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E-Mail: larry@naturalpowerconcepts.com
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HB1451 – Relating to Taxation

LATE TESTIMONY

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Larry Lieberman, CEO
Natural Power Concepts Inc.

RE: Testimony In Strong OPPOSITION to HB 1451

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

While Natural Power Concepts supports the intent of extending the R&D and infrastructure renovations credits, it opposes this bill and respectfully requests that you hold it.

First, Natural Power Concepts opposes that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

Secondly, this bill requires companies to increase their workforces by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

Natural Power Concepts (NPC) is an alternative energy technology incubator headquartered in Honolulu, Hawaii. We are working diligently to design, develop and rapidly prototype and test a variety of innovative new renewable energy devices that are a perfect showcase for Hawaii's extraordinary natural renewable energy resources such as wind, waves, current flow, solar, and geothermal heat. We are partially funded through Act-221 investors and I believe it is likely we would have had to move the company to a competing Mainland location for ocean energy research such as California, Oregon, or Florida if we had not been able to secure funding here in Hawaii. NPC currently employs eight full time staff plus the near-full time services of several contractors and vendors.

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

Sincerely,

Larry Lieberman
CEO
Natural Power Concepts
808-741-7529
larry@naturalpowerconcepts.com

From: Tracy Matsumoto [cphmats@gmail.com]
Sent: Tuesday, February 17, 2009 5:42 PM
To: EBMtestimony
Subject: TESTIMONY

HB1451 - Relating to Taxation

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Tracy C. Matsumoto, CEO

e-telligents, LLC.

RE: Testimony In Strong Opposition to HB1451

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

While e-telligents, LLC supports the intent of extending the R&D and infrastructure renovations credits, it opposes this bill and respectfully requests that you hold it.

First, e-telligents, LLC opposes that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

Secondly, this bill requires companies to increase their workforces by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

e-telligents, LLC is a Hawaii software company that was formed in 2008 with capital generated from local investors. These local investors believe in the company's vision to build "intelligent healthware," software that will make the health care industry more efficient and cost effective. However, without act 221/215, we would

not have been able to generate the capital that is required to build our product. Thank you for the opportunity to testify on this important bill. We respectfully ask that you hold this bill.

Sincerely,

Tracy C. Matsumoto
e-telligents LLC.
372=1591
cphmats@gmail.com

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This e-mail and any files transmitted with it are confidential and are intended solely for the use of the individual or entity to whom they are addressed. This communication may contain material or information considered protected health information (PHI). If you are not the intended recipient or the person responsible for delivering the e-mail to the intended recipient, be advised that you have received this e-mail in error and that any use, dissemination, forwarding, printing, or copying of this e-mail is strictly prohibited. If you have received this e-mail in error, please immediately notify Tracy Matsumoto by telephone at (808) 621-4774 or (800) 414-8845.

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LATE TESTIMONY

TESTIMONY OF WILLIAM G. MEYER, III

HOUSE BILL 1451: RELATING TO TAXATION

DATE: February 17, 2009
4:00 P.M., Conference Room 329

TO: House Committee on Economic Revitalization, Business & Military Affairs
Representative Angus L.K. McKelvey, Chair
Representative Isaac W. Choy, Vice Chair

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

Thank you for the opportunity to submit testimony in **STRONG OPPOSITION** to HB 1451, which relates to taxation and various high technology tax incentives that are commonly known as "Act 221."

My name is William G. Meyer, III. I am a Honolulu attorney and my practice is limited to intellectual property matters, including entertainment law. I represent both national and local television and motion picture producers and production companies. My practice area includes advising entertainment companies regarding the availability of entertainment industry related tax incentives, including the incentives available pursuant to Act 221/215 and Act 88.

While I support the intent of extending the R&D and infrastructure renovations credits, I oppose this bill and respectfully request that you hold it.

First, I oppose that section of this bill [Section 2 amending subsection (i)] which seeks to change the sunset date of the investment credit to December 31, 2008. I believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

Secondly, this bill requires companies to increase their workforces by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

House Committee on Economic Revitalization, Business & Military Affairs
Re: HB 1451
February 17, 2009
Page 2

Thank you very much for allowing me to submit this testimony today. I respectfully ask that you hold this bill.

Sincerely,

William G. Meyer, III
wmeyer@dwyerlaw.com
(808) 534-4412

LATE TESTIMONY

From: Ingelia Puspita White [ingelia@hawaii.edu]
Sent: Tuesday, February 17, 2009 3:09 PM
To: EBMtestimony
Subject: HB1451 - Relating to Taxati

HB1451 - Relating to Taxation

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Ingelia White Ph.D.
Assoc. Prof. Botany/Microbiology

RE: Testimony In Strong Opposition to HB1451

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

While I support the intent of extending the R&D and infrastructure renovations credits, I oppose this bill and respectfully requests that you hold it.

