

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
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FREDERICK D. PABLO  
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## LATE TESTIMONY

### HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

#### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1642 RELATING TO HIGH TECHNOLOGY

**TESTIFIER:** FREDERICK D. PABLO, INTERIM DIRECTOR OF TAXATION (OR DESIGNEE)

**COMMITTEE:** ERB

**DATE:** FEBRUARY 8, 2011

**TIME:** 8AM

**POSITION:** SUPPORT INTENT; CONCERNED WITH CAP AND COSTS

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This measure extends the Tax Credit for Research Activities (Research Credit) allowed under Section 235-110.91, Hawaii Revised Statutes (HRS), prior to December 31, 2010, by five years to 2015. This measure also caps the aggregate amount of credit available to all taxpayers per year.

The Department of Taxation (Department) supports the intent of this measure; however raises concerns over the aggregate cap and revenue loss anticipated by this measure.

**SUPPORT FOR RESEARCH & DEVELOPMENT INCENTIVES, GENERALLY**—In general, the Department supports the Legislature's efforts to expand the research and development industries in Hawaii through means of the Research Credit. The Research Credit was in effect for several years until its expiration on December 31, 2010. The Department supports the concept of the Research Credit because it is a credit that rewards scientific and technical innovation in a laboratory sense.

**STATISTICS SHOW RESEARCH & DEVELOPMENT INCENTIVES HELP THE LOCAL TECH INDUSTRY**—In a 2007 study released by Grant Thornton, LLP, statistics show that the Research Credit provides effective incentives through tax policy to expand Hawaii's tech industry. These statistics include:

- 81% of respondents indicated the Research Credit will increase high tech jobs in Hawaii; and
- 74% of respondents indicated that the Research Credit is more effective in attracting high tech jobs than other incentives.

Based upon this study, among other data regarding the credit from throughout the country, extending the Research Credit is worth exploring.

**PREFERENCE FOR CONFORMITY**—The Department prefers that this incentive conforms to federal law. The Research Credit is based upon Section 41(d) of the Internal Revenue Code. Conforming to tax policies that are well settled based upon federal regulations and court cases greatly assists with the implementation of the credit.

**CONCERN FOR DOUBLE INCENTIVE**—However, the Department points out a general tax policy concern, which is the propriety of providing a "double incentive" for a program already being spearheaded by the federal government. With state revenues scarce and social service priorities growing, the Department questions whether already limited state general fund revenues should go toward programs already being funded by the federal government.

**CONCERN OVER AGGREGATE CAP**—The Department generally opposes aggregate caps, especially in this measure's form. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit, such as with the Research Credit.

**CONCERN FOR REVENUE COST**—As with all measures, the Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

**DEFINITION OF QHTB**—The phrase "qualified high technology business" needs to be defined because the definition cross-references HRS § 235-110.9, which has sunsetted.

**MAINTAIN THE N-317 SURVEY FOR POLICYMAKER INFORMATION**—The Department suggests adding language to the measure that ensures the N-317 QHTB survey form is maintained by those that receive this credit. This information provide useful information for policymakers.

**REVENUE IMPACT**—This measure will result in an estimated revenue loss of \$10.9 million per year from FY 2012 to FY 2016.



**Testimony to the House Committee on Economic Revitalization & Business  
Tuesday, February 8, 2011 at 8:00 a.m.  
Conference Room 312, State Capitol**

**RE: HOUSE BILL NO. 1642 RELATING TO HIGH TECHNOLOGY**

Chair McKelvey, Vice Chair Choy, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports HB 1642** relating to High Technology.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

HB 1642 extends the income tax credit for qualified research activities for five years and places an annual aggregate cap on the tax credit. The Chamber believes that an aggregate cap is not necessary given the relative stability of claims over the years and because the tax credit is limited to claims by qualified high technology businesses.

This bill will create and retain jobs while increasing the state's revenues. We cannot afford to overlook the prime opportunity to promote this growing sector in our state. This is the opportune time to support our small local companies in the R&D industry so that it can continue to flourish and provide jobs for our talented citizens and ensure that our talented keiki have a viable option to move back or stay in Hawaii and obtain quality jobs. Furthermore, this measure will strengthen the industry's effort to compete with other players in the national and international arena. Finally, supporting the R&D industry will help broaden and diversify Hawaii's economic base.

