LATE

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
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HONOLULU, HAWAII 96809

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SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

TESTIMONY REGARDING HB 611 HD 1
RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: MARCH 20, 2009
TIME: 1:15PM
ROOM: 016

This bill repeals certain net income tax credits and exemptions from the General Excise Tax (GET), and it expands the current responsibilities for the Department of Taxation to evaluate certain of Hawaii's income tax credits and exemptions. This bill also appropriates funds from the general revenues to support these obligations. The bill also imposes a new penalty for an unreasonable and erroneous claim for a tax refund or a tax credit. The bill takes effect upon approval, with the section providing appropriations taking effect on July 1, 2009 and with various tax credits and GET exemptions set to expire between December 31, 2011 and December 31, 2013.

The Department of Taxation (Department) **supports the provision that imposes penalties on unreasonable claims for tax refunds or tax credits**. The Department has **concerns regarding the automatic repeal without legislative action**.

I. NEED TO DISCOURAGE UNREASONABLE CLAIMS FOR TAX REFUNDS AND CREDITS

Congress recently amended the Internal Revenue Code to allow for a twenty percent penalty on any excessive refund claims.

This new erroneous refund claim penalty is found at 26 USC § 6676. This penalty was included in recent congressional legislation as a revenue raiser for the federal government. With certain of the tax incentives provided in Title 14, HRS, providing the Department of Taxation with the ability to assess a penalty for refund or credit claims where a taxpayer's claim lacks a reasonable basis will assist with the administration of Hawaii's taxes by providing a deterrent mechanism, which presently does not exist. As was the intent on the federal level, this legislation would also be a potential revenue raiser for the general fund.

Lately, more taxpayers have adopted a strategy of making unreasonable and erroneous claims for tax refunds and tax credits in hopes of resolving the claims during settlement discussions if the claims are ever discovered. Effective measures to discourage this behavior are needed. The unreasonable claims are costly to the State, both because they make the job of monitoring tax returns harder – more effort must be spent - and because some of the unreasonable claims are not discovered. The Department believes the proposed new penalty will provide an effective deterrent to the unreasonable claims.

II. EVALUATING HAWAII'S TAX INCENTIVES; DUTY OF THE TAX REVIEW COMMISSION

Hawaii's tax laws contain special tax credits and exemptions that were enacted to promote various social or economic goals. In general, basic principles of public finance dictate that tax rates should be as uniform as possible to minimize the distortions that taxes create in the economy. It is therefore a good idea to evaluate the credits and exemptions from time to time to see whether they are working as they were meant to work. This bill provides such an evaluation.

The job of evaluating the special credits and exemptions is a big one. As currently constituted, this bill asks the Department to evaluate dozens of separate sections in Title 14, many of which contain more than one special tax provision. In the interest of minimizing the impact on already-stretched resources, and at a time when the State can least afford additional resource drains, the Department believes that the duty of studying tax credits and exemptions as contemplated by this measure is best left to the Tax Review Commission, which is constitutionally delegated this responsibility. The next Tax Review Commission will be seated on July 1, 2010.

III. AUTOMATIC REPEAL SHOULD BE HANDLED CAUTIOUSLY

The Department does not support the automatic repeal as provided in this measure. The automatic repeal in this bill during the current economic times could have a devastating impact on the economy. As a general consideration, automatic repeal of the magnitude contemplated by this legislation should be approached cautiously. This is a particularly serious responsibility, since these tax provisions will completely disappear without a sound basis for legislative intervention. The Department points out that all of these credits or exemptions were important at some point and served some purpose.

The current bill contains a number of items that are listed as exemptions from the GET that probably do not merit consideration. These exemptions are necessary for the GET to have a sensible structure that minimizes economic distortions – they are not exceptions from a uniform and consistently administered excise tax.

IV. REVENUE ESTIMATE & METHODOLOGY

The new penalty for erroneous and unreasonable claims for tax refunds or tax credits will raise $2.4 million in fiscal year 2010.

The other provisions will not affect tax revenues within the revenue window. The following are very tentative estimates of the revenue gains of these other provisions. The current direct annual revenue gain from the credits and exemptions set to expire are about $404 million for FY2012; about $1.09 billion for FY2013; about $1.42 billion for FY2014; and about $1.48 billion for FY2015. The estimates do not include the revenue gains from eliminating the GET exemption for public service companies (given by section 237-23(1), HRS).

The estimate for the new penalty on excessive exemption claims assumes the new law will hit 1% of exemptions, which are about $1 billion.

Revenue gains from eliminating the income tax credits are taken from the Department's study of income tax credits for 2006. Revenue gains from eliminating the GET exemptions are taken from the Report of the 2005-2007 Tax Review Commission. The estimates are very tentative. For example, an annual growth factor of 3 percent per year has arbitrarily been assumed for all provisions for all years. The estimates do not account for the revenue gain from eliminating the GET exemption for public service companies.

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

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Friday, March 20, 2009
1:15 PM
State Capitol, Conference Room 016

in consideration of
HB 611, HD1
RELATING TO TAXATION.

Chair Fukunaga, Vice-Chair Baker 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 the impact of this measure as it would repeal §235-17 motion picture, digital media and film production income tax credit, known as Act 88 on December 31, 2013 which is two (2) years earlier than the current sunset date of December 31, 2015.

Act 88 is an integral part in the continued success and development of Hawaii's film industry, a key driver of Hawaii's creative economy. The production incentive 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. As we continue our work in a highly competitive climate where Hawaii is competing with countries to attract more production business to stimulate our economy, the early repeal of this important tax credit for film would adversely impact revenues to the state and sends the wrong message to the industry-at-large.

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 mostly with other countries rather than U.S. states. To the extent we can maintain our tax incentives, Hawaii will continue to attract production 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.

Linda Lingle
GOVERNOR

KAREN SEDDON
EXECUTIVE DIRECTOR

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

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
March 20, 2009, 1:15 p.m.
Room 016, State Capitol

In consideration of
H.B. 611, H.D. 1
RELATING TO TAXATION.

The HHFDC has concerns with H.B. 611, H.D. 1 because of the negative impact to the provision of affordable housing. We offer the following comments.

The bill proposes to repeal section 235-110.8, Hawaii Revised Statutes (HRS) as of December 31, 2013. This section establishes the State Low Income Housing Tax Credit (LIHTC) which has been an effective financing tool for the development or preservation of affordable rental housing projects. The State LIHTC is coupled with the Federal LIHTC, which is heavily regulated and monitored by the Internal Revenue Service. Without the State LIHTCs, additional state subsidies will be required to support the development of rental housing for low-income households.

<u>Even if the State LIHTC is ultimately unaffected, the uncertainty created by this bill may restrain the market for LIHTCs and stall affordable rental housing development</u>. Potential LIHTC investors would not be willing to purchase the credits until they were relatively certain that the tax credits would be available for the entire 10-year tax credit period. This uncertainty increases risk for affordable housing developers, and ultimately serves as a disincentive to affordable rental housing development.

The bill also proposes to repeal section 241-4.7, HRS, which makes the state LIHTC applicable to banks and financial corporations. As local financial institutions have been the primary investors for the State LIHTCs, the repeal of this section would also hinder the development or preservation of affordable rental housing.

The bill proposes to repeal section 237-29, HRS, which provides exemptions from general excise taxes (GET) for certified affordable housing projects. The Legislature's intent for the GET exemption was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has done just that.

H. B. 611, H.D. 1 will also adversely affect the financial feasibility of existing affordable housing projects that have previously been awarded State LIHTCs or certified for GET exemptions. The net result of the proposed repeals is to increase the risk of default of affordable rental housing projects statewide.

Our preference is for the Committee to delete references to State LIHTCs or GET exemptions for certified affordable housing projects from this bill. However, we understand the intent of this bill is to ensure the fiscal integrity of tax exemptions and credits. Therefore, we respectfully request that section 6 of the bill be amended to exempt affordable housing projects that have been awarded State LIHTCs or certified for GET exemption prior to January 1, 2013. The proposed amendments are as follows:

SECTION 6. This Act shall take effect upon its approval; provided that:

(1) Section 4 shall take effect on July 1, 2009;

(2) Subsection (c)(4) of Section 3 shall not apply to low-income housing tax credits awarded under section 235-110.8, Hawaii Revised Statutes, prior to January 1, 2013;

(3) Subsection (c)(8) of Section 3 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2013; and

(4) Subsection (c)(9) of Section 3 shall not apply to low-income housing tax credits awarded under section 241-4.7, Hawaii Revised Statutes, prior to January 1, 2013.

Thank you for the opportunity to testify.

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU
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MUFI HANNEMANN
MAYOR

WALEA CONSTANTINAU
FILM COMMISSIONER

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

HOUSE COMMITTEE ON FINANCE

March 20, 2009 – 1:15 pm
State Capitol, Conference Room 016

RE: HB611 HD1 - Relating to Taxation

Dear Chair Fukunaga, Vice Chair Baker and members of the committee:

I **strongly oppose a portion of HB 611 HD1 that seeks to repeal 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.**

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME
LOCAL 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Economic Development and Technology

Testimony by
Hawaii Government Employees Association
March 20, 2009

H.B. 611, H.D. 1 - RELATING TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of H.B. 611, H.D. 1, which requires the Departments of Taxation and Human Services to evaluate certain tax credits and tax exemptions and report to the Legislature. The bill also provides a stiff penalty if anyone makes a claim for a tax refund or credit in an excessive amount.

