

I'll never forget when I hired this 14 year old Hilo High School student for an internship in digital design. Her mother came to me with tears in her eyes saying, "When I was her age I could draw as well as her and I drew all the time, but there were no opportunities here, so when I graduated I joined the military, then came back, got married, had kids, and never drew again. Thank you for my daughter. Thank you from me."

Almost all my employees and interns have stories like this.

Do you know the story of WETA in New Zealand? Started with a couple of smart, creative guys, passionate about film, making a movie where Muppets, that looked straight out of Sesame Street, were shooting at each other with automatic rifles and blowing each other up with bombs. Sounds sustainable? Within 12 years they were in charge of putting the Lord of the Rings together.

With a whole lot of creativity, passion and brains, we are creating a small miracle here. We will make it grow bigger.

In this past holiday season, one of my animators gave me a gift and on the card he wrote: "Thank you for giving me the job of my dreams."

That is what this is all about.

Thank you for the opportunity to testify on this important bill. We respectfully ask that you hold this bill and continue the tax credits for at least 2009. Here on the outer islands, it is one of our only hopes to diversify our economy with jobs that pay a living wage.

Sincerely,

GB Hajim

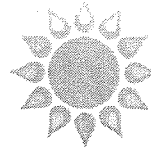
Director

Island Planet One Productions, LLC

(a Hawaii State Qualified High Technology Business)

PO Box 430 Papaikou Hawaii 96781

cell (808) 960-7619 studio (808) 963-5482



pacific
light & power

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Kyle Hunker
Vice President of Finance
Pacific Light and Power, LCC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

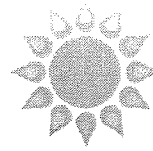
Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Pacific Light and Power opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Pacific Light and Power believes that a better approach is contained in HB 1451.

Pacific Light and Power develops utility scale renewable energy projects for Hawaii. We use QHTB monies to realize Hawaii's renewable energy potential and in the process create jobs building and operating power projects.



pacific
light & power

Thank you for the opportunity to testify on these important bills.

Sincerely,

Kyle Hunker
Vice President of Finance
Pacific Light and Power
(808) 652-4183
kyle@pacificlightandpower.com



700 Bishop Street, Suite 2000 Honolulu, HI 96813

February 25, 2009

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Joe Cooper, CFO
Archinoetics LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Archinoetics opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Archinoetics believes that a better approach is contained in HB 1451.

Archinoetics began operations in 2005 and has grown to 30 Hawaii based employees with a payroll of over \$2 million in 2008. We are a research company that develops intelligent human assistive technologies (i.e. we use sensors and computers to improve peoples' lives). We are currently launching a subsidiary company, Fatigue Science. Using a technology that was developed 4 years ago in Hawaii, they have just begun marketing a fatigue risk management system. The market for such systems is easily in the hundreds of millions of dollars annually worldwide. This takes time and it could easily take another 4 years to penetrate and exploit the market. We need this support to continue to grow this business in Hawaii.

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

Sincerely,

Joe Cooper, CFO
Archinoetics
808) 741-1684
joe@archinoetics.com

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2009 8:04 AM
To: FINTestimony
Cc: strsws@mac.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM
Attachments: 221-215 Slideshow.pdf; 221-215 Handouts.pdf

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: comments only
Testifier will be present: Yes
Submitted by: Shan Steinmark
Organization: Strategic Transitions Research
Address: 66 Queen Street - #3501 Honolulu, HI
Phone: 8084639590
E-mail: strsws@mac.com
Submitted on: 2/25/2009

Comments:

Aloha Members of the House Finance Committee, "The answers to our problems don't lie beyond our reach. They exist in our laboratories and universities, in our fields and our factories, in the imaginations of our entrepreneurs and the pride of the hardest-working people on Earth"; - President Barack Obama, February 24, 2009.
To effectively address the threats to people's jobs, homes & "safety net"; we must (a) pursue Hawaii's strategic growth opportunities, (b) continue to build our state's innovation pipeline of creative and useful ideas and (c) develop our local entrepreneurs and intellectual property.
We cannot shrink our way to success; rather, we must expand & augment Act 221/215 - a program that has demonstrated a 3:1 return-on-investment for Hawaii & its citizens.
Mahalo,
Shan Steinmark

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Fritz M. Amtsberg
Title: Programs
Company Oceantronics, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Oceantronics Inc. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Oceantronics Inc. believes that a better approach is contained in HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Fritz M. Amtsberg
Oceantronics, Inc.
711 No. Nimitz Hwy.
Honolulu, HI 96817
Ph. 808-522-5600
Fax 808-522-5222
Cell 808-216-0256
Skype - oceantronics
web www.oceantronics.net
e-mail fritz@oceantronics.net



MONSANTO HAWAII
2104 LAUWILIWILI STREET
BLDG. K, SUITE 101K
KAPOLEI, HAWAII 96707

February 26, 2009

TESTIMONY BEFORE THE
HOUSE COMMITTEE ON FINANCE

HB 1583, HB 1588, & HB 1589

Chair Oshiro and committee members:

My name is Alan Takemoto, Community Affairs Manager, with Monsanto Hawaii.