**Role and Economic Impact of the Research and Development Industry in Hawaii**

The large presence of all of the Nation's military services in Hawaii has spurred local companies to form and emerge into this industry. This has served as a source of funding and contracting opportunities for Hawaii's growing R&D sector, and there is considerable opportunity for even greater growth. There are literally millions of dollars that could be directed to Hawaii R&D businesses via military channels and through the prime defense contractors.

The Defense and Dual Use industry can and will play a vital role in stabilizing the state's economic climate. One of the best ways for the industry to help is to maintain and grow the

workforce. Without job creation, cost cutting and tax increases will only create a downward spiral, requiring more costs and more tax increases. The state must maximize its return by spending money that generates multiples of increased spending, garnering the most return from the least amount of tax dollars.

Research and development is one of those areas. In comparing the R&D tax credit to other credits, we observe that the R&D tax credit is one of the most effective in generating and maintaining jobs per tax dollar, generating higher tax revenues for dollar spent, and stimulating measurably more economic activity in the state per dollar of tax credit.

Additionally, companies leveraging the R&D tax credits tend to be more mature companies; many on the cusp of significant expansion, which will accelerate the hiring of new employees and tax revenue.

Research and development is a highly critical component to a sustainable economy. R&D provides well-paying jobs to highly-educated employees. These employees pay significant taxes back to the state and spend considerable amounts of income within the state for goods and services. Furthermore, as the R&D matures it creates product companies that increase the number of jobs and tax base significantly.

The cost of the tax credit helps support qualified expenses in business expenditures in the state. Much of these expenditures come from imported dollars either from outside investors, the federal government or large mainland businesses. These expenditures result in income taxes and significant GET taxes.

R&D tax credit requires a company to expend its funds for which it receives a percentage (has been 20% of wages) of qualified work. This refund occurs after the company files its tax return. So, R&D tax credits for 2011 would not be paid until 2012 and most of the payments will be in the latter half of the year. Therefore, the state receives the benefits of a business base now and doesn't pay for on average 18 months later. The tax is highly focused on wages for research activities. These jobs are typically high paying and result in significant income tax revenues and GET from the money spent by these employees.

### Summary

In summary, the Hawaii R&D tax credit has been effective in generating new taxes, creating new companies and employing a number of residents. Therefore, it is important that a gap does not exist in the R&D tax credit while the 2011 legislature addresses the longer term impact of R&D on the state. Companies need to make long term plans when doing R&D. It is critical to the industry that the tax credit be in place long enough to encourage R&D and its commensurate high paying jobs, job growth, and its direct impact on the sustainability of the state's economy.

Therefore, we respectfully ask that the committee to **pass this measure**. Thank you for the opportunity to provide testimony.

**THE CHAMBER OF COMMERCE OF HAWAII**

1132 Bishop Street, Suite 402

Honolulu, HI 96813

Testimony to the House Committee on Economic Revitalization and Business

Tuesday, February 8, 2011

8:00 AM

Conference Room 312

RE: HOUSE BILL NO. 1642, RELATING TO HIGH TECHNOLOGY

Chair McKelvey, Vice Chair Choy, 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 support of House Bill 1642, Relating To High Technology.

The Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the US military and its civilian workforce and families, and has provided oversight for the state's multi-billion dollar defense industry since 1985.

The measure proposes to extend the income tax credit for qualified research activities for five years and places an annual aggregate cap on the tax credit.

Hawaii has the fortunate circumstance of being home to the headquarters for the US Pacific Command and the component commands for the US Army, Navy, Marine Corps, and Air Force, and for the 14<sup>th</sup> Coast Guard District. This has also attracted the top prime defense/homeland security contractors such as Northrop Grumman, Lockheed Martin, Boeing, and BAE Systems to establish offices in Hawaii.

This combined presence of military and homeland security commands and prime contractors has enabled the emergence of a research and development industry that has high growth potential in Hawaii.

As clearly stated in Section 1 of this proposed bill, R&D is the core of innovation and the foundation of a sustainable high technology industry. This measure proposes to re-establish a policy that is vital to the growth of R&D in Hawaii, and in helping to create an innovation ecosystem that will attract highly capable scientists and researchers (including the return of Hawaii's own) and the capital needed to sustain a world-class technology industry.

As with other US cities, high technology will pave the way in diversifying Hawaii's economy beyond tourism and defense, and creating well paying jobs.

