

**HB 1583**

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  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 1583 HD 1 PROPOSED SD 1  
RELATING TO TAXATION**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 26, 2009**

**TIME: 2PM**

**ROOM: 308**

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This measure provides that no "business tax credits" claimable over a two year period may be used to reduce more than 75% of a taxpayer's liability. The measure defines business tax credits to include non-welfare, constitutionally required credits, or refundable credits. The measure also suspends any carry-forward credit generated prior to January 1, 2009 for the two year period and precludes any credit from generating a carry-forward during the credit reduction period.

This measure also conforms to partnership allocation principles for the 2009 and 2010 taxable years; makes certain credits nonrefundable; and eliminates the technology infrastructure credit.

The Department of Taxation (Department) appreciates the intent of this measure and offers comments.

**I. LIMIT ON CREDIT USED TO OFFSET INCOME—"SHARED SACRIFICE"**

Many businesses in Hawaii enjoy extremely beneficial tax credits whereby they ultimately pay little or no taxes on business income. With the current budget constraints, it is important to recognize that the State is less able to pay these generous credits than in years past. This measure simply ensures that everyone shares in the sacrifice to ensure the government's budget is balanced in this economy by allowing credits to offset not more than 75% of a taxpayer's income tax.

From the Department's perspective, this measure is a creative means of temporarily suspending the pressure on the general fund's liabilities for payment of many business credits. The Department understands that the state of California passed a similar measure, which suspended certain credits and net operating losses for two years to minimize that state's general fund gap.

The Department appreciates that the committee has heard this measure in the interest of balancing the State's budget this session. The Department suggests that this measure be kept alive for further discussion.

## **II. CONFORMING TO FEDERAL TAX PRINCIPLES**

The Department strongly supports the concept of the amendment that conforms to federal law for flow-through entities. Conformity in all respects to the Internal Revenue Code is beneficial to administering an efficient tax system.

## **III. MAKING CERTAIN CREDITS NONREFUNDABLE**

This measure proposes to make various refundable credits nonrefundable. These credits include the ethanol facility tax credit, the fuel credit for commercial fishers, the credit to offset certain taxes of regulated investment companies, and the capital goods excise tax credit.

The Department supports making these credits nonrefundable in light of the current budget shortfall. The Department supports making these credits nonrefundable because such amendments do not raise taxes and do not defeat the purpose of the incentives. These amendments simply allow a person to offset up to 100% of their tax liability. A taxpayer with liability that exceeds their credit will not be impacted whatsoever when compared to current law. As currently drafted, a taxpayer with no tax liability will lose the credit. If the intent was to allow the credits to be used in subsequent years when the taxpayer does have tax liability, additional amendments to that affect are required.

Importantly, this measure only touches business credits and does not impact welfare credits, which still allow for payouts beyond liability.

## **IV. PRECLUDING THE RESEARCH CREDIT FOR FUNDS WHERE THE 100% INVESTMENT CREDIT MAY BE CLAIMED**

The Department supports the amendments to this measure that propose to disqualify any cost incurred for research from the research credit where that money is paid for with funds for which an investor received a 100% investment tax credit.

This amendment is good tax policy and prevents the state from paying 120% in credit for the same \$1. This amendment ensures that at least one person—the investor or the business conducting the research—receives credit, but not both.

The Department points out that this language is nearly identical to the same tax policy that exists with the refundable film credit.

Administratively, the Department has already developed proposed rules interpreting this language for the film industry and would be inclined to apply the same approach to the research industry if this measure is passed. That means that guidance already exists for taxpayers to rely upon that can be made administrative rules relatively quickly. The Department has spent several months developing guidance and rules on a similar provision and believes that it can work smoothly with taxpayers and practitioners to ensure that they are aware of how such a provision will operate.

#### **V. ELIMINATING THE TECHNOLOGY INFRASTRUCTURE CREDIT**

This measure also eliminates the technology infrastructure credit, which is a 4% nonrefundable credit. This credit essentially is a return of general excise tax paid.

Very few taxpayers have utilized this credit, which is why the Department supports repealing it. It is good tax policy to eliminate incentives that go unused. In the case of this credit, only 17 claims have been made totaling \$30,430 in 2006. This data demonstrates that the incentive is unattractive. The Department surmises that the credits go unclaimed because the capital goods excise tax credit is more attractive and/or the 179 deduction yields more benefit. In light of the foregoing, it may be more prudent in light of the current fiscal picture to repeal the credit.

#### **VI. REVENUE IMPACT**

As amended, this measure will result in a general fund revenue gain estimated at \$83.3 million for FY 2010 and \$76.1 million FY 2011.

**HB 1583 HD1  
RELATING TO TAXATION**

**PAUL T. OSHIRO  
MANAGER – GOVERNMENT RELATIONS  
ALEXANDER & BALDWIN, INC.**

**MARCH 27, 2009**

Chair Klm and Members of the Senate Committee on Ways & Means:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and Hawaiian Commercial & Sugar Company, one of its agricultural companies, on HB 1583 HD1, "A BILL FOR AN ACT RELATING TO TAXATION."

After over twenty five years of debate, negotiation, and compromise, the IAL Law was finally passed in the 2005 Legislative Session. After years of pursuing a land-use approach to this constitutional mandate, the IAL law that was successfully passed was one premised on the principle that the best way to preserve agricultural lands is to preserve agricultural businesses and agricultural viability. As such, Act 183 (2005) not only provides the standards, criteria, and processes to identify and designate important agricultural lands (IAL) to fulfill the intent and purpose of the Hawaii State Constitution, it also provides for the passage of a package of incentives designated to support and encourage sustained, viable agricultural activity on IAL—prior to the designation of IAL. Act 233 (2008) contains the comprehensive package of incentives to attract the broad spectrum of parties needed to build and foster a viable agricultural industry in Hawaii—to incent farmers, landowners and farmer/landowners, of all sizes, with varying situations and needs, to commit to both designating and farming IAL.

This bill imposes a tax credit ceiling of not more than seventy five percent of a taxpayer's tax liability for various tax credits, including the IAL Qualified Agricultural Cost Tax Credit, which is a part of the comprehensive package of IAL incentives in Act 233 (2008). Not only will this tax credit encourage investment in agricultural infrastructure and operations on IAL, it will greatly assist these dedicated farmers with the basic costs of farming, assisting their viability which is particularly key as many have been badly weakened financially by the impacts of the past two years of unprecedented drought in Hawaii. Furthermore, this tax credit, as part of the comprehensive package of IAL incentives, is central to the IAL law—intended to encourage farmers and landowners to consider the voluntary designation of their agricultural lands as IAL, a process that is currently ongoing and will provide for much quicker designation of IAL. While we understand the fiscal constraints that the Legislature must deal with, we believe that impacting the core aspects of the IAL law may negatively impact the outcome. We also believe that the IAL law should be given a chance to work, the way the Legislature intended it to work when it passed the law.

While we note that this bill excludes various other tax credits from the purview of this bill, we respectfully request that the IAL Qualified Agricultural Cost Tax Credit be added to this list of tax credits excluded from this tax credit ceiling.

Thank you for the opportunity to testify.



CERTIFIED PUBLIC ACCOUNTANTS

Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**Subject: House Bill No. 1583**  
**Hearing: March 27, 2009, 9:30 a.m.**  
**Position: Oppose**

Chair Kim, Vice Chair Tsutsui, and Members of the Committee,

My name is Kent K. Tsukamoto and I am the managing partner of Accuity LLP, a Hawaii based, locally owned full service CPA firm. I have been a practicing CPA in Hawaii for over 31 years. Thank you for the opportunity to testify in opposition to the provisions contained in proposed SD1 of House Bill 1583.

Overall this bill negatively impacts both the Act 221/215 investor credit, the R & D credit, and other business credits, and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional.** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations.** Elimination of disproportionate credit allocation will cut off out-of-state investment.

**R&D Credit.** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss.** As noted in the 9/08 DOTAX study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for this opportunity to offer comments on the measure. In summary, we strongly oppose passage of the language contained in SD1 of House Bill 1583.

Accuity LLP is the successor to PricewaterhouseCoopers' Honolulu Practice and is a full service CPA firm. It is one of the largest Accounting firms in Hawaii with more than 90 employees. It serves both local and internationally based clients.

**Gina Williams**

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**From:** Chris Cacatian [chrisc@alohaislandinc.com]  
**Sent:** Thursday, March 26, 2009 12:11 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Chris Cacatian**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am Chris Cacatian, an employee at Aloha Island Inc, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

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Chris Cacatian  
Engineer, Aloha Island Inc.  
[chrisc@alohaislandinc.com](mailto:chrisc@alohaislandinc.com)

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**Gina Williams**

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**From:** Jimi Ishihara [jimii@alohaislandinc.com]  
**Sent:** Thursday, March 26, 2009 12:22 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Jimi Ishihara

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Aloha Island Inc., a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

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Jimi Ishihara  
Senior Engineer, Aloha Island Inc.  
[jimii@alohaislandinc.com](mailto:jimii@alohaislandinc.com)  
(808) 429-1900  
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**Gina Williams**

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**From:** Ryan Stancl [ryans@alohaislandinc.com]  
**Sent:** Thursday, March 26, 2009 12:21 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Ryan Stancl

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Aloha Island Inc., a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

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Ryan Stancl  
Junior Game Designer, Aloha Island Inc.  
[ryans@alohaislandinc.com](mailto:ryans@alohaislandinc.com)  
office: (808)-945-7745  
cell: (808) 398-9765

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## Gina Williams

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**From:** Alex Gauerke [Gauerke@apichip.com]  
**Sent:** Thursday, March 26, 2009 7:40 AM  
**To:** WAM Testimony

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Alexandra Gauerke, Facility Manager, APIC Corporation

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

APIC has invested millions of dollars in our high tech subsidiary in Honolulu. APIC would never have invested in this facility (Advanced Integrated Photonics (AIP)) had it not been for the R&D Credit.