We believe that a thorough review of tax credits and tax exemptions provided by the State is absolutely necessary during these difficult economic times. The evaluation should enable the Legislature to exercise appropriate oversight by determining whether the tax credits and tax exemptions achieve their intended objectives, and if they should be reenacted, modified or eliminated.

This evaluation will help 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 and tax exemptions has the same impact on the budget deficit as spending that dollar.

To balance the State's budget, we need to ensure that ineffective or overly expensive tax credits and tax exemptions are reduced.

Thank you for the opportunity to testify in support of H.B. 611, H.D. 1.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

888 MILILANI STREET, SUITE 601 HONOLULU, HAWAII 96813-2991

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the Senate Committee on Economic Development and Technology
Friday, March 20, 2009
1:`15 PM
Conference Room 016
RE: HOUSE BILL NO. 611, HOUSE DRAFT 1, RELATING TO TAXATION

Chair Fukunaga, Vice Chair Baker, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's opposition to House Bill No.611, House Draft 1, Relating to Taxation.

The Chamber's Military Affairs Council (MAC) has served as the liaison for the state in matters relating to the U.S. military and provided oversight for the State's multi-billion dollar defense industry since 1985.

The measure proposes to require the Department of Taxation to evaluate certain tax credits and tax exemptions and report to the legislature. It further provides for an automatic appeal of the tax credits and tax exemptions and provides for a penalty for excessive amounts filed for tax refunds and credits.

We would specifically like to address Section 2 of the bill, which requires an evaluation and report on tax credits and tax exemptions scheduled for repeal under Section 3, and to subparagraph (b)(10) of Section 3 covering the general excise tax exemption of certain shipbuilding and ship repair business.

A repeal of this general excise tax exemption will significantly drive up costs for local shipyards and render them incapable of maintaining a competitive edge over shipyards outside Hawaii that are unaffected by this tax. This would result in the loss of millions of dollars in revenues, and possibly lead to the demise of the industry.

The general excise tax exemption on shipbuilding and ship repair work is essential to maintaining the competitive level of Hawaii-based shipyards, which has enabled the US Navy to continue awarding ship repair contracts to our local private shipyards. The US Coast Guard in Hawaii already contracts with shipyards outside Hawaii, and the Matson Navigation Company sends its ships to faraway Hong Kong for repairs. This reflects the global nature of the ship repair business.

The Ship Repair Association of Hawaii has advised that the Navy is working towards instituting a Multi-Ship Multi-Option contracting procedure to reduce costs. Repealing the GET exemption would result in substantial increases in local contract bids and likely force the Navy to contract these planned ship overhauls to outside shipyards, taking hundreds of thousands of work hours away from Hawaii's tax-paying skilled work force. This anticipated loss of millions of dollars in revenues to out-of-state shipyards and suppliers could contribute towards the de-diversification of Hawaii's economy.

The exemption has allowed the Navy to position a private shipyard at one of the dry docks in Pearl Harbor to handle repairs for its fleet of surface ships. This extremely favorable benefit could also be lost if the tax is repealed.

For these reasons, we respectfully requests that HB 611, HD1 be revised to retain the general excise tax exemption for Hawaii-based shipbuilding and ship repair businesses.

Thank you for this opportunity to testify.

NAIFA
HAWAII
Hawaii

National Association of Insurance and Financial Advisors --

516 Kawaihae Street, Suite E
Honolulu, HI 96825

House Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair

Date of Hearing: March 20, 2009 Time: 1:15 pm

RE: House Bill 611, HD 1 – Relating to Taxation

Chair Fukunaga and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

We are strongly opposed to HB 611, HD1, that will repeal certain tax credits and exemptions and **ask that you continue to allow for the tax exemptions from the proceeds from a life insurance policy after the death of the insured and amounts received from endowments and annuity contracts will be repealed under Section 237-24.7(1)(2)(3), under Section 3 of the bill.** Also included in this repeal are disability income insurance proceeds and long term care insurance benefits.

For consumers who have purchased these kinds of insurance policies, they were of the understanding that the proceeds would be tax free. Consumers pay premiums on these kinds of insurance policies for many years – many for decades -- and to change the law by repealing the exemptions is not fair.

Consumers buy these insurance policies to take responsibility for their lives, their health and care. It's these kinds of insurance policies that keep our citizens out of the welfare entitlement programs.

We ask that you continue to allow the exemptions for these insurance policies.

Mahalo for allowing us to share our views.

Cynthia Hayakawa, Executive Director

HAWAII CREDIT UNION LEAGUE

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AMERICA'S CREDIT UNIONS™

Testimony to the Senate Committee on Economic Development and Technology
Friday, March 20, 2009 at 1:15 p.m.

Testimony opposing HB 611, HD1 Relating to Taxation

To: The Honorable Carol Fukunaga, Chair
The Honorable Rosalyn H. Baker, Vice Chair
Members of the Committee on Economic Development and Housing

My name is Stefanie Sakamoto and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for over 90 Hawaii credit unions, representing approximately 810,000 credit union members across the state. We oppose the repeal of Section 237-25, HRS, *Exemptions of sales and gross proceeds of sales to federal government, and credit unions*, provided for in section 3 of the bill (subsection (b) (9) on page six, lines 17 – 19 of the House Draft 1 version.

This bill requires the Department of Taxation to evaluate certain tax credits and tax exemptions and report to the legislature over a three-year period, while providing for the automatic repeal of the tax credits and tax exemptions being evaluated. We note the financial condition of the state could significantly change during any three consecutive years, the evaluation period set forth in this draft.

Aside from being instrumentalities of the federal government, recognized by being included in the same statutory section providing a general excise tax exemption for purchases of tangible persona property by the federal government, we seek to retain this exemption for the purchase of tangible personal property by credit unions for several reasons:

- Credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means.
- The cost of any tax paid by a credit union is a cost paid by that credit union's member-owners.
- Unlike for-profit financial institutions that are able to access capital from external sources (issuing common or preferred stock for instance), a credit union can add to (strengthen) its capital only by retention of net income.
- As a consequence of only deriving capital from it members, any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

Thank you for the opportunity to testify.

MAR 19 2009
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HAWAII FILM & ENTERTAINMENT BOARD

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

March 20, 2009 – 1:15pm
State Capitol, Conference Room 016

RE: HB611 HD1 - Relating to Taxation

Dear Chair Fukunaga, Vice Chair Baker 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 **strongly oppose the portion of HB 611 HD1** 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 450 members** of its various entities, respectfully request that Act 88 **be removed from the measure** so it can continue to be a significant economic stimulus for Hawaii that generates revenues at no cost to the state.

Sincerely,
Brenda Ching
Chair

Attachments: Act 88 Petition; 2007 Act 88 ROI spreadsheet

c/o SCREEN ACTORS GUILD • 949 Kapiolani Blvd., Suite 105 • Honolulu, HI 96814 • PH: (808) 596-0388 • FAX: (800) 305-8146

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: 3/18/09 7:22 PM

Abrosius	Gregg	production manager	Honolulu
Aguen	Laura	make-up artist	Mililani
Aguinaldo	Arlene	production assistant	Ewa Beach
Aguinaldo	Luke	video editor	Waipahu
Ahuna	Harold	driver	Waimanalo
Akamine	Riley	driver	Kapolei
Akiu	Alvin	greensman	Mililani
Aleck	Nancy	non-profit director	Honolulu
Amaral	William	driver	Kailua
Anbe	Brent	film industry development spec.	Honolulu
Anderson	Tolli	mom of extra	Haleiwa
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
Barton	Elizabeth	script supervisor	Kapaa
Bathke	Cory	electrician	Honolulu
Beercka	Meleana	hotel worker	Kahuku
Bell	Sharon	realtor	Honolulu
Bellerose	Ann	sales coordinator	Kahuku
Ben	Marilou	cook helper	Waipahu
Ben	Darlene	cook helper	Waipahu
Benson	Mark	driver	Pearl City
Berger	Bonnei	actor	Waipahu
Berry	Ecstasy	extra	Pearl City
Bertelmann	Carl	driver	Kaneohe
Beteta	Jonathan	hotel worker	Laie
Bhagavan	Ram	actor	Honolulu
Bharel	Chetan	extra	Aiea
Blake-Scott	Aren	make up artist	Koloa
Blue	Maria	activities manager	Waianae
Boomla	Chantal	make-up artist	Kailua
Booth	Shawn	camera pa	Honolulu
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
Bright	Fay	actor	Honolulu
Britos	Peter	professor / writer / producer	Honolulu
Brock	Richard	camera dept	Kailua
Brody	Michael	set paramedic	Mililani

