



Via Capitol Website

February 5, 2009

**Senate Committee on Ways and Means  
Hearing Date: Thursday, February 5, 2009, 9:30 a.m. in CR 211**

**Testimony in Opposition to SB 199 – Relating to Taxation  
(Sunsets and Repeals all Tax Credits beginning after December 31, 2010)**

Honorable Chair Donna Mercado Kim, Vice-Chair Shan Tsutsui and  
Senate Ways and Means Committee Members:

My name is David 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 this opportunity to testify and is **in strong opposition** to SB 199, which calls for a repeal of all tax credits. LURF's opposition is based on the fact that such a repeal of tax credits will significantly impact a number of initiatives already in place for 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). 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 the economy.

**SB 199.** The bill proposes to repeal of all available tax credits for taxable years will begin after December 31, 2010. It is a blanket attempt to sunset and repeal all state tax credits, without determining which ones are important to keep Hawaii's economy going. The tax credits slated for repeal and sunset under SB 199, include the following:

- (1) Section 235-12.5 (Renewable Energy Technologies; Income Tax Credit);
- (2) Section 235-15 (Tax Credits to Promote the Purchase of Child Passenger Restraint Systems);
- (3) Section 235-17 (Motion Picture, Digital Media, and Film Production Income Tax Credit);

- (4) Section 235-55 (Tax Credits for Resident Taxpayers);
- (5) Section 235-55.6 (Expenses for Household and Dependent Care Services Necessary for Gainful Employment);
- (6) Section 235-55.7 (Income Tax Credit for Low-Income Household Renters);
- (7) Section 235-55.85 (Refundable Food/Excise Tax Credit);
- (8) Section 235-55.91 (Credit for Employment of Vocational Rehabilitation Referrals);
- (9) Section 235-71 (Tax on Corporations; Rates; Credit of Shareholder of Regulated Investment Company);
- (10) Section 235-110.2 (Credit for School Repair and Maintenance);
- (11) Section 235-110.3 (Ethanol Facility Tax Credit);
- (12) Section 235-110.46 (Attractions and Educational Facilities Tax Credit; Ko Olina Resort and Marina; Makaha Resort);
- (13) Section 235-110.51 (Technology Infrastructure Renovation Tax Credit);
- (14) Section 235-110.6 (Fuel Tax Credit for Commercial Fishers);
- (15) Section 235-110.7 (Capital Goods Excise Tax Credit);
- (16) Section 235-110.8 (Low-Income Housing Tax Credit);
- (17) Section 235-110.9 (High Technology Business Investment Tax Credit);
- (18) Section 235-110.91 (Tax Credit for Research Activities); and
- (19) Section 235-110.93 (Important Agricultural Land Qualified Agricultural Cost Tax Credit).

SB 199 has an effective date of July 1, 2009 and the enactment of legislation establishing any tax credit shall require a 2/3 vote of the members to which each house of the legislature is entitled.

**LURF's Position.** 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, affordable housing projects and infrastructure improvements. Instead of a blanket approach which seeks to repeal all tax credits, a closer analysis should be done evaluating what tax credits were most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary.

LURF remains in **strong opposition to SB 199**, which would repeal all tax credits, and thereby jeopardize current and future projects which have planned and budgeted their construction and operations relying on valuable tax credits and incentives.

Thank you for the opportunity to express our concerns on this matter.

imagine a perfect world.

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RE: SB 199



Senator Donna Kim  
via wantestimony@capitol.hawaii.gov  
PO Box 61503  
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3 Feb 2009

Dear Senator Kim:

I believe that opposition to Act 221, as pertains to performing arts, is misunderstood. Some of your colleagues believe it as an incentive that benefits major studios and television networks, yet does not sustain long term employment for Hawaii professionals, or that Hawaii's technology and performing arts industries do not need this kind of incentive to compete in the current world market. Other colleagues will undoubtedly address the value of Act 221 in terms of revenue return. I believe I can share an additional perspective.

My great-great-grandfather came to Hawaii in the 19th century and promptly renounced his allegiance to China to become a citizen of the sovereign Kingdom of Hawaii. He survived in no small measure due to the largess of the culture that hosted him. Six generations later, my family continues to thrive here in these Islands though many of us have not found pathways back home from educations abroad. My two sisters have been very successful in the film and television industries. One, a Warner Bros. studio VP, Pres. of Geffen Films and Wildwood; the other a television comedy writer for two network shows. Neither of them were able to move back home to raise their children and continue to build their careers. I believe that Act 221 will change the fate of many former ex-pats like my sisters and me - as well as children from the next several generations.