Thank you for the opportunity to testify.

Alexandra Gauerke, APIC Corporation



700 Bishop Street, Suite 2000 Honolulu, HI 96813

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Joe Cooper, CFO  
Archinoetics LLC

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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Job and Investment Loss As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Archinoetics began operations in 2005 and has grown to 30 Hawaii based employees with a payroll of over \$2 million in 2008. We are a research company that develops intelligent human assistive technologies (i.e. we use sensors and computers to improve peoples' lives). Our subsidiary, Fatigue Science, is implementing an innovative fatigue risk management solution in Australia this month. This technology was an offshoot of a research program funded by the Hawaii Technology Development Venture 4 years ago. With a lot of work, and a little luck, we could grow to be a \$50 million company in another 4 years. It would be a tragic irony for Hawaii to lose a cutting edge technology that originated here. However, passage of this bill or other changes that create business uncertainty could very well sink this new company.

Thank you for the opportunity to testify on this bill.

Sincerely,

Joe Cooper  
CFO  
Archinoetics  
(808) 741-1684  
Joe@archinoetics.com

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Joe Cooper  
Kailua, HI

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, LLC, a company in the high tech industry in Hawaii. My job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. As proposed HB1583 HD1 SD1 will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of many jobs in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Joe Cooper

## Gina Williams

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**From:** F. Olcay Cirit [olcay@archinoetics.com]  
**Sent:** Wednesday, March 25, 2009 6:18 PM  
**To:** WAM Testimony  
**Cc:** 'Traci H. Downs'  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: F. Olcay Cirit, Software Engineer, Archinoetics LLC

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, a company in the high tech industry in Hawaii.

As you may well know, it has become extremely difficult to obtain private venture funding in the recession era economy. The number of new startups funded worldwide has dropped dramatically over the last two years. Furthermore, in the wake of the banking crisis, banks have tightened the reins on revolving lines of credit and small business loans.

Luckily for my company, the federal government continues to support small business research through its SBIR and STTR programs, but this money comes with many restrictions in how it may be spent. The Hawaii research tax credit helps bridge the gap between restrictions on federal funding and the needs of a modern, high-tech research company: it helps Hawaii companies receiving federal funds recruit and retain talented individuals from the global workforce.

Any measure that denies research tax credits to businesses receiving federal money unfairly lowers their competitiveness at a time when federal funding remains one of the only viable options for high-tech companies in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

F. Olcay Cirit  
Software Engineer  
Archinoetics LLC



700 Bishop Street, Suite 2000 Honolulu, HI 96813

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: J. Hunter Downs III  
Chief Science Officer  
Archinoetics, LLC

Re: Testimony in Strongest Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on

Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Archinoetics, LLC is a woman owned world class technology company focused on the research and development of human-centered technologies. Our current research and development projects include functional brain imaging systems, human fatigue and performance monitoring devices, intelligent algorithms based on genetic programming and biometric sensors, remote sensing, and specialized computing platforms. We were created in 2004 with the help of Act 221 which allowed my husband and I to make the leap of investing in our own company and have brought in over \$10 Million to the State of Hawaii in the past 4 years. Today we employ 30 software and hardware engineers and scientists from varying backgrounds. A large number of our employees are kamaaina who left Hawaii and never dreamed that they would be able to work in their profession and raise their children back here at home. Act 221 has, and continues to be, vital to our company's success. Please help us survive through this economy and continue to expand the technology sector in Hawaii.

Thank you for the opportunity to testify.

J. Hunter Downs III  
Chief Science Officer (co-founder)  
Archinoetics, LLC



700 Bishop Street, Suite 2000 Honolulu, HI 96813

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Traci H. Downs  
President & COO  
Archinoetics, LLC

Re: Testimony in Strongest Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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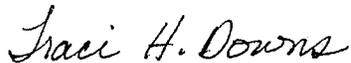
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Thank you for the opportunity to testify.



Traci H. Downs  
President & COO  
Archinoetics, LLC

**kim4 - Elizabeth**

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**From:** Wendi Hirsch [wmhirsch@gmail.com]  
**Sent:** Wednesday, March 25, 2009 6:00 PM  
**To:** WAM Testimony  
**Subject:** VHB1583 HD1 SD1 Proposed- Relating to Taxation 3/27/09

VHB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Dr. Wendi Hirsch

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation  
Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

My sister is an employee at Archinoetics, Inc., a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.  
Sincerely,

Wendi Hirsch

**kim4 - Elizabeth**

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**From:** ahram@archinoetics.com  
**Sent:** Wednesday, March 25, 2009 5:26 PM  
**To:** WAM Testimony  
**Subject:** Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation.

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**FROM: Ah Ram Kim**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation  
Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed. **I am** an employee at **Archinoetics**, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii  
Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Ah Ram Kim

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Harvey Ku

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,



Electrical Engineer

**HB 1583 HD1 SD1 Proposed - Relating to Taxation**

**DATE:** March 27, 2009

**TIME:** 9:30am

**PLACE:** Conference Room 211

**TO:** Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**FROM:** Evan D. Rapoport

**Re:** Testimony in Strong Opposition to HB 1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

I would like to submit my testimony in opposition to HB 1583 HD1 SD1 Proposed.

I am employed in the high tech industry in Honolulu at Archinoetics LLC, a wonderful company that has grown and provided many new jobs as a result of Act 221 support. We have leveraged the Act 221 support to do a lot for the high tech industry and the community as a whole. Some of our employees went to college on the mainland and were able to move back to Hawaii to be near their families knowing that they would have a great job that utilized their education and unique talents. We have several college interns year-round who gain critical real-world training that will help them succeed in business. Additionally, people at the company spend a lot of time and energy giving back to the community by working with public schools and non-profits to help enhance teaching of science, technology, engineering, and math (STEM).

As a taxpayer, a registered voter, and an active member of the community, I certainly recognize that in difficult economic times there is a lot of pressure to cut back on the budget; however, I urge you to recognize the success of Act 221 and believe in it as critical support for ensuring the long term financial stability of our State. The act brings a great deal of revenue, talent, and sustainability to Hawaii, so I hope you will dismiss the temptation of small, short term budget savings and vote for Hawaii's future by voting against HB 1583 HD1 SD1 Proposed.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,



Evan D. Rapoport  
166 Hauoli Street  
Kailua, Hawaii 96734  
(808) 203-0250

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Chris A Russell

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

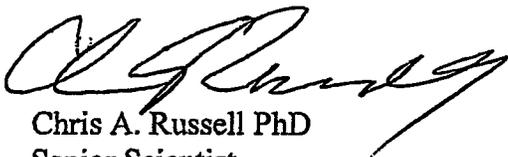
Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, LLC, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,



Chris A. Russell PhD

Senior Scientist

Archinoetics, LLC

Topa Financial Building, Bishop Tower

700 Bishop St, Suite 2000

Honolulu, HI 96813

chris@archinoetics.com

www.archinoetics.com

(808) 203-0387

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: J Stautzenberger

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to  
Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1  
SD1 Proposed.

I am an employee at Archinoetics, a company in the high tech industry in Hawaii. This  
job the result of the incentives provided by Act 221 to encourage high tech companies to  
come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of  
critical investment dollars needed for the establishment, survival and growth of early  
stage high tech companies. The loss of investment dollars poses a real threat to the  
survival of early stage companies, could lead to a shut down, and the loss of jobs here in  
Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

  
Electrical Engineer

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Anna M. Tomalik**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

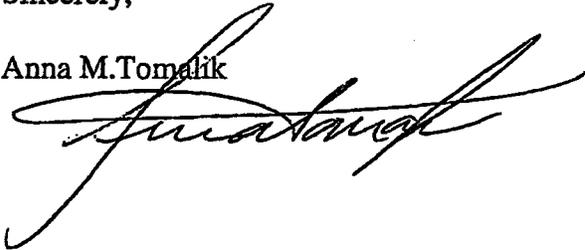
Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, LLC a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Anna M. Tomalik

A handwritten signature in black ink, appearing to read 'Anna M. Tomalik', written over the typed name.

## kim4 - Elizabeth

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**From:** Chet Urata [Chet@Archinoetics.com]  
**Sent:** Wednesday, March 25, 2009 6:04 PM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Chet Urata

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, LLC, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Chet Urata  
Software Engineer II  
[Chet@Archinoetics.com](mailto:Chet@Archinoetics.com)  
808.206.4332

Archinoetics, LLC  
700 Bishop Street, Suite 2000  
Honolulu, HI 96813  
T 808.585.7439  
F 888.279.0289  
[www.archinoetics.com](http://www.archinoetics.com)

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Peter Wubbels

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Archinoetics, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Wubbels", with a long horizontal line extending to the right.