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

Revision date: 3/18/09 7:22 PM

Buchanan	Anthony	props	Hoolehua
Cabalar Jr	M.	driver	Kapolei
Cadiz	Phillip	hotel worker	Haleiwa
Cambra	Dave		Ewa Beach
Camenson	Anna	driver	Kaneohe
Cannon	Glenn	president, SAG Hawaii branch	Honolulu
Cappos	Constance	costume designer	Keaau
Carley	Erica	extra	Honolulu
Carlson	Juliet	extras casting director	Honolulu
Carrillo	Rubin	cinematographer	Honolulu
Cassity	Clifton	property manager	Kaaawa
Castro	Daren	senior art director	Honolulu
Childers	Andrew	set pa	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
Colbert	DJ	hair	Honolulu
Cole	Jessica	talent coordinator	Kula
Cole	Josh	stand-in / extra	Honolulu
Collado	Leslene	administrative assistant	Honolulu
Confair-Sensano	Renee	production supervisor	Waialua
Connell	Michael	generator operator	Honolulu
Constantinau	Walea	film commissioner	Kaneohe
Cook	Jennifer	film school student	Honolulu
Cook	Benjamin	technician	Ewa Beach
Cooper	Richard	assistant director	Kapaa
Costa	Dwayne	driver	Waianae
Cotton	Liz	sales executive	Honolulu
Coyne	Andrew	art director	Keaau
Crammond	Paulette	hair / make-up	Honolulu
Crowell	Oliver	consultant	Honolulu
Dacosin	Darren	driver	Kaneohe
Dahl	Jon	transportation captain	Honolulu
Dahl	Richard	transportation captain	Honolulu
Dahl	Elizabeth	make-up artist	Honolulu
Davey	Jacqueline		Honolulu
Davis	Keith	driver	Mililani
Dawson	Donne	film commissioner	Honolulu
de Abreu	Ja-ne	actor	Honolulu
de la Diosa	Christina	actor	Honolulu
deJung	Vanya	prop master / set dresser	Honolulu
Dicion	Joann	conference service manager	Waialua
Dinion	Steve	musician	Honolulu

Dinsmore	Brian	actor / stand-in / double	Eureka, MT
Domingo	Gregory	safety / security officer	Kahuku
Dornan	Dallas	costumer	Kailua
Doversola	Margaret	casting director	Honolulu
Dowell	Joe	driver	Kaneohe
Downey	Miriam	union business agent	Kaneohe
Draheim	William	grip	Honolulu
Drummonds	Jennifer	extra	Ewa Beach
Duarte	Jesse	driver	Honolulu
Duarte	Wiliam	driver	Kaneohe
Ekepati	Niko	driver	Ewa Beach
El Hajji	Moumen	caterer	Honolulu
Elmore	Gerard	director	Kapolei
Esecson	Matt	designer	Kailua
Esecson	Diane	extra	Kailua
Eugenio	Lynnette	advertising executive	Honolulu
Evans	Twylah	extra	Pearl City
Faumuina	Putoto	driver	Honolulu
Ferrer	Leanne	program manager	Honolulu
Fewell	Richard	graphic artist	Mililani
Fishburn	Anna	casting director	Honolulu
Fisher	Thomas	extra	Honolulu
Flanagan	Fionnulua	actor	Beverly Hills, CA
Fleszar	Kendal	make-up artist	Honolulu
Flores	Serena	assistant production coordinator	Miliani
Florez	Connie	director / producer	Honolulu
Fontaine	Renato	grip	Kaneohe
Forsberg	Dana	videographer	Honolulu
Forsyth	Alice	extra	Kaneohe
Fowler	Walter	assist propmaster	Honolulu
Frank	Keith	sfx	Waimanalo
Freeborn	Luke	art director	Honolulu
Fukuda	Sheila		Pearl City
Fukushima	Dirk	producer	Honolulu
Galindez	Richardo	producer	Kailua
Garcia	Vincent	mechanic - heavy equipment	Kapolei
Garrett	Roger	extra	Honolulu
Gerona	Natalie	transportation	Kaneohe
Gilhooly	Susan	driver	Honolulu
Gillett	Kathryn	graphic designer	Honolulu
Goda	Brandon	marketing manager	Honolulu
Golstein	Mathew	actor	Kaneohe
Gomes	Troy	producer/editor	Ewa Beach
Gomes	Dexter	production coordinator	Honolulu
Gomes	Dustin	assist location manager	Kailua
Gonzalez	Elias	restaurant managar	Hauula
Goodwin	Matthew	set pa	Kailua
Grafes	April	extra	Honolulu
Griffiths	John	driver	Honolulu

Groden	Richard	driver	Kailua
Gross	Thomas	hotel worker	Honolulu
Hadsell	Laurinda	caterer	Honolulu
Hadsell-El Hajji	Holly	caterer	Honolulu
Hall	Abraham		Honolulu
Hamlett	Kelly	hotel worker	Haleiwa
Hankins	Dana	producer	Honolulu
Hanley	Lauren	production assistant	Honolulu
Hanley	Tom	art director	Honolulu
Harper	Connye	production company owner	Honolulu
Hasson	Walid	hotel worker	Honolulu
Hatchell	Linda	administrative assistant	Kaneohe
Haviland	Wes	producer / writer / actor	Hnolulu
Hazelwood	Jennifer	actress	Honolulu
Heimowitz	Josh	executive director	Waialua
Hernandez	William	driver	Kailua
Higa	Michael	production coordinator	Honolulu
Higuchi	Lisa	writer / producer / director	Kaneohe
Hisamoto	John	producer	Honolulu
Hite	Anthony	security officer	Kahuku
Hoffmann	Craig	props	Honolulu
Holley	Joshua	extra	Waialua
Holmbeck	Konari	sales manager	Kahuku
Homcy	David	camera assistant	Haleiwa
Hong	Paula	make-up / hair	Honolulu
Hooper	Sarah	production manager	Honolulu
Horowitz	Susan	director	Honolulu
Hugar	Tony	audio technician, business owner	Honolulu
Hulme	Mari	extra	Kailua
Huston	Jan	college professor	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
Jennings	Grayhmn	set pa	Kailua
Jennings	Singafoa		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
Kalaugher	Mark	gaffer	Honolulu
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
Katz	Emily	dept supervisor - make-up	Kailua
Kau III	Edward	cook helper	Kailua
Kauhi	Keo	driver	Kaneohe
Kauwalu	Cherilyn	executive assistant	Waianae
Kawakami	Chad	driver	Honolulu
Kawamoto	Ryan	director	Honolulu
Kay	Jana	extra	Honolulu
Keamohuli	William	driver	Honolulu
Kekai	Puna	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
Kerian	Thomas	extra	Honolulu
Kim	Susie		Honolulu
Kim	Matt	welder	Kaneohe
Kimura	Roy	director	Honolulu
King	Don	camera operator / dp	Kailua
Kinney	Mel	art dept	Honolulu
Kiyatu	Bliss	account executive	Honolulu
Knowles	Myles	videographer	Kihei
Ko	Helen	advertising executive	Honolulu
Kornegay	Stefanie		Wahiawa
Kowal	Robert	sales executive	Honolulu
Kozuma	Ronan	union president	Honolulu
Krayhill	Kelli	stand-in	Haleiwa
Kribell	Jan	club manager	Haleiwa
Kruse	Emil	pipe repairer	Kaneohe
Krysler	Krystal	extra	Lanai
Kunihara	Duke	actor	Honolulu
Kusano	Hideyo	film school student	Honolulu
Kwak	Charlene	secretary	Honolulu
Laa	Landon	sfx tech	Kaneohe
LaBerge	Nicole	public relations account exec	Mililani
Laguana	Edward	driver	Ewa Beach
Lam Yuen	Sharyl	secretary	Kapaa
LaPorte	Steve	dept head - make-up	Honolulu
Larkin	Sue	casting director	Waianae
Lau	Jann	travel specialist	Honolulu
Lau	Henry		Waimanalo
Lauifi	Frank	propmaker	Kailua
Lee	Keoni	producer	Mililani
Lee	Lance	driver	Honolulu
Lehman	Sheldon	prop master / grip	Kurtistown

Lehr	Randal	general manager - hotel	Makaha
Leong	Matthew	greensman	Kaneohe
Levine	Liam	actor	Honolulu
Levy	James	key grip	Honolulu
Lewis	Craig	set dressing shopper	Kaneohe
Lewis	John	business owner	Honolulu
Libby	Kenneth	cinematographer	Kaneohe
Lijewski	Dennis	project manager	Ewa Beach
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
Lozano	Victor	marine coordinator	Kaneohe
Lum	Jeff	sales	Honolulu
Lum	Eugene	driver	Aiea
Maduli	Janet	entertainment / talent booker	Honolulu
Maekawa	Mike	location coordinator	Honolulu
Mago	Peter	equipment sales	Kaneohe
Maharaj	Krishneil	extra	Honolulu
Maharaj	Mike		Ewa Beach
Maitrh	Rahul	extra	Kailua
Maltby	Joyce	actor	Kailua
Maness	Jennifer	production coordinator	Honolulu
Martin	Joshua	account executive	Honolulu
Martinez	Charles		Waimanalo
Mason	John	film commissioner	Kailua-Kona
Mastro	Mark	account supervisor	Honolulu
Mathews Jr	Gerald	craft service	Honolulu
Mathis Carmical	Michelle	extra	Wahiawa
Matson	Brien	business agent, local 677	Honolulu
Matthews	William	set designer	Honolulu
Mattos	Wendell	senior editor	Aiea
May	Michael	producer	Honolulu
McClellan	Marc	stand-in	Kaneohe
McGiven	Molly	performer	Honolulu
McKeown	Ward		Honolulu
Medeiros	Joseph	driver	Honolulu
Mick	Marilyn	location manager	Honolulu
Miller	Ryan	extra	Honolulu
Millner	Traci	marketing	Honolulu
Miranda	Melvin	driver	Kamuela
Misty	Abalos	receptionist	Wahiawa
Mitchell	Frank	craft service	Honolulu
Mitchell	Lisa	production coordinator	Honolulu
Mito	Gerald	driver	Kaneohe
Miyata	Joanne	hairstylist	Honolulu