We do not support the HB 1583, HB 1588, and HB 1589 that would limit or eliminate the High Technology Investment credit, also known as Act 221.

Monsanto supports Act 221 as it provides an incentive program that energizes and attracts high technology companies to further invest in Hawaii that would otherwise have gone to other states. We strongly suggest that incentive programs like this need to be expanded, rather than eliminated or reduced.

The global economic meltdown means Hawaii needs to attract and draw new business in. When business is down, we should not reduce incentives and marketing efforts, we should increase our efforts to encourage investments into Hawaii. Similarly, while tourism is down, the Hawaii Tourism Authority recently reallocated millions of dollars to market Hawaii to the world. Hawaii needs strong business incentives like Act 221 so that it can be viewed as a business friendly state and not only a tourist destination.

In the larger perspective, we urge the legislature to look at ways on how Hawaii can attract and maintain new and existing businesses. We should be looking at other incentives that encourage businesses to increase more jobs into the state or increase investment during these difficult economic times.

We cannot afford reducing these incentives for businesses, especially Hawaii, where we are thousands of miles away from the nearest major market. Businesses are already hard pressed to make ends meet and every incentive mechanism will encourage them to remain in Hawaii.

Thank you for allowing us to testify in opposition to these measure.



HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 25, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Todd J. Robertson
President/CEO
Hyperspective Studios, Inc.

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Hyperspective Studios, Inc. opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Hyperspective Studios believes that a better approach is contained in HB 1451.

Hyperspective Studios produces media, specializing in 3D animation, video, Internet applications, interactive materials and games. The company currently has four employees, but intends to greatly expand its employee base this year in development of an animated children's show with an educational focus. Hyperspective intends to be a strong part of a growing animation industry and is focused on developing new jobs and a strong, sustainable business in the State of Hawaii. Our company will not have a chance at success without Act 221 incentives in place, and would therefore not have the ability to offer jobs to Hawaii graduates. Furthermore, the majority of our current client-base are companies that only exist due to the Act 221 incentives. If they die, we die.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Todd J. Robertson
President/CEO
Hyperspective Studios, Inc.
808.741.1292
todd@hyperspective.com

REAL-TIME GENOMICS, LLC

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 3:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Blair Stultz
President
Real-Time Genomics, LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. Real-Time Genomics opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

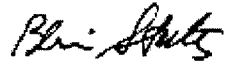
Real-Time Genomics believes that a better approach is contained in HB 1451.

Real-Time Genomics is developing an array reader for analyzing DNA. Our sector is in biotechnology with applications in military and commercial use. We have created four positions in our first year primarily in scientific research and engineering. Our plans include manufacturing our products locally for the national market. We need the investment opportunity created by the Act 221 to successfully fund our project over the next two years until we have a commercially viable product.

REAL-TIME GENOMICS, LLC

Thank you for the opportunity to testify on these important bills.

Sincerely,

A handwritten signature in black ink that reads "Blair Stultz". The signature is written in a cursive style with a large initial 'B'.

Blair Stultz
President
Real-Time Genomics, LLC
808/247-6706
bearmach@hawaii.rr.com

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Roy Tjioe, Principal, Island Film Group

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Island Film opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses.

Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTBs spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTBs will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Island Film Group believes that a better approach is contained in HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Roy Tjioe
Principal
Island Film Group
808 536-7955
rtjioe@islandfilmgroup.com



I S L A N D
FILM GROUP

HB 1583 – Relating to Taxation
HB 1588 – Relating to Taxation
HB 1589 —Relating to Taxation

DATE: February 26, 2009
 TIME: 2:00 PM
 PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
 Representative Marilyn B. Lee, Vice Chair

FROM: Ricardo S Galindez, Island Film Group

RE: Testimony in Opposition to HB1583, HB1588, HB1589

Dear Chair Oshiro, Vice-chair Lee and members of the committee:

I strongly oppose the portion of HB1583, HB1588 AND HB 1589 that applies to Section 235-17, the basic refundable tax credit also known as Act 88 and ask that you remove its reference from the measure because it a fiscally responsible credit that is part of the solution and not part of the problem for the following reasons:

- Act 88 is NOT a drain on the general fund - it is revenue neutral
- It's based on a percentage of actual spend - if a company doesn't spend the money, they don't get a rebate
- The measure has generated over \$300 million in direct expenditures into the local economy at no cost to the state
- Spending by the industry is broad-based and creates business opportunities to hundreds of vendors throughout the state
- It creates hundreds of direct industry jobs and indirect supporting industry jobs

- It supports visitor industry infrastructure - hotels, airlines, rental cars, dry cleaners, restaurants, etc

- It provides for millions of dollars of free advertising

I understand the need to review all credits. In light of the above information, I respectfully request that you eliminate Section 235-17 from the measure.

Thank you for the opportunity to provide these comments.