Peter Wubbels

**kim2 - Arline**

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**From:** Clay Ashby [c.ashby@aci-sim.com]  
**Sent:** Wednesday, March 25, 2009 3:50 PM  
**To:** WAM Testimony  
**Cc:** Laurent Scallie; Brian Goldstein  
**Subject:** Support of Act 221

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Clay Ashby**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at **Atlantis Cyberspace, Inc**, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Clay Kalei Ashby  
Project Manager  
Atlantis Cyberspace, Inc.  
(o) 808-842-3838  
(c) 808-391-4544

**kim2 - Arline**

---

**From:** Jay Elwanger [j.elwanger@aci-sim.com]  
**Sent:** Wednesday, March 25, 2009 3:59 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Jay L. Elwanger

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Atlantis Cyberspace, Inc. a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Jay L. Elwanger

---

Jay Elwanger  
Technical Artist  
Atlantis Cyberspace

**kim2 - Arline**

---

**From:** Nicholas Herring [n.herring@aci-sim.com]  
**Sent:** Wednesday, March 25, 2009 3:54 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Nicholas Herring**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

**I am** an employee at **Atlantis Cyberspace, Inc.**, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Nicholas Herring  
Lead Programmer  
Atlantis Cyberspace, Inc.  
(o) 808-842-3838  
(c) 808-781-4693

**kim2 - Arline**

---

**From:** Siril Jatten [S.Jatten@aci-sim.com]  
**Sent:** Wednesday, March 25, 2009 3:50 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Siril Jatten**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

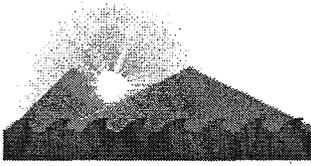
Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at **Atlantis Cyberspace, Inc**, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

*Siril Jatten*  
Executive Assistant, ACI  
[s.jatten@aci-sim.com](mailto:s.jatten@aci-sim.com)  
(o) 808-842-3838



**Aurora Research, LLC**  
73-4372 Hulilau St.  
Kailua-Kona, HI 96740  
+1 808-325-1631

March 25, 2009

Testimony in opposition to HB 1583

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

DATE: Friday March 27, 2009

TIME: 9:30 a.m.

PLACE: Conference Room 211, State Capitol, 415 South Beretania Street

**I, Roderick Hinman of Kailua-Kona, Hawai'i, strongly oppose HB 1583.** Although we possess abundant natural energy resources, Hawai'i is extremely dependent upon imported energy. Accordingly, there is strong support across the political spectrum for the more rapid development and adoption of renewable energy sources and technologies here in our islands.

One of the factors encouraging the greater use of renewable energies in the state is the State Renewable Energy Technology Tax Credit (235-12.5). This tax credit has served to make these technologies more available and affordable to tens of thousands of Hawai'i home and business owners and has contributed to providing skilled jobs to our workforce.

Reducing, restricting or eliminating this tax credit even for an ostensibly temporary period would have a devastating effect on consumer confidence and business planning. It would limit the public's ability to purchase renewable energy systems as well as cause further job losses in an industry that needs to be nurtured and grown. Finally, taking away or limiting the benefits of this tax credit retroactively would be unfair to those businesses and homeowners who have already purchased and installed these systems.

I respectfully urge you to reject this bill. While all of us in the State need to necessarily tighten our belts in these tough economic times, gutting one of Hawai'i's most important means of making Hawai'i more energy independent would be decidedly counterproductive.

Sincerely,

Roderick T. Hinman, Ph.D.  
Principal Member

**Gina Williams**

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**From:** Berg Enterprises [bergenterprises@earthlink.net]  
**Sent:** Thursday, March 26, 2009 4:23 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Frederic Berg, Berg Enterprises, a Development Corp.

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am president of Berg Enterprise, a Development Corp. Berg Enterprises does a significant amount of work with Honolulu Seawater Air Conditioning, a company in the high tech industry in Hawaii developing new technology for reducing Hawaii's dependancy on foreign oil. This opportunity is the result of the incentives provided by Act 221 to attract high tech companies to conduct business in Hawaii. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies like Honolulu Seawater Air Conditioning. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Aloha,

Frederic Berg  
Berg Enterprises, a Development Corp.  
44-420 Kaneohe Bay Drive  
Kaneohe, Hawaii 96744  
Tel: 808.284.4221

**Gina Williams**

---

**From:** Priscilla Carbajal [pcarbajal@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 1:58 PM  
**To:** WAM Testimony  
**Subject:** Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed - Relating To Taxation

To: Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

From: Priscilla Carbajal, Chemist  
Cellular Bioengineering, Inc.

Re: Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

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

I wish to thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am currently employed at Cellular Bioengineering, Inc., a company in the high tech industry here in Hawaii. On many levels this job is a result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will cut off the flow of critical investment dollars necessary for the establishment, survival and growth of future and current high tech companies in various stages of development. The loss of investment dollars poses a serious threat to the survival of early stage companies and could lead to business shut downs as well as the loss of jobs in Hawaii, thereby, leading to even greater economic hardships in and on the State of Hawaii.

Sincerely,

*Priscilla Carbajal, Chemist  
Cellular Bioengineering, Inc. (Eyegenix)  
1946 Young St., Suite 288  
Honolulu, Hawaii  
Tel: (808)949-2208 x. 148  
Fax: (808)949-2209  
[pcarbajal@cellularbioengineering.com](mailto:pcarbajal@cellularbioengineering.com)*

**Gina Williams**

---

**From:** Wesley Chen [wchen@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 2:58 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Wesley T T Chen

**Re:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Wesley T T Chen

Wesley T. T. Chen, Ph.D.  
Senior Cell Biologist  
Cellular Bioengineering, Inc.  
1946 Young Street, Suite 288  
Honolulu, HI, 96826  
Phone: (808) 949-2208, x121  
Fax: (808) 949-2209  
Email: [wchen@cellularbioengineering.com](mailto:wchen@cellularbioengineering.com)

# Cellular Bioengineering, Inc.

*Invent. Disrupt. Inspire.*

HB1583 HD1 SD1 Proposed: Relating to Taxation

Date: March 27, 2009

Time: 9:30 a.m.

Place: Conference Room 211

To: Senate Committee on Ways and Means

The Honorable Donna Mercado Kim, Chair

The Honorable Shan S. Tsutsui, Vice Chair

From: Michael J. Coy, Vice President, Cellular Bioengineering, Inc. (CBI)

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee:

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

Overall, this bill negatively impacts both the Act 221/215 investor tax credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

- Issues with retroactivity may be unconstitutional. The tax credit provisions of Act 221/215 were to be in effect until December 31, 2010 and investments were made on that statutory commitment. Any reduction or suspension of the credit or the carryover provisions prior to 2011 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.
- Credit allocations. Elimination of disproportionate credit allocation will cut off out-of-state investment.
- R & D credit. Eliminating the R & D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in Hawaii.
- Job and investment loss. As noted in the 9/08 DoTax study, QHTBs spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4,000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTBs will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be our focus.

With help from Act 221, CBI has grown from 2 employees to 30; acquired technologies from leading scientific institutions around the world; harnessed a robust portfolio of over 25 patents and patent applications; developed the world's most advanced artificial cornea technology which holds the promise of restoring vision to 10 million people around the world; commercialized from concept to market a new generation of green technology for surface cleaning and decontamination; brought talented kama'āinas back home to work, thrive, and pay taxes; and demonstrated to the world that it is entirely possible for a Hawaii-based technology company to have impact that is truly global. Without Act 221, many of these feats could not possibly be accomplished in Hawaii.

Sincerely,



1946 Young Street, Suite 288 · Honolulu, Hawaii 96826

Ph: 808.949.2208 · Fax: 808.949.2209

[www.cellularbioengineering.com](http://www.cellularbioengineering.com)

## Gina Williams

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**From:** Michael Chun [mchun@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 3:11 PM  
**To:** WAM Testimony  
**Subject:** Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Michael J.W. Chun

**Re:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Michael J.W. Chun

---

Michael J.W. Chun  
Product Marketing Manager  
CBI Polymers  
1946 Young St., Suite 288  
Honolulu, HI 96826  
[www.decongel.com](http://www.decongel.com)  
Ph: 808-949-2208 ext 146  
Fax: 808-949-2209

## Gina Williams

---

**From:** Derek Duan [dduan@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 1:02 PM  
**To:** WAM Testimony  
**Subject:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Dr. Derek X. Duan

**Re:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Derek Duan

Derek X. Duan, M.A. Sc. , Ph.D.  
Polymer Scientist  
Cellular Bioengineering Inc. (Eyegenix)  
1946 Young Street, Suite 288  
Honolulu, Hawaii 96826  
Tel.: (808) 949-2208 x147  
Fax: (808) 949-2209

HB1583 HD1 SD1 Proposed – Relating to Taxation

Date: Friday, March 27, 2007  
Time: 9:30 a.m.  
Place: Conference Room 211

To: Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

From: Keegan Gotto

Re: Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Keegan Gotto

Cellular Bioengineering Inc.  
1946 Young St.  
Honolulu, HI 96822  
808-949-2208 ext 133

**Gina Williams**

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**From:** Felix Lau [flau@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 1:08 PM  
**To:** WAM Testimony  
**Subject:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Felix P. Lau  
**Re:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Felix P. Lau, Ph.D.  
Cellular Bioengineering Inc.  
1946 Young Street  
Honolulu, HI 96826  
(808) 949-2208 ext. 145

## Gina Williams

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**From:** Kristin Leoiki [kleoiki@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 12:58 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed - Relating to Taxation

Date: Friday, March 27, 2007  
Time: 9:30 a.m.  
Place: Conference Room 211

To: Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

From: Kristin Leoiki

Re: Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to  
Taxation

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

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

*Kristin Leoiki*

Accountant/Budget Analyst  
Cellular Bioengineering, Inc.  
1946 Young Street, Suite 288  
Honolulu, HI 96826  
(808) 949-2208 Ext. 135  
(808) 949-2209 Fax  
[kleoiki@cellularbioengineering.com](mailto:kleoiki@cellularbioengineering.com)  
[www.cellularbioengineering.com](http://www.cellularbioengineering.com)

## kim4 - Elizabeth

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**From:** Timothy Learmonth [tlearmonth@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 3:57 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Timothy Learmonth

**Re:** Testimony on Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

Thank you for the opportunity to submit testimony in opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will at best slow the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of both jobs and economic diversification here in Hawaii.