Moniz	Ryan	lifeguard / emt	Honolulu
Montgomery	Steven	extra	Ewa Beach
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
Nadler	Belinda	mom of extra	Honolulu
Nagai	Masatoshi	coordinator	Honolulu
Nagata	Wade	driver	Honolulu
Nakamoto	Nicle	accounting clerk	Honolulu
Nakamura	Nao	production coordinator	Honolulu
Nakaneiua	Keoni	driver	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
O'Connell	Brigid	set pa	Honolulu
Odeon	Juan	film school student	Honolulu
Ohlson	Lee	extra	Honolulu
Olague	Robert	executive producer	Honolulu
Olivares	Doug	camera operator	Honolulu
Olson	Naomi	camera assistant	Honolulu
Olson	Louanna	extra	Honolulu
Omori	Lyssa		Honolulu
Oney	Thomas	acounting 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
Pahia	Shyrome	driver	Kahuku
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	Waialua
Pearson	Wendy	actor	Honolulu
Pedrina	Charlie	graphic designer	Pearl City
Perry	Gordon	music supervisor	Kilauea
Pierce	Don	restaurant managar	Honolulu

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

Revision date: 3/18/09 7:22 PM

Pike	Rebecca	visitor publications editor	Honolulu
Powell	William	production accountant	Honolulu
Prloster	Michael	camera assistant	Honolulu
Pyburn	Gail	location scout	Papaikou
Ramos	Sunny	driver	Waianae
Ranches	Juju	senior art director	Honolulu
Ranion	Vidal	union trustee	Mililani
Razon	Manuel	electrician	Ewa Beach
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	Claire	musician	Aiea
Rodrigues	John	driver	Honolulu
Rodrigues, Jr	Richard	foundation program manager	Honolulu
Rogers	Scott	acting coach	Honolulu
Romano	Michael	electrician	Honolulu
Romualdo	Angelina	hotel worker	Kahuku
Rosen	David	director	Kailua
Royal	Ginger	teacher	Kailua
Ruff	Sean	hotel worker	Kahuku
Russell	George	production coordinator	Honolulu
Ryan	Tim	executive editor	Honolulu
Rydell	Sheila	director, tv studio operations	Honolulu
Rykes	Laine	make-up artist	Honolulu
Saidy	Omar	extra	Honolulu
Sandblom	Marissa	business vp	Waimea
Sardinha	Devin	locations pa	Honolulu
Sasaki	Deborah	print prodution	Honolulu
Sato	Linda	actor	Wahiawa
Sato	Hidemi	graphic designer	Honolulu
Sato	David	camera operator / dp	Honolulu
Scanlan	Tuiaana	grip	Kailua
Scarano	Anthony	casting supervisor	Marina Del Rey, CA
Schopler	Edward	programmer	Kailua
Schwartz	Cathy	production coordinator	Honolulu
Scott	Marie	set nurse	Honolulu
Sears	Leo	producer / film fesitival director	Waikoloa
Seno	Lukas	best boy - electric	Haleiwa
Sereno	James	director / producer	Honolulu
Shah	Rina	extra	Aiea
Shimabukuro	Sheryl	print prodution	Honolulu
Shimabukuro	Shawn	project manager	Waimea
Shirakawa-Baek	Takahiko	travel agent	Honolulu
Shirley	Jonathan	extra	Haleiwa
Silberstein	Morris	location coordinator	Honolulu
Silva	Pat	union agent	Honolulu
Smith	Ben	actor	Honolulu

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

Revision date: 3/18/09 7:22 PM

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
Sua	David	driver	Honolulu
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
Tayomori	Kyle	driver	Honolulu
Teixeira	Alexander	driver	Honolulu
Tepper	Elly		Kailua
Teramame	Marlene	account supervisor	Honolulu
Tereschunk	Michael	wardrobe	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
Troy	Rita	key hair	Mashpee, MA
Tseng	Brian	extra	Honolulu
Tunney	Edward	gaffer	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
Vaughn	Floyd	actor	Honolulu
Vendiola	Amanda	hotel worker	Kahuku
Vendiola	Melvin	foreman	Ewa Beach
Vera	Marisa	hotel worker	Wahiawa
Vidal	Aaron		Ewa Beach
Visser	Thomas	sound department	Honolulu
Wade	Angela	extra	Honolulu
Wagner	Michael	art director	Honolulu
Wagner	Brett	director	Honolulu
Wallace	Keoki	hotel worker	Hauula
Walter	Jeremy	cook helper	Honolulu
Walther	Kent	extra	Honolulu
Wilkins	Michael	hotel worker	Waialua

Williams	Jennifer	producer	Aiea
Wills	Bechy	casting assistant	Honolulu
Winston	Laura	nurse	Wahiawa
Wiss	Larry	actor	Honolulu
Wong	Susan	sales manager - hotel	Honolulu
Wong	Ben	producer	Kaneohe
Wong	Walter	construction	Laie
Wray	John	broadcast manager	Honolulu
Yadao	Linda	producer	Waialua
Yankee	Dennis	extra	Honolulu
Yanza	Dinah	RN case manager	Honolulu
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
Zylstra	Gregg	extra	Honolulu

Ship Repair Association of Hawaii

P.O. BOX 29001, Honolulu HI 96820

Senator Carol Fukunaga, Chair
Committee on Economic Development and Technology
The Senate, Twenty-Fifth Legislature
Hawaii State Capitol, Conference Room 016
415 South Beretania Street
Honolulu, HI 96813
phone 808-586-6934; fax 808-586-6659
E-mail EDTTestimony@Capitol.hawaii.gov

March 17, 2009

Dear Ms. Fukunaga:

This letter was written and submitted to the State Senate Committee on Economic Development and Technology on behalf of the Ship Repair Association of Hawaii (SRAH), regarding House Bill 611.

The Ship Repair Association of Hawaii is opposed to the following section of House Bill 611...

§231-   Tax credits and exemptions; evaluation; report. (a) The department shall perform an evaluation of the tax credits or tax exemptions provided in title 14 and scheduled for repeal in section 3 of Act   , Session Laws of Hawaii 2009.

(b) The department shall submit reports of the evaluations required by this section to the legislature no later than twenty days prior to the convening of:

(b) The following sections shall be repealed on December 31, 2012:

(10) Section 237-28.1 (general excise tax; exemption of certain shipbuilding and ship repair business);

From a straight-forward reading (non-legal interpretation) of this wording, the General Excise Tax (GET) exemption now afforded the Hawaii shipbuilding and ship repair industry would be repealed on Dec 31st, 2012 were this bill to make it through the Legislature and be signed into law.

If the GET was applied to ship repairs conducted in Hawaii, obviously, companies with local Hawaii offices will shoulder added costs. There is also concern that non-resident companies that perform work here without a Hawaii address will continue to avoid paying the State GET and, thereby, continue to underbid companies that do have local addresses.

Please understand that ship building and repair is an industry competing more and more within a global market. Hawaii costs need to continue to be kept as low as possible. That is difficult inside this island economy.

It is also worthy of note that the U.S. Navy is working to reduce ship repair costs for work conducted onboard U.S. Navy ships, homeported here in Pearl Harbor Hawaii. In that regard, the Navy instituted the Multi-Ship Multi-Option (MSMO) contracting concept to consolidate Pearl Harbor surface ship repairs under central management, with one primary goal of the MSMO concept being to save the Federal Government money. Presently, the SRAH and MSMO are working to convince the Navy to conduct significant Navy cruiser modernizations and upgrades (USS LAKE ERIE, USS CHOSIN and USS PORT ROYAL) here at Pearl Harbor, starting in 2011. If the Navy had to pay the GET for these projects, which will range from $30M to $40M each, the added cost makes an exceptionally persuasive cause for relocation of these planned overhauls to the West Coast of the U.S.

For smaller non-Federal, commercial projects, the GET would also add significant dollars to every waterfront customer's costs. For example, a $1M repair project for a local cargo ship or barge would grow by $50K+ added to the customer's bill; an amount that is sufficiently large to sway customer choices as to the location of such repairs.

Although the tax exemption has partially fulfilled its intention, there's much more waterfront left to cover. It is acknowledged that the exemption makes repair costs more attractive to military and commercial shipping and related companies. As noted above, the ship building and repair industry operates in a global market. Unless Jones Act type protections are stiffened, the Hawaii ship repair companies face fierce competition indeed from relatively nearby Asian competitors.

Another consideration during the contemplation of this section of House Bill 611 is that Hawaii profits tax-wise from the ship building and repair industry in other off-setting ways. That is, employee wages are sufficient to support Hawaii families, who pay income taxes. Most Hawaii companies working onboard ships do other work in the economy besides ship repair. And, they all pay taxes related to that non-ship type work. Many of those companies would not be as productive on-island without support from their ship-related industrial activities. This is an important aspect of the Hawaii ship repair tax exemption;... It supports the growth of other beneficial and taxable Hawaii industries, such as facilities electrical work, structural steel work, electronics, etc.

When House Bill 611 is reviewed by your committee, please review these above listed considerations and strike the section that would otherwise repeal the GET exemption for the Hawaii ship building and repair industry.

Sincerely yours,

Roger Kubischta
President
Ship Repair Association of Hawaii

Member Firms

AMSEC LLC Airgas Gaspro American Industrial Insulation Arise Waco Scaffolding BAE Hawaii Shipyards Inc.
C&S Services Hawaii Marine Cleaning HSI – Electric Boat, Inc. HSI Mechanical, Inc.
Kratos Defense & Security Solutions Marisco, Ltd. Oceaneering Pacific Shipyards International Phoenix International
Potter Electric, Inc. Propulsion Controls Engineering Hawaii, LLC Q.E.D. Systems, Inc.