First, I oppose that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

Secondly, this bill requires companies to increase their workforces by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives. ((INSERT Short Company Description. This can include what your company is, the sector, number of employees and how Act 221/215 impacts your company.))

Thank you for the opportunity to testify on this important bill. We respectfully ask that you hold this bill.

Sincerely,

Ingelia White Ph.D.
Assoc. Prof. Botany/Microbiology
Phone: (808) 236 - 9102
Email: ingelia@hawaii.edu

LATE TESTIMONY

From: Robert Howe [r.howe@akamaicapital.com]
Sent: Tuesday, February 17, 2009 2:42 PM
To: EBMtestimony
Cc: Robert Howe
Subject: POST HEARING Testimony in opposition to HB1451

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair
FROM: Robert C. Howe, Chief Executive Officer, AKAMAI Capital, LLC

RE: Testimony In Strong Opposition to HB1451

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

While AKAMAI Capital, LLC supports the intent of extending the R&D and infrastructure renovations credits, it opposes this bill and respectfully requests that you hold it.

First, AKAMAI Capital, LLC opposes that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

Secondly, this bill requires companies to increase their workforces by 10% per year, but it cuts off the only source of cash that many of them have to pay for these jobs with the retroactive repeal date for the investment credit. Many young technology companies have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. The imposition of the 10% increase in employment is burdensome and unrealistic for companies at this stage of development. That said, DoTax data tells us that these Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

AKAMAI Capital, LLC is in investment management, training young people in Asia-focused listed equity investment, in the hopes that Hawaii can evolve a competitive cluster in asset management, primarily Asia-focused, over the next 10-15 years. Some of our students are interested in private equity investing, and if they wish to pursue that field in Hawaii, there need to be a critical mass of venture companies in the State. We believe Act 221 has served its purpose in stimulating formation and growth of venture and technology companies.

Thank you for the opportunity to testify on this important bill. We respectfully ask that you hold this bill.

Sincerely,
Robert C. Howe, CFA

LATE TESTIMONY

DATE: February 17, 2009□

TIME: 4:00pm□

PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs

□ Representative Angus McKelvey, Chair□

Representative Isaac W. Choi, Vice Chair□□

FROM: Brad Mossman

RE: Testimony In Opposition to HB 1451

Dear Mr. Chairman, Mr. Vice Chairman, and Members of the Committee:

Thank you for the opportunity to testify on HB 1451. I oppose this bill and ask that it be held.

The proposed provisions regarding increases in employment and penalties for changes in location of qualified research and development activities are such that they effectively kill the incentive programs. The current law provides a workable system that balances the need to link state incentives and benefits with the realities of operating businesses in Hawaii and should be left as is.

From: James Houser [jhouser@knowitallconsultants.com]
Sent: Tuesday, February 17, 2009 2:21 PM
To: EBMtestimony
Subject: Testimony relating to ACT 221

TO: House Committee on Economic Revitalization, Business and Military Affairs Representative Angus McKelvey, Chair Representative Isaac W. Choi, Vice Chair

FROM: James Houser
Founder / Know It All Consulting LLC

RE: Testimony In Strong Opposition to HB1451

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

While Know It All Consulting LLC supports the intent of extending the R&D and infrastructure renovations credits, it opposes this bill and respectfully requests that you hold it.

First, Know It All Consulting LLC opposes that section of this bill which seeks to change the sunset date of the investment credit to December 31, 2008. We believe that such an amendment, which retroactively amends the sunset date of the investment credit, is unconstitutional and will cause many Act 221/215 companies to fail by cutting off their primary source of capital.

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Third, this bill penalizes companies for moving research and manufacturing activities outside of the State. Under existing law, Act 221 already requires qualified companies to have at least 75% of their research activities and/or gross income to be from Hawaii. However, increasing this requirement to 100% will be overly restrictive and will destroy the effectiveness of these high tech incentives.

Know It All Consulting LLC, is a small business plan consulting firm founded in 1996. While my past focus has been on developing business plans for small companies based out of Hawaii, my current focus is on creating a video game development company. The company will however not be based here in Hawaii if ACT 221 gets dissolved as their just won't be any incentive to be based here.

Thank you for the opportunity to testify on this important bill. We respectfully ask that you hold this bill.

Sincerely,

James Houser
Know It All Consulting
Founder
808-386-2596