Sincerely,

Timothy Learmonth

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Timothy Learmonth, Ph.D.  
Principal Development Physicist  
Cellular Bioengineering, Inc.  
1946 Young St. Ste. 288  
Honolulu, HI 96826  
ph. (808) 949-2208 x120  
fax (808) 949-2209  
[tlearmonth@cellularbioengineering.com](mailto:tlearmonth@cellularbioengineering.com)

## Gina Williams

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**From:** Eileen Paulo-Chrisco [epaulo-chrisco@cellularbioengineering.com]  
**Sent:** Thursday, March 26, 2009 2:24 PM  
**To:** WAM Testimony  
**Cc:** Michael Coy  
**Subject:** HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed – Relating to Taxation

**Date:** Friday, March 27, 2007  
**Time:** 9:30 a.m.  
**Place:** Conference Room 211

**To:** Senate Committee on Ways and Means  
The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

**From:** Eileen Paulo-Chrisco

**Re:** Testimony on Strong Opposition to HB1583 HD1 SD1 Proposed – Relating to Taxation

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

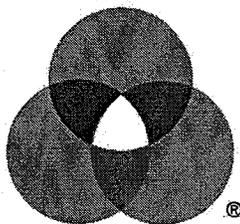
Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Cellular Bioengineering, Inc., a company in the high tech industry in Hawaii. In part, this job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies and could lead to business shut downs and the loss of jobs here in Hawaii.

Sincerely,

Eileen Paulo-Chrisco  
Cell Biologist  
Project Manager, StemPure Division

Cellular Bioengineering, Inc.  
1946 Young Street, Suite 288  
Honolulu, HI 96826  
Tel: 808-949-2208 x126  
FAX: 808-949-2209



Clinical Laboratories of Hawaii, LLP

March 26, 2009

Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and

QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

*Clinical Laboratories of Hawaii, LLP is the largest clinical laboratory in the State of Hawaii providing body fluid testing for approximately fourteen hospitals and patients of over three thousand physicians throughout the state.*

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Alyssa Park". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

Alyssa Park  
President

Ala Moana Pacific Center, Suite 1800  
1585 Kapiolani Boulevard  
Honolulu, Hawaii 96814-4500  
Telephone 808 942-8108  
Facsimile 808 948-9595

**DataHouse**



Statement of  
**LYANNE M. KIMURA**  
**Chief Financial Officer**  
DataHouse Consulting, Inc.

Before the  
**Senate Committee on Ways and Means**

Friday, March 27, 2009  
9:30 A.M.  
State Capitol, Conference Room 211

In consideration of  
**House Bill No. 1583 HD1 SD1 Proposed**  
**RELATING TO TAXATION**

Chair Mercado Kim, Vice Chair Tsutsui and Members of the Committee:

Thank you for the opportunity to testify in **STRONG OPPOSITION** to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.



Statement of Lyanne M. Kimura  
Re: HB 1583 HD1 SD1 Proposed  
Hearing Date / Time: March 27, 2009 @ 9:30 a.m.  
Page 2 of 2

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

DataHouse Consulting, Inc. is engaged in the development (from analysis through implementation) of unique computer software and database applications and enhancements (material modification of third-party software) for sale or license. In 2002, we had 43 full-time employees. Today, we have grown to 62 full-time employees. Our growth can be attributed in part to the funding we have received from the R&D credits.

Thank you for the opportunity to testify.

Sincerely,

Lyanne M. Kimura  
DataHouse Consulting, Inc.  
1585 Kapiolani Blvd., Suite 1800  
Honolulu, Hawaii 96814  
Direct tel: (808) 948-9137  
Email: [lyanne\\_kimura@datahouse.com](mailto:lyanne_kimura@datahouse.com)

**Gina Williams**

---

**From:** diver [diver@decisionresearch.com]  
**Sent:** Thursday, March 26, 2009 11:51 AM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Walter Simmons, President  
**Decision Research Corporation**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Act 221 has begun to be successful in bringing out-of-state investment into high technology businesses in Hawaii. Continuation of the present law has great promise for future success. I would like to mention the models in other states and in Singapore. For example, Singapore has recently celebrated an influx of research and development money due to government encouragement of external investment. That is working here and is much needed at this time.

We in the high technology sector in Hawaii have relied upon Act 221 for contract development and pricing. To change the law so drastically would do serious damage to companies like ours. Serious damage!

All industries need a stable legal and tax environment to survive. For the state to set up a law to attract investment, watch local industry bring in that investment, then abruptly reverse course would be a serious blow to Hawaii's reputation as well as a serious blow to our high technology industry.

As a high technology business man in Hawaii, with 58 employees, (in software), I strongly urge you not to make the proposed changes to Act 221 and related tax laws.

Very truly yours,

Walter Simmons, President

Decision Research Corporation

Honolulu, Hi

(808) 949-8316

## Gina Williams

---

**From:** Todd Nakamura [todd.nakamura@e-telligents.com]  
**Sent:** Thursday, March 26, 2009 10:52 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Todd K. Nakamura**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

**I am** an employee at **e-telligents, LLC**, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

**e-telligents, LLC is a QHTB software development company (locally owned and operated), specializing in creating electronic health care (EHR) applications and solutions. We currently have employed locally 2 full-time and 3 part-time employees, with another 3-4 full-time positions to hire within the next 1.5 years, provided no adverse changes occur (HB1583 HD1 SD1 proposed).**

**On a personal note, the Act 221 has helped me out considerably by creating a local position that I could apply for (I was laid off for a portion of last year as a government contractor due to the tough economic conditions we are facing here in Hawaii and across the nation.).**

**The CTO of our company, Mr. Branden I. Tanga, was in the same predicament as myself, being recently laid off and looking for another high tech position. Mr. Tanga was considering job opportunities on the mainland and in the international job markets, but fortunately, with the help of Act 221 and high tech investment dollars, e-telligents, LLC was created (9/08), with new positions available for him to continue employment and live in Hawaii.**

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

**Todd K. Nakamura**  
**Operations & Business Manager**  
**e-telligents, LLC**  
**711 Kilani Avenue**  
**Wahiawa, HI 96786**

**Gina Williams**

---

**From:** John Prest [john.prest@archinoetics.com]  
**Sent:** Thursday, March 26, 2009 8:26 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

**TO: Senate Committee on Ways and Means**  
**Senator Donna Mercado Kim, Chair**  
**Senator Shan S. Tsutsui, Vice Chair**

**FROM: John Prest, C.O.O. , Fatigue Science**

**Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation**

Chairman, Vice-Chairman and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

***I believe that this provision is analogous to a municipal bond issuance that retroactively adjusts the interest rate which would cause the municipalities' bond rating to precipitously drop and make any possible future bond issuance impossible.***

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

***This component of Act 221/215 is perhaps the most reasonable and fiscally responsible provision that supports legitimate R & D expenses here in Hawaii. It is the one component that is most readily auditable and most supportive of the high tech businesses. Eliminating it would be devastating to existing companies.***

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and

2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

***If passed this bill would accelerate the departure of the fledgling high tech business sector from Hawaii. At a time where job retention is a large component of the federal stimulus package, this bill is going in the opposite direction; stifling the creation of new jobs and longer term counterproductive to Hawaii's need to diversify its economic base.***  
[www.fatiguescience.com](http://www.fatiguescience.com)

Thank you for the opportunity to testify.

John Prest  
Chief Operating Officer  
Fatigue Science  
700 Bishop Street, Suite 2000  
Honolulu, Hawaii 96813  
808-277-2406 (cell)  
808-537-5337, ext. 22

***Organizational fatigue- risk identified, measured and accidents reduced***

***In the news: New US Army study showing; "Recent sleep studies, some yet to be published, show a linear relationship between sleep deprivation and accidents....."***

<http://www.stripes.com/article.asp?section=104&article=61374>

**New Website for Fatigue Science: [www.fatiguescience.com](http://www.fatiguescience.com)**

The information contained in this communication and /or the attachments are confidential. This communication is the property of Sleep Performance dba Fatigue Science and is intended only for the use of the addressee. If you are not the intended recipient, please notify me promptly and delete the message. Any distribution or copying of this message or any attachment without my prior consent is prohibited.