It is imperative that the state enact policies that will tilt the playing field to the advantage of Hawaii's R&D businesses, and place them in position to compete favorably in today's global market. In doing so, it could also place Hawaii in a leadership position in high technology research and development in the Asia Pacific.

The proposed measure would re-establish an R&D tax credit that has proven to be successful in helping to grow the emerging R&D industry.

The Military Affairs Council of The Chamber will strive to gain the support of the military and homeland security commands and prime contractors in creating mentoring, funding, and research opportunities for Hawaii's R&D industry.

For these reasons, we respectfully request that the proposed measure be approved for adoption.

Thank you for the opportunity to testify.

HB1642 - Relating to High Technology

## LATE TESTIMONY

Written Statement of  
**Ian Kitajima**  
Convener  
Dual Use Hawaii Industry  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

### Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in support of HB1642. Since 2005, as the convener of the Dual Use Industry, I have had the privilege to work with and learn about Hawaii's high-tech and dual-use companies, and having worked and lived in Tokyo, Los Angeles, and Helsinki Finland, I personally believe, we have the ideas, the talent, and a host culture to become a global innovator and contributor.

But to develop solutions to today's toughest problems, such as a cure for cancer or to create cheap renewable clean energy, substantial investments of time and money in research and development (R&D) are a prerequisite. A long term commitment to R&D continues to be a key competitive advantage in the world. Without it, we (our people, our products, our companies) will eventually become a commodity. We will become a State which does not have control over its destiny because we do not add substantial value in the world. If we're not careful, the slow-erosion of our R&D advantage, that's difficult to see in the short term, may one day render Hawaii defenseless, irrelevant, a victim of Globalization.

And Hawaii is not the only State in the U.S. who understand the value of R&D as a competitive long-term economic driver. Many States and Countries, are aggressively racing ahead to create economic engines based on science and engineering in the private and public sectors. Hawaii is competitive but is not alone in its attempts to attract and keep R&D expenditures at home. Due to aggressive foreign R&D incentives, the growth of U.S. R&D funds flowing into countries like Australia and the UK, are double the U.S. domestic growth rates for R&D, i.e., we are shipping more and more of U.S. R&D overseas. For example, China 2% of GDP for R&D vs. US 3.5% of GDP goes toward R&D. But China's R&D is growing 20% a year, and the estimate is that in 10 to 15 years China will surpass the U.S as the world's leading innovator.



So if R&D is such a great long-term driver of innovation, why are we not doing more? There are many reasons but one reason is that R&D requires a long-term investment in people, facilities, infrastructure, companies, the University and those investments or seedlings take decades to bear fruit. But the long-term success of an R&D industry, and the innovation culture that is spawned, has tremendous economic and social benefits that improves our quality of life, and creates the next generation of careers, engineers, scientists, companies, educators, entrepreneurs, and philanthropists for our State, Country, and World. In addition to the long-term benefits of R&D, the following are examples of the immediate benefits of an R&D community:

- Biggest providers of STEM Internships/Mentorships
- Biggest supporters of STEM Programs in the State
- Professional role models inspiring Hawaii's children – e.g., Weird Science with Dr. V
- Living wage salaries which are taxed at higher rates
- Homeowners who pay property taxes
- Hawaii's tech companies must spend \$5 in qualified R&D within Hawaii before they can claim a \$1.

**Finland and the mobile phone industry: A case study of the return on investment from government-funded research and development**

Having lived and worked within Finland's high tech industry, and seeing their Country's success in building an R&D high tech industry, the following case study of the Country's return on investment in support of their high tech industry might be instructive, and relevant. Hawaii and Finland have similarities, with small isolated populations, limited natural resources, and successful core industries which made change difficult. Below is the Abstract. See link for the entire study.

"The sudden and dramatic growth of the mobile phone manufacturing sector in Finland is an interesting case study for science and technology (S&T) policy analysts. Mostly on account of the rapidity of this growth against a relatively static situation for the other sub-sectors, the Finnish economic data over the period 1990–2001 can be used without ambiguity to quantify the return of an initial public sector research and development (R&D) expenditure on the growth of a sectoral economy. Although it is apparent from the data that this economic success story is to some extent now running out of steam, the returns to date for all the participants have been astonishing. Using the Patterson–Hartmann model, which has been developed to link company-level R&D expenditure with product revenue, it is shown that government has managed to achieve a multiplier effect of about 66 on its initial R&D expenditure through initially a leveraging of business R&D expenditure (at a level of 1:3) and then the translation of the latter into an increase in gross domestic product (GDP) (at a level of 1:22). These figures are extraordinarily high, even in comparison to the multipliers obtained by large private sector companies.