Thank you for the opportunity to testify on these important bills. □ □

Sincerely, □ □

Ricardo S Galindez
Principal
Island Film Group
808-536-7955
rgalindez@islandfilmgroup.com

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2009 7:20 AM
To: FINTestimony
Cc: mcdenism@hotmail.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Denis Massey
Organization: Individual
Address: 1212 nuuanu Ave Honolulu HI
Phone: 8086944645
E-mail: mcdenism@hotmail.com
Submitted on: 2/26/2009

Comments:

If you are serious about helping the economic picture in Hawai'i, you MUST keep Act 88 and Act 221/215 in effect. If these acts are lessened or eliminated, Hawai'i will lose upward of 100 million dollars of production per year. Additionally, these acts have created jobs, and brought millions of dollars in secondary spending into our state. They have also contributed to Hawai'i receiving millions of dollars in free advertising in TV and film. Act 88 and Act 221/215 have helped the Hawaii film and television industry grow dramatically. With this growth has come an increase in the number of industry professionals as well as facility and equipment infrastructure. All of which make it easier and less expensive for film and television projects to be made in Hawaii. More important, however, is that Act 88 and Act 221/215 have been strong economic drivers for the Hawaii economy and support the creation of high-pay, high-skilled jobs for our current residents and future generations.

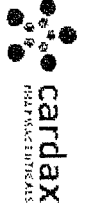
FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2009 7:20 PM
To: FINTestimony
Cc: rickbrock1@yahoo.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: rick brock
Organization: local 600 west coast
Address:
Phone: 310 344 4889
E-mail: rickbrock1@yahoo.com
Submitted on: 2/25/2009

Comments:



February 24, 2009

HB1583 - Relating to Taxation
HB1588 - Relating to Taxation
HB1589 - Relating to Tax Credits

DATE: February 26, 2009
TIME: 2:00pm
PLACE: Conference Room 308

TO: House Committee on Finance
Representative Marvyn R. Osifroy, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: David G. Watumull
TITLE: President and CEO
COMPANY: Cardax Pharmaceuticals, Inc

RE: Testimony in Opposition to HB1583, HB1588 and HB1589
Alpha Chair, Vice Chair, and Members of the Committee,

My name is David Watumull, CEO of Cardax Pharmaceuticals, Inc. Cardax is developing a new class of drugs targeting the underlying cause of most chronic disease, including the number one problem for the Native Polynesian population: diabetes and heart disease. Cardax, along with both Iliama'i Biotech, from which Cardax spun out, and Pantheon Biopharma, also spun out from Hawaii Biotech, would not be in existence without Act 221. Combined all three companies have more than 75 high paying jobs and have received more than \$30 million in investor funding, almost half of which came from outside Hawaii, and \$35 million in grant funding since 2001.

Thank you for the opportunity to testify on these bills. Cardax Pharmaceuticals, Inc opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221(21) were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Cardax Pharmaceuticals, Inc believes that a better approach is contained to HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Name: David G. Watumull
Title: President and CEO
Company: Cardax Pharmaceuticals, Inc.
Phone: (808) 457-1375
Email: dwatumull@cardaxpharma.com

Cardax Pharmaceuticals, Inc.
2015 Kalia Road, Suite 400, Alie, HI 96813
Tel: (808) 457-1375
www.cardaxpharma.com

HB1583 - Relating to Taxation□
HB1588 - Relating to Taxation□
HB1589 - Relating to Tax Credits

□□DATE: February 25, 2009□
TIME: 2:00pm□
PLACE: Conference Room 308□□

TO: House Committee on Finance
□Representative Marcus R. Oshiro, Chair
□Representative Marilyn B. Lee, Vice Chair

□□FROM: Mike Curtis, Hawaii Investor and Entrepreneur

□RE: Testimony in Opposition to HB1583, HB1588 and
HB1589□

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

□□Thank you for the opportunity to testify on these bills. I
strongly oppose HB1583, HB1588 and HB1589. □□

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, I believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five-year period, this bill would retroactively repeal credits from previous years.

As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for

the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

I believe that a better approach is contained in HB 1451 and ask that you support this measure as well as championing it to others on your committee. □ □

□ Thank you for the opportunity to testify on these important bills.

□ □ Sincerely,

Mike Curtis

808-292-6862

mcurtis@hawaii.rr.com

1829 Bertram Street Honolulu, HI 96816

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2009 2:07 PM
To: FINTestimony
Cc: snovak@pprmanagementservices.com
Subject: Testimony for HB1583 on 2/26/2009 2:00:00 PM

Testimony for FIN 2/26/2009 2:00:00 PM HB1583

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Steve Novak
Organization:
Address:
Phone:
E-mail: snovak@pprmanagementservices.com Submitted on: 2/24/2009

Comments:
TO: House Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Steve Novak
President
PPR Management Services, LLC

RE: Testimony in Opposition to HB1583, HB1588 and HB1589

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

Thank you for the opportunity to testify on these bills. PPR Management Services, LLC opposes HB1583, HB1588 and HB1589.

The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

PPR Management Services, LLC believes that a better approach is contained in HB 1451.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Steve Novak
President
PPR Management Services, LLC