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Version: 7.5.557 / Virus Database: 270.11.29/2024 - Release Date: 3/26/2009 7:12 AM



Green Power Projects LLC

P.O. Box 818  
Haleiwa, HI 96712  
T 808.447.9742 F 808.638.7760

TESTIMONY OF ALAN LENNARD  
COMMITTEE ON WAYS AND MEANS  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair  
IN REGARD TO HB 1583 RELATING TO TAXATION  
BEFORE THE HOUSE COMMITTEE ON FINANCE  
ON  
FRIDAY, MARCH 27, 2009

Chair Kim, Vice-Chair Tsutsui and members of the committee, my name is Alan Lennard and I represent Green Power Projects LLC, a facilitator of renewable energy systems doing business in Hawai'i.

**I strongly oppose HB 1583 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 State of Hawaii energy policy goal intended to support enhanced development for renewables is an essential component of the State of Hawaii Clean Energy Initiative (HCEI). Hawaii will not make significant progress in reducing its dependence on fossil fuels without legislative support. The State legislature has consistently supported Renewables and promoted them as Hawaii's energy future. The elimination or abridgement of the renewable energy tax credits will be substantially interrupt the momentum towards integrating renewable energy into the future of Hawai'i and cause 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.<sup>1</sup> 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.

Alan Lennard

A handwritten signature in black ink, appearing to read 'Alan Lennard', written over a horizontal line.

Green Power Projects LLC  
Managing Director

**kim2 - Arline**

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**From:** kailuakona3000@gmail.com on behalf of Guy Toyama [guy@h2-techs.com]  
**Sent:** Wednesday, March 25, 2009 3:12 PM  
**To:** WAM Testimony  
**Subject:** Testimony for HB 1583 SD1

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Guy Toyama, COO, H2 Technologies, Inc.**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

H2 Technologies, Inc is a High Technology firm in Hawaii developing important clean alternative fuel technologies and a QHTB as of 2008. We have been able to raise angel funding in Japan because investors are encouraged by Hawaii's Act 221/215 helping high tech companies to be more competitive in the world.

Thank you for the opportunity to testify.  
Guy Toyama, Co-Founder, COO  
H2 Technologies, Inc.  
73-4347 Malie Pl  
Kailua-Kona, HI 96740



# HAWAII BANKERS ASSOCIATION

1000 BISHOP ST., SUITE 301B • HONOLULU, HAWAII 96813-4203  
PHONE: (808) 524-5161 • FAX: (808) 521-4120

Presentation to the Senate Committee on Ways and Means  
Friday, March 27, 2009, at 9:30AM

Testimony for HB 1583, H.D. 1, Proposed S.D. 1  
Relating to Taxation

TO: The Honorable Donna Mercado Kim, Chair  
The Honorable Shan S. Tsutsui, Vice Chair  
Members of the Senate Committee on Ways and Means

My name is Neal Okabayashi and I testify for the Hawaii Bankers Association in opposition to HB 1583, H.D. 1, proposed S.D. 1. We understand the motivation behind the bill but believe that as a matter of long standing tax policy and fairness, this bill should be modified to enhance fairness.

If this bill were to become law in the form of proposed S.D. 1, businesses who made investments encouraged by legislatively adopted tax credits would find that the rules of the game are suddenly changed mid-stream. As demonstrated by the recent controversy fueled by an understandable outrage over excessive bonuses which could not even be justified by pay for performance, when businesses believe that rules can change mid-stream and thus upset the informed financial analysis underlying an investment decision, the reaction of business may well be a reluctance to make the investments the credits were designed to encourage. For example, this Monday, the U.S. Treasury announced a program to rid banks of toxic assets to unfreeze the credit market. The program heavily relies on the private sector to buy the toxic assets with significant government assistance. The core of the program is the creation of PPIF or Public-Private Investment Funds. Critics of the program wondered aloud if businesses would be willing to invest in a PPIF if the government was willing to change the rules mid-stream. Treasury secretary Tim Geithner took great pains to assure the public that government would not do so.

Similarly, the HBA believes that the government should not change the rules mid-stream and eliminate tax credits on investments made to date by eliminating the carry forward provision. While we are mindful of the State's financial picture, we believe that an appropriate short term provision should be the suspension of the ability to carry forward the tax credits for the tax years 2009 and 2010, and a resumption of the ability to claim tax credits already accrued for investments already made commencing the tax year 2011. Thus, a business' ability to use the tax credits would be delayed to a time that Hawaii's economy and tax revenue should return to a more normalized range.

To accomplish this goal, we propose the following language on page 1, line 15 be deleted: “in subsequent years” and in its place, the following be inserted: “that is utilizable in tax years ending before January 1, 2011.”

Our second amendment relates to a standard tax policy which is to make tax changes prospectively, and not retroactively. Thus, this amendment adds to the list credits not subject to the bill, any credit attributable to costs incurred before July 1, 2009, which would be the approximate date of the effective date of this measure.

To accomplish this goal, please insert a new clause (13) on the top of page 4, as part of new section 235 ----- (e), the following: “(13) Any credit attributable to amounts incurred before July 1, 2009 or for which there was a binding written contract in effect on July 1, 2009 to incur amounts for which a credit may be claimed.”

Sections 2, 3, 4 and 5 of the bill relate to making credits nonrefundable. To correct an oversight, we request language to make clear that the credits, although nonrefundable, may still be used after the tax years 2009 and 2010. This new provision is consistent with existing credit sections. The following language should be inserted in sections 2, 3 and 5, respectfully.

On page 4, line 14, please insert at the end of the material to be deleted, the following: “provided that a tax credit under this section which exceeds the taxpayer’s income tax liability may be used as a credit against the taxpayer’s income tax liability for tax years in subsequent years until exhausted.” The net effect is that the taxpayer may use the unused credits commencing 2011.

Similarly, on page 5, line 17, please insert at the end of the material to be deleted, the following: “provided that a tax credit under this section which exceeds the taxpayer’s income tax liability may be used as a credit against the taxpayer’s income tax liability in subsequent years until exhausted.” The net effect is that the taxpayer may use the unused credits commencing 2011.

On page 6, line 14, please insert at the end of the material to be deleted, the following: “provided that a tax credit under this section which exceeds the taxpayer’s income tax liability may be used as a credit against the taxpayer’s income tax liability in subsequent years until exhausted.” The net effect is that the taxpayer may use the unused credits commencing 2011.

If these amendments were inserted, HBA would withdraw its opposition to the bill, and submit the bill, as amended.



The REALTOR® Building  
1136 12<sup>th</sup> Avenue, Suite 220  
Honolulu, Hawaii 96816

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Neighbor Islands: (888) 737-9070  
Email: har@hawaii Realtors.com

March 25, 2009

**The Donna Mercado Kim, Chair**  
Senate Committee on Ways and Means  
State Capitol, Room 211  
Honolulu, Hawaii 96813

**RE: H.B. 1583, H.D.1, Proposed S.D.1, Relating to Taxation**

**HEARING DATE:** Friday, March 27, 2009 at 9:30 a.m.

Aloha Chair Kim 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. H.B. 1583, H.D.1, Proposed S.D.1, Relating to Taxation, reduces tax credits allowed under HRS Chapters 235, 239, 241, and 431, by 75 per cent for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011.

HAR has the following **comment** with respect to proposed HRS §235-\_\_ (e) in Section 1 of H.B. 1583, H.D.1, Proposed S.D.1, Relating to Taxation.

Proposed HRS §235-\_\_ (e)(9) excepts from the proposed tax credit reduction the "Low-income housing tax credit" under HRS §235-110.8, but does not except the "Low-income housing; income tax credit" for banks and financial institutions under HRS §241-4.7, which reads as follows:

**[§241-4.7] Low-income housing; income tax credit.** The low-income housing tax credit provided under section 235-110.8 shall be operative for this chapter. [Emphasis added.]

**HAR questions whether it is the intent of H.B. 1583, H.D.1, Proposed S.D.1, to discourage banks and financial institutions from investing in State low-income housing tax credits, thus reducing the already small potential market for these credits.**

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.

Mahalo for the opportunity to testify.

## Gina Williams

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**From:** Clarice A Fujita [claricef@hawaii.edu]  
**Sent:** Thursday, March 26, 2009 11:08 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Clarice Amanda Fujita

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am currently an employee at Hawaii Film Partners, a company in the high tech industry in Hawaii. I am also a New Media Arts: Animation student at Kapiolani Community College. My job at Hawaii Film Partners is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Since starting my job at Hawaii Film Partners, I've been able to see from a perspective of a smaller studio opening here and what is needed to make these studios successful. It is a concern for me if we lose investments in these small businesses because there are so few of them in Hawaii that offer jobs to students in college. Most of the opportunities are on the mainland and are much harder to reach for students living in Hawaii.

Last year a large group of students and faculty from various campuses across Hawaii and businesses in the sciences and technology industry and also in the animation and game industry came together to get the Creative Academies bill passed. I was excited to see this passed as I hoped that the training and jobs available to Hawaii students would increase. However, if the businesses are not being funded, then they will not survive here. So why develop the Creative Academies if there are no job opportunities here when students graduate?

I spent a year on the mainland before entering the New Media Arts program at KCC and it would've cost my family and me over \$90,000 to graduate. This was not a financial possibility for a middle class, average

student, like me, so coming home was my only option. Having found the New Media Arts program at KCC was a huge blessing and through that program, I was able to join Hawaii Film Partners.