HAH
Healthcare Association
of Hawaii

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair

Conference Room 016
March 20, 2009 at 1:15 p.m.

Testimony in opposition to repeal of GET exemption for hospitals in HB 611 HD 1

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and HB 611 HD1 that mandates an evaluation of the general excise tax exemption for not-for-profit hospitals and repeals that exemption.

Hospitals provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. Although these patients need the care, many of them do not have the capacity to pay for it. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred $141 million in uncollected payments in 2008, the result of bad debt and charity care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs, and these programs were under-funded by $31.3 million in 2008. In addition, hospitals provide medical education for interns and residents in the John A. Burns School of Medicine.

Attached are pages from "Issues Impacting Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers" that detail unfunded and under-funded community benefits provided by hospitals. The report was prepared by Ernst & Young in 2008 for the Healthcare Association of Hawaii

The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced financially to severely reduce or eliminate these benefits. In this way the tax exemption helps to maintain the high level of health care in our communities.

For the foregoing reasons, the Healthcare Association of Hawaii strongly opposes the portion of HB 611 HD 1 that repeals the general excise tax exemption for not-for-profit hospitals.

3. Community Benefits

- **Hawaii providers assist patients despite their ability to pay resulting in free care in the form of bad debt and charity care**
- **Hawaii providers incur costs to provide community benefits such as health education programs and disease screenings, but payments do not cover those costs**
- **Hawaii hospitals provide medical education for interns and residents to support the School of Medicine and provide for the future generation of physicians in Hawaii**

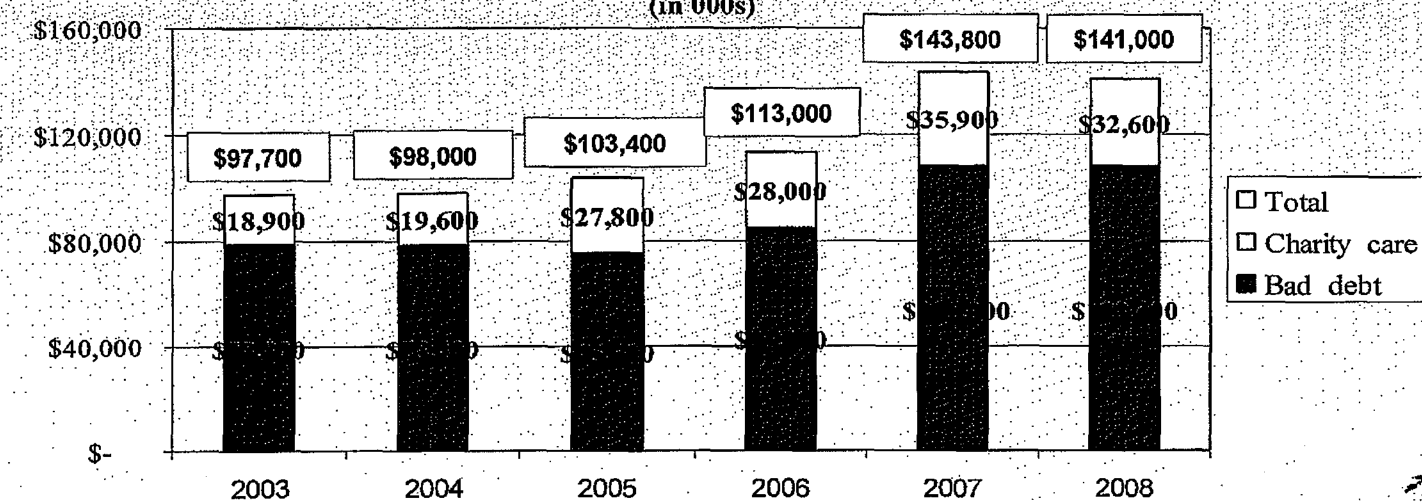
Healthcare Association of Hawaii

3. Community Benefits – Free Care

Total uncollected payments in Hawaii averaged $116,200,000 annually from 2003 to 2008

- Services provided to those without the ability to pay result in bad debt or charity care
  - Bad debt is incurred when the amount due from a patient cannot be collected (services are provided with partial or no payments received)
  - Charity care is incurred when the hospital never expected to collect payment from the patient because the patient is indigent (services are provided at no charge to patient)
- Six year total for Bad Debt and Charity Care is $697,000,000 in Hawaii
- Many workers who have part time jobs do not receive health insurance benefits as the Hawaii Prepaid Insurance Act only requires employers to provide coverage for employees working 19 hours or more a week

Charity Care and Bad Debt
(in 000s)



Source: Bad Debt and Charity Care information provided by 27 hospitals and 2 nursing facilities.

Healthcare Association of Hawaii

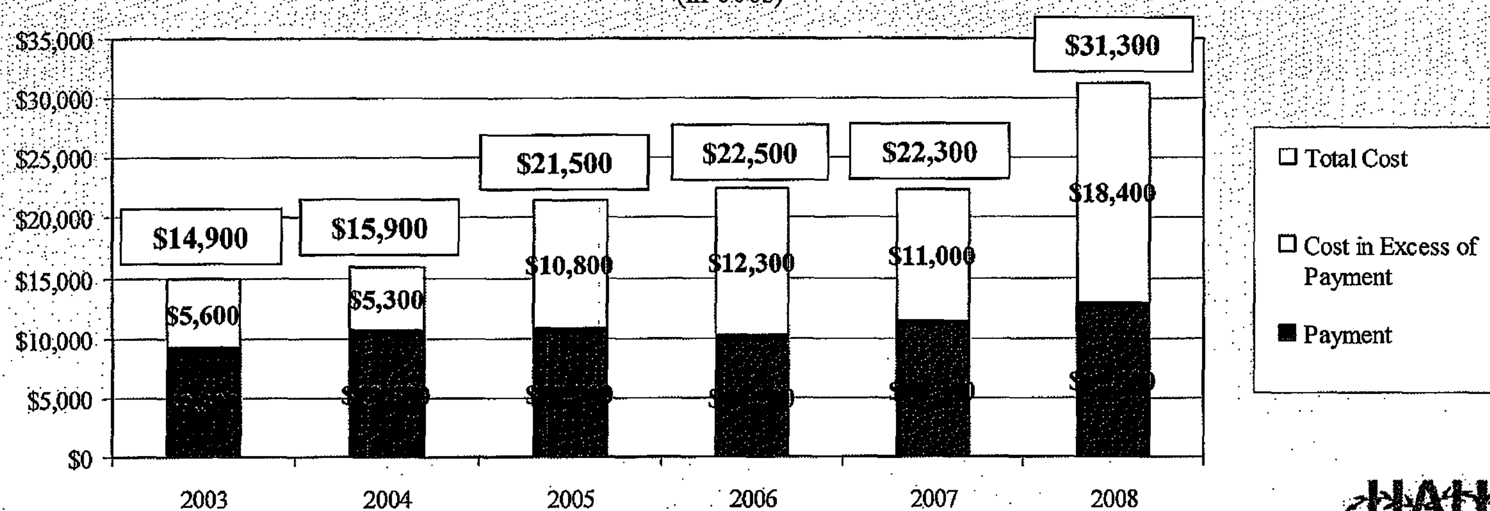
3. Community Benefits – Community Programs

Hawaii's healthcare organizations provide medical and social services free or at a price below cost for the benefit of the community

- Examples include health promotion, disease management programs, services for the elderly and adolescents, counseling services and outpatient clinics for the underserved and uninsured
- Medicare and Medicaid do not pay for most of these programs
- State and federal funds received through appropriations and grants are minimal
- Six year total program cost is $128,400,000 with only $65,000,000 received in payment. Total unfunded (net) cost is $63,400,000
- Average annual unfunded cost from 2003 to 2008 is $10,600,000

Community Programs

(in 000s)



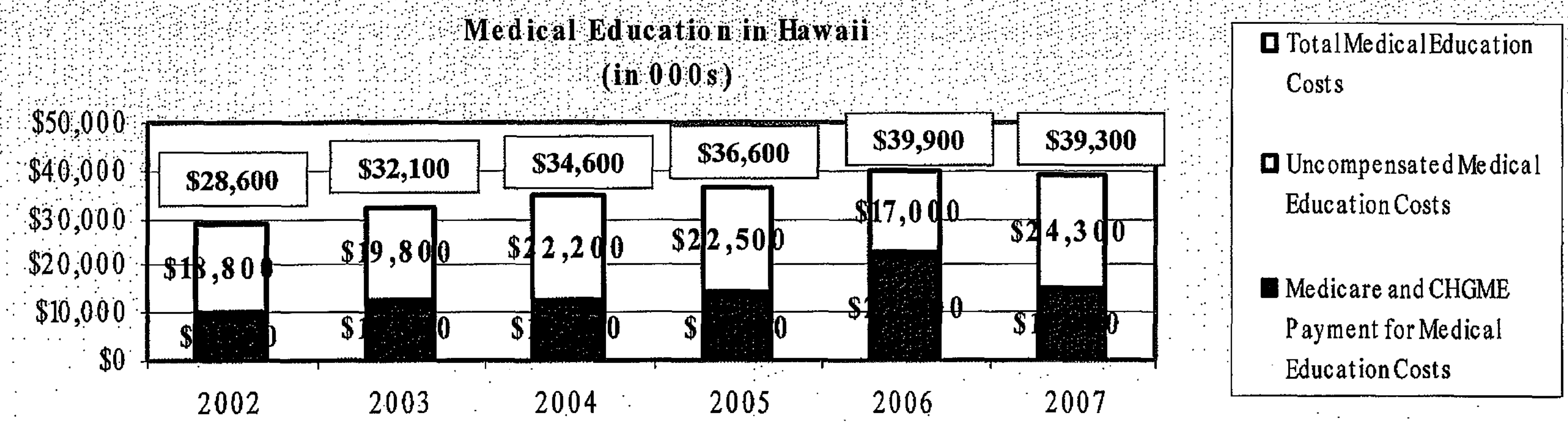
Source: Information provided by five hospitals and one nursing facility