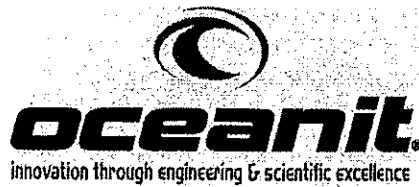
The keys to the success were both the vision and foresight of the Finnish R&D community, who identified cell phones as a major growth opportunity, the sharing of risk by the various role players (government, universities and industry) as can happen in an efficient national system of innovation, and finally a sustained commitment to R&D by the industry leaders. The latter has now reached a level of 3.5% of GDP (2005), which makes Finland a global leader in R&D expenditure (as a percentage of GDP). The lessons for developing countries such as South Africa, which are moving towards higher levels of R&D expenditure but within a resource constrained context, are apparent."

[http://researchspace.csir.co.za/dspace/bitstream/10204/799/1/Walwyn\\_2007.pdf](http://researchspace.csir.co.za/dspace/bitstream/10204/799/1/Walwyn_2007.pdf)

	Finland	California	Hawaii
<b>R&amp;D investment % of GDP</b>	3.5% in 2005	4.3% in 2007	1% in 2007 (4th quartile - bottom)
<b>Multiplier for Gov't R&amp;D invested</b>	1:66		
<b>Multiplier for private R&amp;D invested</b>	1:3		
<b>Multiplier for GDP</b>	1:22		

One final note, **Hawaii companies must first spend \$5 in Hawaii based R&D to claim \$1.** So for the future of Hawaii, I ask that you support our high tech companies to make Hawaii a global innovation center, with your support of HB1642. Thank you for the opportunity to testify.

Sincerely,  
 Ian Kitajima, Convener  
 Dual Use Network



**LATE TESTIMONY**

Written Statement of  
**Jan Sullivan**  
COO  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Jan Sullivan, COO, Oceanit

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

It is our hope that we can continue to offer an alternative to kids that want to work in an industry that is growing nationally as well as internationally - and to show them that world class technical work can thrive in Hawaii.

The R&D credit has helped to jump start an industry that is in its infancy in Hawaii. The R&D credit has been responsible for job creation, as well as long term investments that will set the stage for growth into the future. At Oceanit, the R&D credit has allowed us to:

- Establish and launch the Oceanit Innovation Fund, providing early stage R&D funding through a process that is open to all staff at Oceanit. We have established a bi-annual proposal process where anyone can submit innovative, early stage ideas for internal funding. This has allowed us to nurture a culture of innovation, risk taking and entrepreneurial spirit that are essential to creating a long term growth industry. These funds have been used to provide the initial early stage research that allows scientists and engineers to make a strong case to obtain follow on funding from traditional sources. As a result, a relatively modest capital investment has

allowed us to leverage this into large funding sources that have led to new jobs and opportunities.

- Internally fund prototype developments that would normally flounder in what the dual use community calls the "valley of death". This is the stage in which federal funding runs out but technology development is perhaps 70% complete. Customers will not fund that final last stretch of technology development so the majority of R&D dies at this stage. We have internally invested in pushing technologies through this stage and are nearing marketable products.
- Invest in equipment and laboratory space that is required to conduct cutting edge research. This investment has allowed us to build world class materials and life science labs that allow us to successfully compete at a national level for R&D funding.

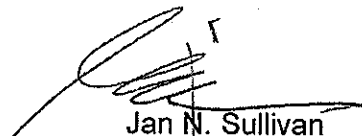
We view all of the above as investments that will act as a catalyst for continued job growth. The reality is that without Hawaii's R&D tax credit, we would not have been able to make all of these investments, and in the future, we will be forced to severely curtail R&D infrastructure investments across the board.

Because of the forward-looking nature of research, few R&D investments have short term rewards. This bill would provide longer term continuity for an industry that is still in its infancy, and is struggling to grow.