I started my job with Hawaii Film Partners late last year in thanks to an internship program through KCC. They later hired me on as a coordinator and I've been able to learn quite a bit about the animation business. I've learned a lot about storyboarding, coloring for animation, the process of how an animated television show is developed and I have been able to apply this to my school projects as we are currently developing a short for our final class project.

My classmates and I have also been told that a big animation studio is opening locally in the summer thanks to Act 221. Many of my classmates and I are eagerly looking to work with this studio and we're submitting applications and demo reels as the studio has expressed interest in hiring directly from KCC. However, if the business isn't being invested in and given incentives to come down here, then my classmates and I lose out on furthering our careers in Hawaii and will be forced to move away.

Please consider this testimony and the future of Hawaii's students and the jobs available to them.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

-Clarice Amanda Fujita

**Gina Williams**

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**From:** Laura Margulies [laura@lauramargulies.com]  
**Sent:** Thursday, March 26, 2009 2:42 PM  
**To:** WAM Testimony  
**Subject:** Strong Opposition to HB1583 HD1 SD1

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Laura Margulies

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Hawaii Film Partners, a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,  
Laura Margulies

## Gina Williams

---

**From:** Cameron Nitta [Cameron@hawaiifilmpartners.com]  
**Sent:** Thursday, March 26, 2009 11:07 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Cameron Nitta

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am the Production Coordinator at Hawaii Film Partners, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Being born and raised in Hawaii, it has always been a dream of mine to work in the film industry here at home. So it was literally a dream come true when I was offered a production job here at Hawaii Film Partners. I love being close to my family and friends. I can watch my siblings grow older and graduate from high school. I can be there for my grandparents as they get older and help them when they need me. I can even support my mother whose health has been rocky without the fear of being on the Mainland if her health does take a turn of the worst. I am very grateful to have a production job where I do not need to pick between my family and my career goals. So please continue to support Act 221 and keep it alive for the next generation.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Cameron Nitta  
Hawaii Film Partners

No virus found in this outgoing message.

Checked by AVG.

Version: 7.5.557 / Virus Database: 270.11.29/2024 - Release Date: 3/26/2009

7:12 AM

## Gina Williams

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**From:** rann watumull [rannw@mac.com]  
**Sent:** Wednesday, March 25, 2009 11:19 PM  
**To:** WAM Testimony

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Rann Watumull - Co-founder

### Hawaii Film Partners

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Hawaii Film Partners was created in 2002 twith the purpose of helping to build an indigenous film industry in Hawaii. Hawaii Film Partners produced the hit TV series entitled Flight 29 Down which is airing on Discovery Kids and in over 100 territories around the word.

Hawaii Film Partners has created an animation studio in Hawaii where it has made film history by becoming the first Hawaii company to animate a television series in Hawaii that will be broadcast nationally. Our series based upon the Sony Playstation game called Ape Escape will air on Nickelodeon's Nicktoons Channel this summer.

We are also in production of a feature film called You May Not Kiss The Bride.

We are currently employing over 100 people in our film projects and are actively working on bringing in more film projects to Hawaii. '

The only way that we are able to bring these kinds of jobs and opportunities to Hawaii is by raising capital via Act 221/215. These proposed bills would essentially eliminate our ability to raise funds in Hawaii and we would not be able to bring any additional business to Hawaii.

On behalf of our employees, investors and other stakeholders, I respectfully ask that you vote against these bills and any proposed legislation that would eliminate or substantially cut Act 221/215.

Thank you very much for your consideration.

Sincerely,

Rann Watumull

Co-Founder, Hawaii Film Partners



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Lisa Gibson, President  
Hawaii Science & Technology Council

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

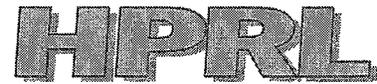
**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.



*The Hawaii Science & Technology Council (HISciTech)* is a 501(c)6 industry association with a 28-member board. HISciTech serves Hawaii companies engaged in ocean sciences, agricultural biotechnology, astronomy, defense aerospace, biotech/life sciences, information & communication technology, energy, environmental technologies, and creative media.

Sincerely,

Lisa H. Gibson  
President  
Hawaii Science & Technology Council  
(808)536-4670  
[lgibson@hiscitech.org](mailto:lgibson@hiscitech.org)



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Bor Yann Liaw  
High Power Research Laboratory

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

Issues with retroactivity may be unconstitutional. The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

Credit Allocations Elimination of disproportionate credit allocation will cut off out of state investment.

R&D Credit Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

Job and Investment Loss As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on

Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

As a privately held company since 1996, High Power Research Laboratory has not been able to enjoy the benefit of Act 221/215. However, HPRL does look for possibility of applying for QHTB in the future. We believe that eliminating such potential benefits will undermine potential investment from investors in the high tech arena and reduce our potential of growth and job creating prospect. Therefore, we strongly oppose to the HB1583 HD1 SD1 Proposed.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bor Yanh Liaw', with a stylized flourish at the end.

Bor Yanh Liaw, Ph.D  
President  
High Power Research Laboratory

## Gina Williams

---

**From:** Tom Wilkolak [Tom.Wilkolak@honoluluswac.com]  
**Sent:** Thursday, March 26, 2009 10:11 AM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Tom Wilkolak  
**COO Honolulu Seawater Air Conditioning, LLC.**  
Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

Tom Wilkolak

COO

Honolulu Seawater Air Conditioning, LLC.

**kim2 - Arline**

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**From:** Bill Spencer [bspencer@hawaii.rr.com]  
**Sent:** Wednesday, March 25, 2009 3:13 PM  
**To:** WAM Testimony  
**Subject:** Testimony in Opposition to HB1583 HD1 SD1 Scheduled for hearing March 27, 2009 - 9:30AM Room 211  
**Attachments:** image003.jpg



805 Kainui Drive  
Kailua, Hawaii 96734

HB1583 HD1 SD1

HEARING DATE: March 27, 2009  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Kim, Chair  
Senator Shan Tsutsui, Vice Chair

FROM: Bill Spencer, President, Hawaii Venture Capital Association

RE: Testimony In Strong Opposition to HB1583 HD1 SD1

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

On behalf of the 1,500 members and friends of the Hawaii Venture Capital Association, let me express strong opposition to HB1583 HD1 SD1. This bill proposes measures that would not only limit investment in Hawaii tech sector companies, but would virtually halt the progress being made by Hawaii's thriving technology sector which diversifies the economy, creates high paying jobs and brings additional income into the state. This not just a simple tax credit but is the only and most effective economic stimulus package in effect.

We respectfully request that HB1583 HD1 SD1 not be allowed to move forward.

Thank you for your kind consideration of this testimony.

Sincerely,

/s/  
Bill Spencer, President,  
Hawaii Venture Capital Association  
808-225-3579

**kim4 - Elizabeth**

---

**From:** Charisse Lindsey [charisse@hypersperspective.com]  
**Sent:** Wednesday, March 25, 2009 5:41 PM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation  
**Attachments:** spacer.gif; hypersperspective\_logo.jpg



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Charisse Lindsey

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Hypersperspective Studios, Inc., a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

**Charisse Lindsey,**  
Production Manager  
**Hypersperspective Studios, Inc.**  
875 Waimanu St. #217  
Honolulu, HI 96813  
ph: 808.386.7172  
fax: 808.593.4477  
charisse@hypersperspective.com

Visit the Hypersperspective Studios website  
**[www.hypersperspective.com](http://www.hypersperspective.com)**

kim4 - Elizabeth

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**From:** Todd Robertson [todd@hyperspective.com]  
**Sent:** Wednesday, March 25, 2009 5:02 PM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation  
**Attachments:** spacer.gif; hyperspective\_logo.jpg



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Todd J. Robertson  
President/CEO  
Hyperspective Studios, Inc.

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Hyperspective Studios produces media, specializing in 3D animation, video, Internet applications, interactive materials and games. The company currently has four employees, but intends to greatly expand its employee base this year in development of an animated children's show with an educational focus. Hyperspective intends to be a strong part of a growing animation industry and is focused on developing new jobs and a strong, sustainable business in the State of Hawaii. Our company will not have a chance at success without Act 221 incentives in place, and would therefore not have the ability to offer jobs to Hawaii graduates. Furthermore, the majority of our current client-base are companies that only exist due to the Act 221 incentives. The current discussions have slowed and stopped investors from giving money to companies, and has already made a major negative impact on our business, as we have lost two people this year already. If Act 221 is gone or has major limits, the high tech industry in Hawaii will not survive.

Thank you for the opportunity to testify.

**Todd Robertson,**  
President/CEO  
**Hyperspective Studios, Inc.**  
875 Waimanu St. #217  
Honolulu, HI 96813  
ph: 808.741.1292  
fax: 808.593.4477  
todd@hyperspective.com

Visit the Hyperspective Studios website  
[www.hyperspective.com](http://www.hyperspective.com)

**Gina Williams**

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**From:** Roy Tjioe [rtjioe@islandfilmgroup.com]  
**Sent:** Wednesday, March 25, 2009 7:52 PM  
**To:** WAM Testimony  
**Subject:** Testimon in OPPOSITION to HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**FROM: Roy Tjioe, Principal of Island Film Group**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional.** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations.** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit.** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss.** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.