Healthcare Association of Hawaii

3. Community Benefits – Medical Education

Payments received did not cover the cost for training interns and residents (medical education) by $24 million in 2007 in Hawaii

- Seven hospitals have teaching programs (interns and residents) to support the University of Hawaii's School of Medicine and medical research
- This training is essential to the UH School of Medicine and helps to alleviate the physician shortage in Hawaii
- Medicare is the major source of payments for intern and resident programs. A federal program was established to provide additional payment to children's hospitals for medical education (CHGME program)
- Hospitals need to shift resources from other uses to provide medical education
- The six year (2002 to 2007) total uncompensated Medical Education Costs are $124,600,000 and the annual average is $20,800,000



Source: As-filed cost reports (7 hospitals)

HAH Healthcare Association of Hawaii

THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION 2009

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair

Friday, March 20, 2009 at 1:15 p.m.
State Capitol, Conference Room 016

RE: HB 611 HD1 - RELATING TO TAXATION

Dear Chair Fukunaga, Vice Chair Baker and members of the committee:

The Screen Actors Guild Hawaii Branch ***strongly opposes*** HB 611 HD1 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 our 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
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www.sag.org
Branch of Associated Actors and Artistes of America / AFL-CIO • Affiliate of International Federation of Actors

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March 19, 2009

The Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development and Technology
State Capitol, Room 016
Honolulu, Hawaii 96813

RE: H.B. 611, H.D. 1, Relating to Taxation

HEARING DATE: Friday, March 20, 2009 at 1:15 p.m.

Aloha Chair Fukunaga and Members of the Committee:

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 **strongly opposes Subsections (c)(4), (c)(8) and (c)(9) of Section 3 of H.B. 611, H.D. 1, Relating to Taxation,** which respectively repeal the Low Income Housing Tax Credit under HRS §235-110.8, the General Excise Tax ("GET") Exemption for Certified or Approved Housing Projects under HRS §237-29, and the Low Income Housing Tax Credit under HRS §241-4.7, after December 31, 2013.

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.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from the Low Income Housing Tax Credit under HRS §235-110.8 and HRS §241-4.7. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR believes that if Subsections (c)(4), (c)(8) and (c)(9) of Section 3 of H.B. 611, H.D. 1 are passed in their current form, the repeal of HRS §§ 235-110.8, 237-29 and 241-4.7 will have the following adverse consequences:

1. With respect to existing projects, the repeal of the GET exemption under HRS §237-29 will reduce the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State by at least 4% (or 4.5% in the City and County of Honolulu). This will almost certainly adversely affect the projects' ability to fund their operating and maintenance reserves and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.

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2. With respect to projects approved between the date of enactment of H.B. 611, H.D.1, and December 31, 2013, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will tend to reduce the amount of mortgage debt lenders will be willing to lend for these projects because their gross rents available for operating costs and debt service may decrease by 4% (or 4.5% in the City and County of Honolulu) on January 1, 2014. A logical consequence of such lender action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

   The pricing of construction contracts for projects which are certified or approved under HRS §237-29 will also become more difficult and most likely more expensive as the December 31, 2013 repeal date grows closer because contractors may not be able to complete construction by that date.

3. With respect to existing projects, the repeal of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will not allow: (a) current investors the use of the full amount of their credits if their 10-year recovery period under HRS §235-110.8(c) and IRC §42(b) extends beyond December 31, 2013; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2013.

   HAR also questions whether H.B. 611, H.D.1, could be construed as 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 and 241-4.7, in violation of the Contract Clause (Article I, Section 10, Clause 1) of the U.S. Constitution.

4. With respect to projects approved between the date of enactment of H.B. 611, H.D.1, and December 31, 2013, the uncertainty of the continued existence of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will undoubtedly reduce the amount investors will be willing to pay for the credits because they cannot be assured of the use of the credit through its entire 10-year recovery period. Again, a logical consequence of such investor action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

For the reasons set forth above, HAR respectfully requests that you substitute the language of S.B. 1247, S.D. 2, for the language currently in H.B. 611, H.D. 1. In addition, HAR requests that the language be further revised to accurately conform to this Committee's Senate Standing Committee Report No. 395 on S.B. 1247, S.D. 1. Specifically, the end of the first paragraph of Section 3(d) of S.B. 1247, S.D. 2, should read as follows:

> ". . . provided that the potential repeal of the tax credits in paragraphs (7~~6~~) and (11~~7~~) and the tax exemption in paragraph (9) shall not apply to those projects approved before January 1, 2014:"

Paragraph (7) of Section 3(d) of S.B. 1247, S.D.2, references the "low-income housing tax credit" under HRS §235-110.8; Paragraph (11) references the "low-income housing; income

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tax credit" under HRS §241-4.7; and Paragraph (9) references "general excise tax; exemptions for certified or approved housing projects" under HRS §237-29.

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.

Thank you for your consideration of our request, and mahalo for the opportunity to testify.

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN OPPOSTION TO HB 611, HD 1, RELATING TO TAXATION

March 20, 2009

Via e mail: edttestimony@capitol.hawaii.gov
Honorable Senator Carol Fukunaga, Chair
Honorable Senator Rosalyn H. Baker, Vice Chair
Committee on Economic Development and Technology
State Senate
Hawaii State Capital, Conference Room 016
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 611, HD 1,
Relating to Taxation

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

Thank you for the opportunity to testify in opposition to HB 611, HD 1, relating to taxation.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member company's account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

In its current form, Section 2 of the bill directs the Department of Taxation ("DOTAX") to perform an evaluation of general excise tax credits and tax exemptions and to submit its report to the Legislature. In the case of Section 237-24, which provides exemptions relating to life insurance death benefits, accidental death benefits, disability insurance payments and amounts received under life insurance, endowment or annuity contracts, other than the death benefit payable under a life insurance policy ("Insurance Proceeds"), the report is to be submitted to the Legislature 20 days prior to the 2011 Legislative Session.

Section 3 (page 4, at lines 15-17, and page 15, at lines 5-6) of the bill repeals the exemption on Insurance Proceeds on December 31, 2011, unless DOTAX (in its report) recommends otherwise.

Taxing these proceeds is unprecedented. No state in the union taxes Insurance Proceeds; nor does the United States Government.

ACLI generally believes that as a matter of public policy, the State of Hawaii should encourage individuals to provide for their own financial security and the financial security of their families and others who are dependent upon them for their financial support and well being. Life and disability insurance and annuities which provide an income that you cannot outlive, provide individuals with this protection.

If a family is unable to provide for their own protection and support in the event of a loved one's death, sickness or injury, the State will need to spend its scarce resources for these purposes.

For the foregoing reasons, ACLI strongly opposes HB 611, HD 1, and requests that as respects the taxation of Insurance Proceeds this Committee defer passage of this bill. Again, thank you for the opportunity to testify in opposition to HB 611, HD 1.

Sincerely yours,

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

By: ____________________
OREN T. CHIKAMOTO
ochikamoto@chctlaw.com
Direct: 808.524.9630

OTC:skuw

cc Joann Waiters, Esq.

HAWAII PV COALITION

March 20, 2009	House	Brad Albert
Room 016	Committee on Economic Development and Technology	President
1:15 P.M	HB611 HD1	

Testimony in Opposition

To: Chair Fukunaga, Vice-Chair Baker and members of the committee:

Chair Fukunaga, Vice-Chair Baker and members of the committee, my name is Bradley Albert and I represent The Hawaii PV Coalition, HPVC's member companies are well placed to comment on this particular measure because they install the majority of net-metered PV systems on Oahu, Hawaii Island, and Maui. In addition the HPVC has done extensive community outreach to educate the public about NEM and State and Federal energy tax credits.

The Hawaii PV Coalition strongly opposes H.B. 611 HD1, in particular its application to Hawaii Revised Statutes §235-12.5, the renewable energy technologies income tax credit.

HRS 235-12.5 has helped make Hawaii the national leader in the installation of solar water heating systems. In 2008 over 8,400 were installed in Hawaii. This statute also provides a critical incentive and buying signal for ratepayers and businesses seeking to purchase photovoltaic solar electric systems in order to minimize their electric bills.

The rapid deployment of all market ready solar energy systems remains a central State of Hawaii energy policy goal. Support for renewables is an essential tenet of the much-publicized State of Hawaii Clean Energy Initiative (HCEI). Simply put, Hawaii will not make significant progress in reducing its dependence on volatile, expensive, and polluting fossil fuels without consistent legislative and regulatory support. Renewables are Hawaii's energy future. The elimination or abridgement of the renewable energy tax credits will be an immediate disaster for the HCEI, electric utility renewable generation and demand-side management programs, ratepayers seeking relief from high energy prices, and the general economy (the renewable energy industry remains one of the few economic sectors experiencing job growth and expansion in Hawaii).