In my great-great-grandfather's day, Native Hawaiians were an endangered people. By 1883 there were only 44,000 who survived the onslaught of disease and other cultural malaise including poverty. But this history is not unknown to you good legislators. I'm just not sure we realize that this was only a century ago and that it happened to a people whose creation chant preceded Darwin's theory of evolution. It happened in Hawaii to a culture that had become fully literate and bilingual by 1860 and who published over 100 newspapers, and when King David Kalakaua invited Thomas Edison to electrify Iolani Palace this was a first in the world, followed by the installation of Alexander Graham Bell's invention called the telephone. By the end of the century Edison knew the Hawaiian Kingdom as pro-active in welcoming new technologies so his film crew arrived on Waikiki beach with the "Vitascope" to record some of the first "moving pictures" ever in the history of cinema.

The people of Hawaii have always been at the forefront of technology. From celestial navigation to the invention of the steel guitar. Then the ukulele which became an intrinsic part of the roaring twenties and a symbol of American freedom and invention. Millions of dollars were also made from Tin Pan Alley hit songs inspired by local composers and poets.

100 years later, the list of contributions to the world and to American pop culture during the 20th and 21st centuries, made by Hawaiians and local non-Hawaiians, is much too long to list. But let's jump forward to the fact that we just gave the world the 44th President of the United States, Barack Obama, Punahou Class of '79. So what's this got to do with Act 221?

We are collectively not a culture who has ever needed hand outs nor are we people who have relied upon nor looked for a "free ride". Act 221 has been mistakenly viewed by some as such a hand out, or a tax ruse benefiting only the rich. It is not. It is reminiscent of what I observed first hand in the 1980s in cities where my friends and colleagues happily reside in their home towns at the forefront of their high technology and performing arts industries - in Vancouver, Toronto, Wilmington, and New York City - cities whose legislators founded tax incentives created specifically to kick start what has long been known to be two of the most desirable and eco-friendly industries in modern times: high technology and entertainment. Act 221 has enabled our company, Pacific Network, and consequently many other related businesses and cultural organizations to engage pro-actively in what is being described as nothing short of an unprecedented "cataclysmic change" in media and communications worldwide. We are living through radically changing times and traditional modes of gathering and distributing news, education and entertainment are no longer status quo. The country's largest newspaper conglomerates are going out of business and Hollywood is just beginning to understand just how drastic public tastes have been changed by the Internet. Content and delivery of content via television and cinema are being redefined. Films and TV no longer require theatres or TV sets. They no longer must conform to 30 and 120 minute formats. Very soon, most of us will gather our news, entertainment, games, and your child's homework lesson off a cell phone, programmed by you, at your own discretion.

The phenomenon is called "new media" - an amalgamation of film, television, newspapers, magazines, and radio coupled with the interactivity of the World Wide Web - and Act 221 has jettisoned our Hawaii-based Pacific Network into the global market as a prime example of this "new media", ahead of the pack, a template for other cities, states, and communities. Without Act 221 we would not exist.

Our messages and images, news and entertainment, created by Hawaii professionals with intellectual property rights owned by Hawaii residents, are being produced by many of my fellow resident artists and producers. Without 221 we can anticipate the continued diaspora of many brilliant people - Hawaii's best and brightest young minds and seasoned professionals forced to leave the Islands to look for opportunities unavailable to them here at home.

Ours is a vision that aligns with the spirit of the Hawaiian people, and our goal is to change the way people understand the world and how they perceive Hawaii, and to create jobs in industries that preserve and even enhance Hawaii's natural environment and culture - because if we do not, surely someone else will do it for us - and on their terms. It is through Act 221 that we are able to sustain this very large vision and to compete in the current global marketplace. We could not meet the challenge in such a major communications revolution if it were not for Act 221 as incentive for investors who would otherwise support start ups in other cities offering similar incentives.

Please support of Act 221. Thank you for your consideration and valuable time,

Edgy Lee  
Founder, Pacific Network LLC