**ISLAND**  
FILM GROUP

**Roy J. Tjioe**  
Island Film Group  
PO Box 3261  
Honolulu, HI 96801-3261

(808) 536-7955 Honolulu  
(310) 984-6865 Los Angeles  
(888) 749-7955 Toll Free  
[www.islandfilmgroup.com](http://www.islandfilmgroup.com)

**kim2 - Arline**

---

**From:** Johnson W. K. Choi, MBA, RFC. [jwkc8168@yahoo.com]  
**Sent:** Wednesday, March 25, 2009 3:51 PM  
**To:** WAM Testimony  
**Cc:** Lisa Gibson; Corey Tong; Johnson Choi; Johnson Choi  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Johnson W K Choi, MBA, RFP., Executive VP and CFO

**Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation**

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

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Job and Investment Loss As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

MAKAI MOTION PICTURES ('MMP') is an international film financing, development and production company based in Hawaii. The company is committed to creating original, high-quality film and television programming for the international marketplace with a particular emphasis on stories and content originating

from or in Hawaii. MMP also forms co-production, creative and financial partnerships with filmmakers, production-distribution companies and original content creators around the Asia-Pacific Region and the globe.

We have always had dreams to work professionally and creatively, and to showcase the unique social, cultural and geographic beauty of the islands to the rest of the world. Hawaii's Act-221 investment credits – created with strong and sustainable vision for the development of new industries – provided me with the single most important opportunity to bring my professional international film knowledge and experiences back to the islands and to create projects in Hawaii that have and could continue to give the islands vast international exposure, not to mention jump-start much needed new industries and sources of international- and mainland-generated revenue. We have helped to produce a film called THE LAND HAS EYES with some Hawaii-partners in 2004, and spending time professionally back in the islands – along with the opportunities to develop new projects that Act-221 provided – gave us the incentives and financial opportunities to launch our media company Makai Motion Pictures.

Makai Motion Pictures is currently in the midst of financing a new international feature film project called THE GATHERING PLACE which we intend to shoot in summer-fall of 2009, set mostly on the island of Oahu (with newly renovated The Royal Hawaiian Hotel, local restaurants and homes, Kapiolani/Sans Souci and Waimanalo beaches as primary locations), with local production crews and as many 'hapa/local' cast as possible. Budgets/expenditures in Hawaii would range from \$1M to more than \$4M; we would hire upwards of 60-100 local positions or roles and extras (per project) and require creative and production services, hotels, transport, catering, post-production, music talent, etc.

MMP is utilizing international (Hong Kong, Japan, mainland U.S.) financing to support this film production leveraged with the vital contributions of Hawaii equity and 221 investment. Makai Motion Pictures also has several other projects in development, most created with Hawaii in mind as primary locations and character inspiration. We want to remain a viable Hawaii production and development company. Our project financing, production and distribution phases depend greatly on the vision and financial opportunities that the state of Hawaii provides: long-term sustainability for companies like ours to remain in the islands.

Especially crucial, Makai Motion Pictures is currently negotiating to bring in upwards of \$2-3 million for our feature film THE GATHERING PLACE from outside the state. The film is one of the few international-level films written and produced by a 'local boy' using local executive/producing teams, and using Hawaii musicians and cast that will have international exposure not only in the U.S. and English-speaking countries but in Japan and Chinese-speaking territories as well.

If Act 221's investment benefits were to be altered, it would effectively cut off opportunities for financing in 2009 and beyond, and our company Makai Motion Pictures will very likely need to move to California. THE GATHERING PLACE film would likely need to be shelved or re-worked into another setting and location, as there would be little or no incentive to use Hawaii creative talent or settings if there are no financial opportunities to support them. Makai has spent over two years developing this project inspired by – and created and set in – Hawaii. We sincerely want to continue developing the local talent base, producing international quality programs and showcasing Hawaii to the world, as no one else will if we don't do it ourselves.

Thank you for the opportunity to testify on these important bills. We respectfully ask that you hold these bills and continue providing Hawaii and new businesses with long-term unique economic opportunities to flourish and grow.

Sincerely,  
Johnson Choi  
Executive VP and CFO  
Makai Motion Pictures

1188 Bishop Street Ste 3403  
Honolulu, Hawaii 96813  
+1 808 524 5738  
[www.makaimotionpictures.com](http://www.makaimotionpictures.com)

Johnson W. K. Choi, MBA, RFC  
2008 SBA Minority Small Business Champion of the Year - National Winner  
<http://www.hkchcc.org/sba.htm>  
President - Hong Kong.China.Hawaii Chamber of Commerce  
<http://www.hkchcc.org>  
Vice Chairman - Hawaii Pacific Export Council  
<http://www.hkchcc.org/hawaiipacificdec.htm>  
International Businesses: <http://www.johnsonchoi.com/contactus.htm>

## Gina Williams

---

**From:** Naile Brennan [nbrennan@kahalaresort.com]  
**Sent:** Thursday, March 26, 2009 7:49 AM  
**To:** WAM Testimony  
**Cc:** robyn@hiscitech.org  
**Subject:** HB1583 HD1 SD1 Proposed - Relating to Taxation, Friday, March 27 , 9:30 AM , Conference Room 211

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Naile Brennan, Sales Manager

The Kahala Hotel & Resort

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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Thank you for the opportunity to testify.

*Me ke aloha pumehana,*

*Naile "Nyla" Brennan*

Senior Sales Manager

**THE KAHALA HOTEL & RESORT**

Direct: 808.739.8861

Cellular: 808.728.0947



Please consider the environment before printing this e-mail

**Gina Williams**

---

**From:** Doug Toomey [toomey@mkir.com]  
**Sent:** Thursday, March 26, 2009 10:31 AM  
**To:** WAM Testimony  
**Subject:** Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Douglas W Toomey, Manager, Mauna Kea Infrared, LLC**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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Mauna Kea Infrared, LLC develops electro-optical research equipment primarily for the professional astronomy market . HB 1451 HD1 would severely affect our business in a negative way. The research credit has been crucial to our success and has enabled us to build a lab in Hilo to support our work. The credit is an important part of our planning. Changing the rules mid-stream is potentially very dangerous to fledgling companies like ours particularly during a time of reduced business. While I recognize that legislators are scrambling for funds to cover shortfalls, hurting the high tech industry in Hawaii would be a false savings. Our company brings funds into the state which is sorely needed. You have made a commitment to helping us. Please see it through.

Thank you for the opportunity to testify.

Douglas Toomey, Manager  
Mauna Kea Infrared, LLC  
808-933-1814



# LOCAL 665

FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS  
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS  
OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

DATE: March 27, 2009  
TIME: 9:30am  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Donovan K. Ahuna, Business Representative

Re: Testimony in **Strong Opposition to HB1583 HD1 SD1** Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Mahalo for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1

Representing the I.A.T.S.E. Local 665 with over 500 technicians in the entertainment industry, We are the technician workers employed in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the Loss Of JOBS for Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Mahalo,

Pau,

Donovan K. Ahuna  
Business Agent  
IATSE Local 665  
875 Waimanu Street, #610  
Honolulu, HI. 96813  
(808)596-0227office  
(808)591-8213fax  
(808)292-8709cell  
[BA@iatse665.org](mailto:BA@iatse665.org)  
[www.iatse665.org](http://www.iatse665.org)

PRINT NAME:	SIGNATURE:	DEPARTMENT:
GUY BELEGAUD	<i>[Signature]</i>	665
Milo Treocan	<i>[Signature]</i>	665
William Preston	<i>[Signature]</i>	665
Jason Skaggs	<i>[Signature]</i>	665
Cary Beall	<i>[Signature]</i>	665
Andrew Calm Jr.	<i>[Signature]</i>	665
Andrew Pangkue	<i>[Signature]</i>	996
Chris Librie	<i>[Signature]</i>	665
Warron Roberts	<i>[Signature]</i>	665
Freddy Kaluna	<i>[Signature]</i>	996
DIMITAS PATAHO	<i>[Signature]</i>	996
CHRIS BARNES	<i>[Signature]</i>	"LOST"
Jim Van Houten	<i>[Signature]</i>	Lost
Salvador Anaya	<i>[Signature]</i>	Lost
Steve Badillo	<i>[Signature]</i>	Lost
Michael Crowe	<i>[Signature]</i>	LOST
Mel Kunen	<i>[Signature]</i>	LOST/665
Edward Timmon	<i>[Signature]</i>	LT/665
ALYCE FAHSHOFT	<i>[Signature]</i>	665
Michael Hira	<i>[Signature]</i>	996
SCOTT LIEB	<i>[Signature]</i>	665
Sami Tialiso	<i>[Signature]</i>	PRIVATE SECURITY
CHRISTOPHER ENGICHY	<i>[Signature]</i>	PRIVATE SECURITY
JOLLY-VIN SUK	<i>[Signature]</i>	LOST
WALTER GONWEIA JR	<i>[Signature]</i>	PRIVATE SECURITY
WALTER K. WONG	<i>[Signature]</i>	LOST
BERNIE TOI LOMHO	<i>[Signature]</i>	LOST
FRANK S. LAUTER	<i>[Signature]</i>	665
JOHN E RINGGOLD JR	<i>[Signature]</i>	665
Keala Nakawala	<i>[Signature]</i>	Rings 665
KACIA KASTIAN	<i>[Signature]</i>	Rings 665
Jay N. Nihipati Day	<i>[Signature]</i>	Rings 665
ALAN J.	<i>[Signature]</i>	Labor
FRANCO NADI	<i>[Signature]</i>	665
Ronald Wong	<i>[Signature]</i>	665
DERICK KUPKO	<i>[Signature]</i>	665
Vito J. Kane	<i>[Signature]</i>	996

