



Written Statement of
Karl Fooks
President
Hawaii Strategic Development Corporation
and
Yuka Nagashima
Executive Director and CEO
High Technology Development Corporation

Before the
SENATE COMMITTEE ON WAYS AND MEANS

February 26, 2013
10:05 AM
State Capitol, Conference Room 211

In consideration of
SB 1349 SD1 RELATING TO ECONOMIC DEVELOPMENT.

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

The Hawaii Strategic Development Corporation (HSDC) and the High Technology Development Corporation (HTDC) respectfully **submit comments on SB 1349 SD1**. The state tax credit for research activities sunset at the end of calendar year 2010 and was an effective measure to support research and development activities, which in turn, foster and encourage the innovation essential to create high-wage job opportunities in our economy.

SB 1349 includes important requirements to collect data and provide metrics on the effectiveness of the proposed research tax credit. We recommend that resources be appropriated to the Department of Business, Economic Development and Tourism so that they are able to collect the data, analyze the impacts and report their findings.

Finally, the objective of SB 1349 SD1 is to promote economic development in the State. Supporting research activities alone will not accomplish this objective. We recommend the Committee also consider a comprehensive policy that supports the continuum of entrepreneurialism, commercialization and business formation capabilities needed to foster high growth businesses. As part of an entrepreneurial ecosystem, a research tax credit program can be effective in creating sustainable high wage jobs.

Thank your for the opportunity to submit testimony on this bill.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: achung@navatekltd.com
Subject: Submitted testimony for SB1349 on Feb 26, 2013 10:05AM
Date: Sunday, February 24, 2013 2:36:37 PM

SB1349

Submitted on: 2/24/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ann Chung	Navatek Ltd.	Support	Yes

Comments: Aloha Chair Ige, Vice Chair Kidani and WAM Committee members: I am Ann Chung, Director of Special Projects for Navatek, a research and development company for military and commercial applications. We strongly support SB1349 SD1 and strongly urge your committee to pass this measure. We recognize that the legislature has been very supportive of the technology industry in the past and continues to recognize the importance of Hawaii's innovation industries to our economy. With major reductions in military funding, the R&E credit is very important to the success of our local R&E companies. A critical issue is being lost in the discussions. The R&D credit is based on qualified expenses SPENT IN THE STATE OF HAWAII. Supporting this credit incentivizes R&D companies to spend monies on wages, materials and subcontractors IN THE STATE OF HAWAII. With the previous R&D credit, Hawaii companies used to require new hires to move to Hawaii and would active decisions to buy materials and hire subcontractors IN THE STATE OF HAWAII. Since the sunset of the R&D credit, companies are now willing to allow new hires to stay on the mainland and use more economical materials and subcontractors from out of the state. Our industry has suffered a number of hardships since 2010: sunset of previous state R&D credit, elimination of federal earmarks, decline of federal contracts – and with the recent passing of Senator Inouye and Sequestration – now is a critical time to support local R&D companies and help us continue to create high-paying, high-skilled jobs for our future.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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February 24, 2013

TESTIMONY IN SUPPORT OF SB1349 SD1 RELATING TO ECONOMIC DEVELOPMENT

HEARING DATE: Friday, February 26, 2013 TIME: 10:05 a.m. PLACE: Conference Room 211

COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Aloha Chair Ige, Vice Chair Kidani and WAM Committee members:

I am Martin Kao, President of Navatek, a research and development company for military and commercial applications. We support SB1349 SD1 and strongly urge your committee to pass this measure.

Even in the looming shadow of the "Fiscal Cliff," on January 2, 2013 the Federal government again agreed to extend the R&D tax credit. "We can't keep cutting things like basic research and new technology and still expect to succeed in a 21st-century economy," said President Obama. The popular 1981 law to incentivize research-oriented hiring has been extended annually for its 30-year existence, and there's good evidence that the tax credit really does spur innovation. In 2005, the Congress Budget Office concluded. Don't trust me! Do a simple Google search of this Congress Budget report and you can read it yourself. Moreover, 35 States now have a R&E credit and the others, with the exception of Hawaii have some form of credit via activities in innovation and research. The benefits of the R&E credit are indisputable. This is fact....just because the Departments does not know how to efficiently administer the R&D credit does not change this fact.

Opponents of the R&E credit like to argue their misguided claims of the "cost" of the credit. To put into context most people in Hawaii can understand. It now costs \$20,000 a year to send a child to Punahou. Yet thousands of families hope for the opportunity to incur this cost. Why? The answer is because the \$20,000 in tuition is NOT a cost, but indeed an INVESTMENT. The same is true for the R&D credit. It is an investment in Hawaii's future and the potential returns are limitless.

We recognize that the legislature has been very supportive of the technology industry in the past and continues to recognize the importance of Hawaii's innovation industries to our economy. With major reductions in military funding, the R&E credit is very important to the success of our local R&E companies. A critical issue is being lost in the discussions. The R&D credit is based on qualified expenses SPENT IN THE STATE OF HAWAII. Supporting this credit incentivizes R&D companies to spend monies on wages, materials and subcontractors IN THE STATE OF HAWAII.

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Our industry has suffered a number of hardships since 2010: sunset of previous state R&D credit, elimination of federal earmarks, decline of federal contracts – and with the recent passing of Senator Inouye and Sequestration – now is a critical time to support local R&D companies and help us continue to create high-paying, high-skilled jobs for our future.

Mahalo for your support,
Martin Kao
Navatek Ltd