The Sun At The Source Of Life
Mary Kawena Pukui

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HAWAII PV COALITION

Independent analysis has shown that HRS 235-12.5 provides **positive fiscal and economic benefits** to the State of Hawaii. [1] The elimination or abridgement of this statute will have an immediate adverse impact on general fund revenues, job growth, capital formation and business expansion.

I urge this committee to hold this bill. Thank you for the opportunity to testify.

Solar Now!

Bradley Albert

[1] Report of the Eenrgy-Efficiency Policy Task Force, January 2002, DBEDT. It is important to note that the positive fiscal and economic benefits of these credits to the State of Hawaii were calculated using baseline crude oil prices **under** $30/bbl.

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Senator Carol Fukunaga, Chair
Senate Committee on Economic Development & Technology

Friday, March 20, 2009; 1:15 PM
State Capitol, Conference Room 016

Re: HB 611 HD1 – RELATING TO TAXATION

Chair Fukunaga, Vice Chair Baker, and Members of the Committee:

My name is Rick Keene, Executive Vice President and Chief Financial Officer of The Queen's Health Systems (Queen's), testifying on House Bill 611 HD1, which requires the Department of Taxation to evaluate certain tax credits and tax exemptions and report to legislature; provides automatic repeal of the tax credits and tax exemptions; and provides a penalty for excessive amounts filed for tax refunds and credits. **Queen's is opposed to the repeal of the general excise tax exemption for nonprofit organizations and hospitals and notes that a review of the current general excise tax exemption is unnecessary.**

The current tax exemption does not serve to increase hospitals' profits; rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. According to the Healthcare Association of Hawaii, local hospitals incurred $141 million in uncollected payments in 2008 resulting from bad debt and charity care. Queen's contributes to the well-being of Hawaii by giving back to the community more than $40 million annually, including costs associated with health care services, education, and uncompensated care.

We would also note that credit rating agencies take into consideration legislation that will impact financial performance. This could lower the credit ratings of tax-exempt hospitals and lead to increased cost for debt financing. Such increased costs would make it more challenging for nonprofit hospitals to continue some of its community benefit programs, which could negatively impact the community's access to health care.

The new IRS form 990, Schedule H, will provide information to the Legislature and public at large regarding tax-exempt hospitals' delivery of charity care, community benefit, bad debt, and Medicare and Medicaid shortfall, all of which demonstrates the contributions that tax-exempt hospitals make to the community.

Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's economic outlook. However, we respectfully request that HB 611 HD1 be amended to eliminate reference to nonprofit organizations and hospitals.

Thank you for the opportunity to testify.

TO: Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice-Chair
Committee on Economic Development and Technology

FROM: Dyan M. Medeiros, Chair
Family Law Section, Hawai'i State Bar Association
E-Mail: d.medeiros@hifamlaw.com
Phone: 524-5183

HEARING DATE: March 20, 2009 at 1:15 p.m.

RE: Testimony in Opposition to HB611, HD1

Good afternoon Senator Fukunaga, Senator Baker, and members of the Committee. My name is Dyan Medeiros. I am an attorney who concentrates her practice in Family Law. I am also the current Chair of the Family Law Section of the Hawaii State Bar Association. I am here today in my capacity as the Chair of the Family Law Section[1] to testify against HB611, HD1 insofar as it applies to HRS §237-24(7).

HRS §237-24(7) exempts alimony (and similar payments) from the general excise tax. HB611, HD1 would repeal this exemption in HRS §237-24(7), effective December 31, 2011.

Under HRS §237-13, the General Excise Tax is to be levied, assessed, and collected "against persons on account of their business and other activities in the State measured by the application of rates against values of products, gross proceeds of sales, or gross income, whichever is specified...". (Emphasis added.)[2] Alimony payments have nothing to do with the recipient's business or other activities. Alimony payments are made by one spouse to the other during and/or after their divorce case based on the financial need of the recipient spouse and the ability of the payor spouse to contribute to that need.

Alimony payments are a transfer of income earned by one spouse (or former spouse) to the other spouse (or former spouse). As such, they are appropriately subject to income tax. (Alimony payments are already subject to

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[1] This testimony reflects the position of the Family Law Section only and does not necessarily represent the view of the Hawai'i State Bar Association as a whole.

[2] HRS §237-13 then identifies those businesses and activities as "manufacturers", "business of selling tangible personal property; producing", "contractors", "theaters, amusements, radio broadcasting stations, etc.", "sales representatives, etc.", "service business", "insurance producers", "receipts of sugar benefits payments", and "other business".

federal and state income tax. They are tax deductible by the payor and taxable as income to the recipient.)

It makes little sense to impose the general excise tax on alimony payments. This bill would tax the recipient of alimony (usually the former wife) twice. The alimony recipient will then have less money to meet his or her needs and the needs of his or her family. All this bill achieves is the taking of more money (at the rate of 4.712% on Oahu and 4.166% on the Neighbor islands) from Hawai'i's families and the giving of that money to the State. This will place an unreasonable financial burden on those families that can least afford such a burden.

Thank you for the opportunity to testify in opposition to HB611, HD1.

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
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MEMORANDUM

TO: Senator Carol Fukunaga
Chair, Committee on Economic Development and Technology
Hawaii State Capitol, Room 216

FROM: Gary M. Slovin

DATE: March 19, 2009

RE: H.B. 611, H.D. 1 – Relating to Taxation
Hearing: Friday, March 20, 2009 at 1:15 p.m.

Dear Chair Fukunaga and Members of the Committee on Economic Development and Technology:

I am Gary Slovin, testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

Covanta respectfully opposes paragraphs (6) and (7) of Section 3(c) of H.B. 611, H.D. 1, which apply to a) air pollution control facilities and b) solid waste processing, disposal, and electric generating facilities. These paragraphs would repeal tax exemptions that apply to the operations of the HPower waste–to-energy plant in Campbell Industrial Park. Much of the tax that would be imposed through the repeal of these sections would be borne by taxpayers of the City and County of Honolulu. Accordingly, the repeal of the exemptions would not increase the funds available to reduce the deficits being faced by both State and County governments.

Accordingly, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit comments.

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Testimony of
Phyllis Dendle
Director of Government Affairs

Before:
Senate Committee on Economic Development and Technology
The Honorable Carol Fukunaga, Chair
The Honorable Rosalyn H Baker., Vice Chair

March 20, 2009
1:15 pm
Conference Room 016

HB 611 HD1 RELATING TO TAXATION

Chair Fukunaga, and committee members, thank you for this opportunity to provide testimony on HB 611 HD1 which would require a review of tax credits and exemptions and automatically repeal certain tax credits and exemptions.

Kaiser Permanente Hawaii opposes this bill.

The cost of delivering health care in Hawaii and across the nation continues to mount. To the extent this measure would repeal excise tax exemptions applicable to Kaiser, this measure will only add to that cost. The burden of an excise tax such as this one would be passed on to health plan purchasers and consumers, driving up the overall cost of healthcare to those purchasers and to the state.

Additionally, as a 501(c)(3) federally tax exempt, charitable organization, Kaiser provides approximately $19 million in free care, subsidized care, grants, health education, and programs for safety net organizations within the State of Hawaii. Imposition of the excise tax would be an unfortunate precedent setting erosion of Kaiser's tax exempt status, inconsistent with its public benefit social mission.

In short, repeal of Kaiser's general excise and use tax exemptions would be bad for the business community, bad for the public, and bad for the cost of healthcare in the State of Hawaii.

Thank you for your consideration.

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Q.E.D. SYSTEMS, INC

The Engineering Professionals

Senator Carol Fukunaga, Chair
Committee on Economic Development and Technology
The Senate, Twenty-Fifth Legislature
Hawaii State Capitol, Conference Room 016
415 South Beretania Street
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E-mail EDTTestimony@Capitol.hawaii.gov

March 17, 2009

Dear Ms. Fukunaga:

This letter was written and submitted to the State Senate Committee on Economic Development and Technology on behalf of Q.E.D. Systems Hawaii, regarding House Bill 611.

Q.E.D. Systems, Inc. is opposed to the following section of House Bill 611...

§231- Tax credits and exemptions; evaluation; report.

(a) The department shall perform an evaluation of the tax credits or tax exemptions provided in title 14 and scheduled for repeal in section 3 of Act , Session Laws of Hawaii 2009.

(b) The department shall submit reports of the evaluations required by this section to the legislature no later than twenty days prior to the convening of:

(b) The following sections shall be repealed on December 31, 2012:

(10) Section 237-28.1 (general excise tax; exemption of certain shipbuilding and ship repair business);

From a straight-forward reading (non-legal interpretation) of this wording, the General Excise Tax (GET) exemption now afforded the Hawaii shipbuilding and ship repair industry would be repealed on Dec 31st, 2012 were this bill to make it through the Legislature and be signed into law.

If the GET was applied to ship repairs conducted in Hawaii, obviously, companies with local Hawaii offices will shoulder added costs. There is also concern that non-resident companies that perform work here without a Hawaii address will continue to avoid paying the State GET and, thereby, continue to underbid companies that do have local addresses.

Please understand that ship building and repair is an industry competing more and more within a global market. Hawaii costs need to continue to be kept as low as possible. That is difficult inside this island economy.