We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



Jan N. Sullivan  
COO



## LATE TESTIMONY

Written Statement of  
**Sophie Isobe**  
Corporate Office Manager  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Sophie Isobe, Corporate Office Manager

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

I hope that we can continue to offer an alternative to kids that want to work in an industry that is growing nationally as well as internationally - and to show them that world class technical work can thrive in Hawaii.

The R&D credit has helped to jump start an industry that is in its infancy in Hawaii. The R&D credit has been responsible for job creation, as well as long term investments that will set the stage for growth into the future. The R&D credit has enabled us to compete on a national level for R&D dollars that we bring in to Hawaii.

We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



**LATE TESTIMONY**

Written Statement of  
**CINDY MATSUKI**  
**DEPUTY MARKETING MANAGER**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: INSERT YOUR NAME HERE, YOUR TITLE

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Cindy Matsuki



**LATE TESTIMONY**

Written Statement of  
**ALAN WONG**  
**SENIOR ACCOUNTANT**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Alan Wong, Senior Accountant

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Alan Wong



**LATE TESTIMONY**

Written Statement of  
**Judi Morris**  
Contract and Business Analyst  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Judi Morris, Contract and Business Analyst

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Judi E. Morris





## LATE TESTIMONY

Written Statement of  
**Zubin Menon**  
**Special Projects**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Zubin Menon, Special Projects

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642**.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Zubin Menon  
[zmenon@oceanit.com](mailto:zmenon@oceanit.com)



**LATE TESTIMONY**

Written Statement of  
**Warren E. Bucher, Ph.D., P.E.**  
Senior Engineer  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: INSERT YOUR NAME HERE, YOUR TITLE

Re: Testimony in Support of HB1642

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The R&D credit has helped to jump start an industry that is in its infancy in Hawaii. The R&D credit has been responsible for job creation, as well as long term investments that will set the stage for growth into the future. The R&D credit has enabled us to compete on a national level for R&D dollars that we bring in to Hawaii.

We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Warren E. Bucher, Ph.D., P.E.



## LATE TESTIMONY

Written Statement of  
**Donna Diano**  
**Administrative Assistant**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Donna Diano, Administrative Assistant

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Donna Diano



**LATE TESTIMONY**

Written Statement of  
**Julie Higa**  
Executive Assistant  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Julie Higa, Executive Assistant

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



Julie Higa



## LATE TESTIMONY

Written Statement of  
**Karlton Kau**  
**Administrative Assistant**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Karlton Kau, Administrative Assistant

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Karlton Kau



## LATE TESTIMONY

Written Statement of  
**YOUR NAME HERE**  
TITLE  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Liang Ge, Coastal/Ocean Engineer

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



## LATE TESTIMONY

Written Statement of  
**Tiare Martin**  
**Maui Site Manager**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: INSERT YOUR NAME HERE, YOUR TITLE

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Tiare Martin



## LATE TESTIMONY

Written Statement of  
**CLYDE DEBELL**  
**SENIOR MACHINIST**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Clyde DeBell, Senior Machinist

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Clyde DeBell





## LATE TESTIMONY

Written Statement of  
**Manabu Tagomori, P.E., F.ASCE**  
**Director, Water and Natural Resources**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Manabu Tagomori, P.E., F.ASCE, Director, Water and Natural Resources

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Manabu Tagomori, P.E., F.ASCE

Director, Water and Natural Resources



**LATE TESTIMONY**

Written Statement of  
**Zachary Stoecker-Sylvia**  
**Senior Software Engineer**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Zachary Stoecker-Sylvia, Senior Software Engineer

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



**LATE TESTIMONY**

Written Statement of  
**Linda Y. Kawamura**  
Human Resources Manager  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Linda Y. Kawamura, Human Resources Manager

Re: Testimony in Support of HB1642

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Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college-level youth to introduce them to science and engineering careers. We let the youth of Hawaii know that there are exciting, decent-paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

I hope that we can continue to offer an alternative to kids that want to work in an industry that is growing nationally as well as internationally - and to show them that world class technical work can thrive in Hawaii.

The R&D credit has helped to jump-start an industry that is in its infancy in Hawaii. The R&D credit has been responsible for job creation, as well as long term investments that will set the stage for growth into the future. The R&D credit has enabled us to compete on a national level for R&D dollars that we bring in to Hawaii.

We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.