It is also worthy of note that the U.S. Navy is working to reduce ship repair costs for work conducted onboard U.S. Navy ships, homeported here in Pearl Harbor Hawaii. In that regard, the Navy instituted the Multi-Ship Multi-Option (MSMO) contracting concept to consolidate Pearl Harbor surface ship repairs under central management, with one primary goal of the MSMO concept being to save the Federal Government money. Presently, the Ship Repair Association of Hawaii, of which Q.E.D. is a member, and MSMO are working to convince the Navy to conduct significant Navy cruiser modernizations and upgrades (USS LAKE ERIE, USS CHOSIN and USS PORT ROYAL) here at Pearl Harbor, starting in 2011. If the Navy had to pay the GET for these projects, which will range from $20M to $30M each, the added cost makes an exceptionally persuasive cause for relocation of these planned overhauls to the West Coast of the U.S.

For smaller non-Federal, commercial projects, the GET would also add significant dollars to every waterfront customer's costs. For example, a $1M repair project for a local cargo ship or barge would grow by $50K+ added to the customer's bill; an amount that is sufficiently large to sway customer choices as to the location of such repairs.

Another consideration during the contemplation of this section of House Bill 611 is that Hawaii profits tax-wise from the ship building and repair industry in other off-setting ways. That is, employee wages are sufficient to support Hawaii families, who pay income taxes. Most Hawaii companies working onboard ships do other work in the economy besides ship repair. And, they all pay taxes related to that non-ship type work. Many of those companies would not be as productive on-island without support from their ship-related industrial activities. This is an important aspect of the Hawaii ship repair tax exemption;... It supports the growth of other beneficial and taxable Hawaii industries, such as facilities electrical work, structural steel work, electronics, etc.

When House Bill 611 is reviewed by your committee, please review these above listed considerations and strike the section that would otherwise repeal the GET exemption for the Hawaii ship building and repair industry.

Sincerely yours,

Gregg Patch

Gregg Patch
Q.E.D. Systems, Inc.
Hawaii Area Manager
99-1285 Halawa Valley Street, #A-12
Aiea, HI 96701

HB 611 HD1
RELATING TO TAXATION

KEN HIRAKI
VICE PRESIDENT – GOVERNMENT & COMMUNITY AFFAIRS
HAWAIIAN TELCOM

MARCH 20, 2009

Chair Fukunaga and Members of the Economic Development and Technology Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 611 HD1, "Relating to Taxation." Hawaiian Telcom opposes provisions of this measure.

HB 611 HD1 establishes the repeal of numerous tax credits and exemptions beginning on December 31, 2011. While recognizing the value of periodic reviews of Hawaii's tax code as a tool in the development of sensible tax policy, automatic repeal of the scope as proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed as to the financial and social consequences that this repeal will trigger.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 7, lines 4-5), which provides a tax credit for lifeline telephone service. Responding to the growing problem of "shut-ins", the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below $10,000.

For many of those enrolled in the program, the landline telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those that are disabled or seniors with their doctors, 911, or loved ones. There are currently over 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and may be left without any means of communication in case of emergency.

In addition, Hawaiian Telcom opposes the repeal of Section 237-23, Hawaii Revised Statutes (page 6, lines 6-7), which provides a GET exemption for those companies which have already paid a Public Services Company Tax in lieu of the GET. Section 239-5, Hawaii Revised Statutes, explicitly states that the tax imposed from the PSC tax is in lieu of all other taxes. If the exemption in Section 237-23 is not retained, Hawaiian Telcom will essentially have to pay the same GET amount twice resulting in an unfair double taxation on the same gross income!

Finally, Hawaiian Telcom opposes the repeal of Section 235-110.7, Hawaii Revised Statutes (page 6, line 3), which provides a tax credit for the investment of capital goods and Section 237-23.5 Hawaii Revised Statutes (page 6, lines 8-10), which provides an exemption for services provided by related business entities. Repeal of these sections will remove meaningful financial incentives for our company to invest in new equipment and increase our cost of doing business which eventually will be passed on to local consumers.

Based on the aforementioned, we respectfully request that HB 611 HD1 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provisions related to Sections 239-6.5, 235-110.7, 237-23 and 237-23.5.

Thank you for the opportunity to testify on this measure.

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TESTIMONY OF INTER-ISLAND SOLAR SUPPLY
IN REGARD TO H.B. 611 HD1, RELATING TO TAXATION
BEFORE THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
ON
FRIDAY, MARCH 20, 2009

Chair Fukunaga, Vice-Chair Baker and members of the committee, my name is Cully Judd and I represent Inter-Island Solar Supply, a wholesale distributor of renewable energy systems and components established in 1975, and presently doing business on Oahu, Maui, and the Big Island.

Inter-Island strongly opposes H.B. 611 HD1, in particular its application to Hawaii Revised Statutes §235-12.5, the renewable energy technologies income tax credit.

HRS 235-12.5 has helped make Hawaii the national leader in the installation of solar water heating systems. In 2008 over 8,400 were installed in Hawaii. This statute also provides a critical incentive and buying signal for ratepayers and businesses seeking to purchase photovoltaic solar electric systems in order to minimize their electric bills.

The rapid deployment of all market ready solar energy systems remains a central State of Hawaii energy policy goal. Support for renewables is an essential tenet of the much publicized State of Hawaii Clean Energy Initiative (HCEI). Simply put, Hawaii will not make significant progress in reducing its dependence on volatile, expensive, and polluting fossil fuels without consistent legislative and regulatory support. Renewables are Hawaii's energy future. The elimination or abridgement of the renewable energy tax credits will be an immediate disaster for the HCEI, electric utility renewable generation and demand-side management programs, ratepayers seeking relief from high energy prices, and the general economy (the renewable energy industry remains one of the few economic sectors experiencing job growth and expansion in Hawaii).

Independent analysis has shown that HRS 235-12.5 provides **positive fiscal and economic benefits** to the State of Hawaii. [1] The elimination or abridgement of this statute will have an immediate adverse impact on general fund revenues, job growth, capital formation and business expansion. This is a recipe for disaster and one the State of Hawaii can ill afford now or in the future.

I urge this committee to hold this bill. Thank you for the opportunity to testify.

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[1] Report of the Eenrgy-Efficiency Policy Task Force, January 2002, DBEDT. It is important to note that the positive fiscal and economic benefits of these credits to the State of Hawaii were calculated using baseline crude oil prices **under** $30/bbl.

LATE

HANO

Hawai`i Alliance of Nonprofit Organizations

March 20, 2009

Chair Carol Fukunaga
Senate Committee on Economic Development and Technology
Hawaii State Senate
State Capitol, Room 016
Honolulu, HI 96813

RE: HB 611, HD 1, Relating to Taxation

Dear Chair Fukunaga and members of the Senate Economic Development and Technology Committee:

The Hawai`i Alliance of Nonprofit Organizations (HANO) **strongly opposes HB 611 HD1**, which in part, repeals the general excise tax exemption for charitable organizations in 2012.

HANO appreciates the need to better understand the value to society and financial impact that tax credits and exemptions have on the state budget. What concerns us is that an automatic repeal of exemptions of those listed in section 237-23 of the HRS would be devastating to the nonprofit sector.

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.

This far-reaching bill would have dire implications on all types of nonprofits—health and human services, environmental groups, arts and culture organizations, private schools, civic and think tank groups, intermediary associations, and many more. This, at a time when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, child and elderly care. The costs of emergency care will come back to the state full circle, two-fold as a result of this dismantling of the nonprofit sector.

This bill also proposes that a technical advisory group be formed made up of only state departments to study the exemptions and credits and to make recommendations to the next Legislature. We strongly suggest that community-based groups like HANO be included in the technical advisory group to provide relevant and critical data on the nonprofit sector that will better inform the decision-making process.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of Hawai`i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development and products and capacity building services for its members.

We are in strong opposition to HB 611 HD 1 and ask you NOT to pass this measure out of committee in its current form. Thank you for the opportunity to provide testimony.

Lisa Maruyama, President and CEO

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United Way
Aloha United Way

LATE

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiipacifichealth.org

Friday – March 20, 2009 – 1:15pm
Conference Room 016

The Senate Committee on Economic Development & Technology

To: Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice-Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: Testimony Opposing HB 611 – HD1 Relating to Taxation

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi`olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

While we certainly understand the current State budget realities, **we oppose HB 611 HD1** which proposes a study to establish automatic sunset dates for GET tax exemptions which would affect hospitals (Section 237-23, HRS). Establishing steps to authorize a **repeal date, even if not immediately imposed, will have adverse impacts on our credit rating and ability to obtain financing at reasonable cost.**

Non profit healthcare hospitals provide a significant public benefit to the community by providing care to patients regardless of their ability to pay. This includes patients covered by government health plans – such as Medicare and Medicaid/QUEST – whose payments continue to be below cost of providing care. Hawaii Pacific Health provides care for thirty six percent (36%) of the total state Medicaid/QUEST discharges and loses tens of millions of dollars each year in order to provide care for these patients because of the inadequate reimbursement rates provided.

Hawaii's overall hospital payment percentage (93% of cost) is already among the lowest of all states. On average, Hawaii hospitals lose 20 cents on every $1.00 spent to provide care for a Med-Quest patient and 21 cents on every Medicare patient. Non profit hospitals continue to subsidize this shortfall between what the State is willing to pay for Medicaid patients and the true costs of delivering quality healthcare. Repeal of the GE tax exemption would exacerbate the predicament hospitals face and create an additional financial burden on institutions like us, who are organized with a mission of serving a public good.

The GE tax exemption provides us with the financial resources to deliver on our mission of delivering quality healthcare to our patients. We urge you to consider the impact this bill will on the quality of healthcare provided to our community and hold this bill. Thank you for the opportunity to testify.