## LATE TESTIMONY

Written Statement of  
**Debbie Espino**  
Environmental Planner  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Debbie Espino, Environmental Planner

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

Written Statement of  
**Dr. Josh Miyagishima**  
**Sr. Scientist - Biotechnology**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: Dr. Josh Miyagishima, Sr. Scientist - Biotechnology

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

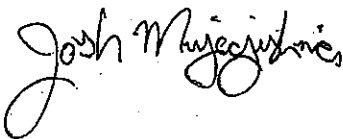
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Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,





**LATE TESTIMONY**

Written Statement of  
**J. Michael Bush**  
Senior Software Engineer  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: J. Michael Bush, Senior Software Engineer

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary through college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,

J. Michael Bush



**LATE TESTIMONY**

Written Statement of  
**Dayananda Vithanage**  
**Technical Director**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: INSERT YOUR NAME HERE, YOUR TITLE

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



**LATE TESTIMONY**

Written Statement of  
**JOSEPH C. FURUTANI**  
**VISUALIZATION TECHNOLOGIST**  
Oceanit  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
February 8, 2011  
8:00 AM  
State Capitol, Conference Room 312  
In Support of  
**HB 1642 RELATING TO HIGH TECHNOLOGY.**

TO: Chair McKelvey, Vice Chair Choy, and Members of the Committee

From: INSERT YOUR NAME HERE, YOUR TITLE

Re: Testimony in Support of HB1642

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **support of HB1642.**

Oceanit currently employs about 160 scientists, engineers and support staff. We regularly host interns, school classes, and conduct numerous outreach activities for elementary thru college level kids to introduce them to science and engineering careers. We let kids know that there are exciting, decent paying jobs for them in Hawaii if they pursue these careers. Many of them have returned to us, equipped with college degrees, wanting to work in science and engineering.

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We urge you to maintain the momentum that has started and to keep this new sector of the economy growing at this critical juncture.

Thank you for your continued support of the R&D tax credit and for your support of the industry.

Sincerely,



Joseph C. Furutani



---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 07, 2011 5:04 PM  
**To:** ERBtestimony  
**Cc:** wazupmon@yahoo.com  
**Subject:** LATE TESTIMONY - Testimony for HB1642 on 2/8/2011 8:00:00 AM

Testimony for ERB 2/8/2011 8:00:00 AM HB1642

Conference room: 312  
Testifier position: support  
Testifier will be present: No  
Submitted by: Robert Mon  
Organization: Individual  
Address: 3524 Loulu St. Honolulu, HI 96822  
Phone: 808-282-7867  
E-mail: [wazupmon@yahoo.com](mailto:wazupmon@yahoo.com)  
Submitted on: 2/7/2011

Comments:

**LATE TESTIMONY**

Written Testimony of

ALAN HAYASHI

before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

February 8, 2011

8:00 AM

State Capitol, Conference Room 312

In consideration of

**HB 1642 RELATING TO HIGH TECHNOLOGY**

Chair McKelvey, Vice Chair Choy, and Members of the Committee on Economic Revitalization and Business:

I am testifying as an individual employed by a large defense contractor who supports a strong, growing supplemental industry to tourism, and defense, I respectfully submit comments in support of HB 1642. The state tax credit for research activities (Act #221) was sunset at the end of calendar year 2010. This tax credit program was an effective measure to support research and development (R&D) activities, which in turn, foster and encourage the innovation essential to create high-wage job opportunities in our economy. Over the past nine years, the tax credit claims under this program averaged approximately \$11 to \$15 million a year per prior DoTax testimony. As the credit can only be claimed for qualified research entities (QHTB) conducted in Hawaii and only for 20% of the qualified expenditures, the cost of the program is partially offset by taxes paid on expenditures and payroll and represents a diversified, clean, high paying industry where our STEM graduates can be employed..

HB 1642 renews the research and development (R&D) tax credit contained in Section 235-110.91 HRS, but proposes adding an annual aggregate cap. I do not believe a cap is necessary given the relative stability of claims over the years and because the tax credit is limited to claims by qualified high technology businesses (QHTB). A cap would inhibit new business generation since more businesses will need a higher cap. If we truly believe the High Technology industry is one we want to keep in Hawaii, we want growth not limitations.

I suggest a query of the DoTax to submit their annual credit amounts for the past 9 years to verify this industry growth stability. I am sure the past credit history will indicate a stable amount of exposure to the State.

Thank you for the opportunity to submit testimony on this bill. If asked, I will be glad to answer any questions.