PRINT NAME:	SIGNATURE:	DEPARTMENT:
Charlie Wright	Charlie Wright	Model
Chantelle Saida	Chantelle Saida	Model
Jennifer Kennedy	Jennifer Kennedy	Talent
Mistina de la Rosa	Mistina de la Rosa	Talent/Model
RICHARD DRAKE	Richard Drake	PROP MASTER
Samuel DARCHUCK	Samuel Darchuck	ART DEPT. TAGS
KEVIN ALSTON	Kevin Alston	ART DEPT. TAGS
ICEVOLOD ULITSKY	Icevolod Ulitsky	PRODUCTION
Shoto Kubo	Shoto Kubo	PRODUCTION
Mishka Marya	Mishka Marya	Production
SHANNON - [unclear]	Shannon	PRODUCTION
ADAMIA J Colbert	Adamia J. Colbert	1065/Hair
JOHNNY SHIMABUKU	Johnny Shimabuku	Cosmetologist
Maia Roberts	Maia Roberts	Manic Hair
KANNON YONG	Kannon Yong	SOUND
Brandon [unclear]	Brandon	996
BERNARD BROWN	Bernard Brown	SPECIAL EFFECT
Trache Pehua	Trache Pehua	SPECIAL EFFECTS
Shane White	Shane White	SPECIAL EFFECTS
CLARENCE RAYMOND	Clarence Raymond	EFF
Fern N. Adams	Fern N. Adams	EFF
Jim [unclear]	Jim	ELE C.
Oliver [unclear]	Oliver	[unclear]
Kui Seaman	Kui Seaman	Grip
David [unclear]	David	Audio
DAN GARAB	Dan Garab	SOUND/VIDEO
ALAN E. [unclear]	Alan E.	Makeup
Timothy Chinn	Timothy Chinn	Production
Gregory Doi Jr	Gregory Doi Jr	Electric
STACY NEWHOUSE	Stacy Newhouse	STAGE SOUND
John Kendrick	John Kendrick	Prod/Stage Sound/Ele
ADAM [unclear]	Adam	making/props/Stage
Joel Carmichael	Joel Carmichael	Elec.
RON EVANS	Ron Evans	PRODUCTION GRIP
John Q. Adams	John Q. Adams	Set Medic/Marine
DAVID WALLACE	David Wallace	Grip/STAGE Elec
Curtis Wingerter	Curtis Wingerter	Stage/Prod
Chanelle [unclear]	Chanelle	Stage Prod
HARRY SAWYER	Harry Sawyer	Stage

PRINT NAME:	SIGNATURE:	DEPARTMENT:
James Kim Moore		Film + Stage
Robin Wilson		Trade Show
Darren Rodriguez		Trade Show
<del>EVERETT CHAVIS</del>	<del></del>	FILM
LARRY SMITH		FILM
Kay Carter	KAY CARTER	FILM/STAGE
Ben Pham	Ben Shafiq	Film/Stage
Terri L. Laigo	Terri L. LAIGO	Film/Stage
MATTHEW K. LYONS	Matthew K. Lyons	STAGE/SOUND
ALEMA RYDER		STAGE
Melvin Pang	Melvin Pang	Film/Stage
Patricia W.K. Carrigan		STAGE/Rigging
PATRICK LUM		AUDIO
William Kosta		Special
Richard Kohn		Cost Stagehand
Kim Shipton		CARP. Stagehand
Sander Sandelin		Stagehand
Frank Atienza	FRANK ATIENZA	PROPS
Charles Roberts		Audio
James Takahashi	James Takahashi	Grip, Construction
AL ONTO		STAGE
Tim Murphy	Tim Murphy	STAGE
Joseph R.R. Walker III		
"CAROL CASEY" CAMERON	Carol Casey Cameron	STAGE/FILM
FASTER K LOGAN		STUD
JUDITH MATSUMOTO	Judith Matsumoto	WARDROBE
Doug Kissel		Trade Show
RICHARD F. HOUBERT		Construction Crew
PAUL KAHA CHOUK II	Paul Kaha Chouk II	FILM / CONST.
JENNIFER FERR		STAGE/FILM
RONALD EVANS		STAGE/FILM
Wick Thompson		STAGE/FILM
GENE LISO		STAGE/FILM
William Kohn		STAGE
JOHN M. REYNOLDS	JOHN M. REYNOLDS	STAGE/FILM
Alexander Aranda		GLASS STAFF

PRINT NAME:

SIGNATURE:

DEPARTMENT:

PRINT NAME:	SIGNATURE:	DEPARTMENT:
HENRY FORDHAM	[Signature]	FATSE 665
NATHANIEL E. DEARMORE	[Signature]	FATSE 665 / TEAMSTER 996
DANNIE ANUNA	[Signature]	FATSE 665
Michael R. Kachharam	[Signature]	FATSE 665
Carol L. Bathke	[Signature]	FATSE 665
Drew DesJarlais	[Signature]	FATSE 665
ALLEN MOZO	[Signature]	FATSE 665, 600, SAG
Danell Tachihara	[Signature]	FATSE 665
Francis "Sonny" Julian	[Signature]	FATSE 665 / medic
Ramona Woolson	[Signature]	FATSE 665
Drew DesJarlais	[Signature]	FATSE 665, 1800 1260
CHRIS WICKENS	[Signature]	FATSE 1805, 1805, 1800 1260
CHARLEY KAE0	[Signature]	FATSE 1805
CHRIS PUGH	[Signature]	CYRANIE
Zachary Kim	[Signature]	665
Mike Weisbrad	[Signature]	665 / 600
KALIKO PALMIRA	[Signature]	665
DANIEL ROSNER	[Signature]	(GR1) 665
Tiffany Chen	[Signature]	Set PA - IGA
LUKAS SENO	[Signature]	FATSE 665
Sonja Balmores	[Signature]	SAG Actor
Cherlante	[Signature]	MODEL
Kelsey Campbell	[Signature]	Model
Nalani Ravelo	[Signature]	Model
Kiya Lee	[Signature]	Model
Tani Fujimoto	[Signature]	or actress/model
Leandro Kato	[Signature]	665 / wardrobe
Kristy Komero	[Signature]	MODEL
Kelly Chingne	[Signature]	Performer
Sarah Inouye	[Signature]	model
Meredith Cardenas	[Signature]	model
Ashley von Steep	[Signature]	model
Sophia Pan	[Signature]	Actress
Ariana Yoshioka	[Signature]	model
CHELSEA RODRIGUES	[Signature]	Model
Makinana Aki	[Signature]	model
ACTIA TAVATA	[Signature]	Model
Eri Aihara	[Signature]	model
Sayaka Ogawa	[Signature]	model

PRINT NAME:	SIGNATURE:	DEPARTMENT:	
Michael A Broody	<i>[Signature]</i>	Set Medic	IA
JAMES THURSTON	<i>[Signature]</i>	YES GRIP	IA
Colin Jones	<i>[Signature]</i>	Signals	IA
Sonya Masinovsky	<i>[Signature]</i>	PRODUCTION	DGA
Jim Kalam Jr	Freddie Kalam Jr	PRODUCTION	IA
Steve Glickman	STEVE Glickman	WIGGOS	IA
ROBERT WYEMAN	<i>[Signature]</i>	STAND IN	
KEITH FRANK	<i>[Signature]</i>	LABORER	IA
KEONI WAKAHEIMA	<i>[Signature]</i>	DRIVER	
Robert Johnson	<i>[Signature]</i>	Sound Mixer	IA
Tony Nagy	<i>[Signature]</i>	Camera	600
TORRY TURKAR	<i>[Signature]</i>	CAMERA	600
GLENN GRIMES	<i>[Signature]</i>	GRIP	IA
MIKE SCHWABE	<i>[Signature]</i>	GRIP	IA
LEVIN SARDINIA	<i>[Signature]</i>	Locations	
Charles Kramer	<i>[Signature]</i>	ELECTRIC	IA
Elizabeth Maggini-Harty	<i>[Signature]</i>	COSTUME	IA
Joey Vidal	<i>[Signature]</i>		
MATHIAS WESSINGER	<i>[Signature]</i>		IA
LEWIS TRAVELER	<i>[Signature]</i>		
JACK BENTON	<i>[Signature]</i>	Camera Director	
John Getfells	<i>[Signature]</i>	TRUCK PO	
NOAMANI KAIE	<i>[Signature]</i>	A.D.	DGA
A. HOWSE	<i>[Signature]</i>	PLACING TRUCK	IA
JORGE GARCIA	<i>[Signature]</i>	SET	
SHANDLE MERSEBURN	Shandle Munday	SECURITY	
IAN TRAYERS	<i>[Signature]</i>	LOCATIONS	
GREGORY DAI JIA	<i>[Signature]</i>	CAMERA	
SERGE NOFIELD	<i>[Signature]</i>	CAMERA	IA
STAN PRADAL	<i>[Signature]</i>	ELECTRICIAN	
Dates will	<i>[Signature]</i>	TRANSPORTATION	
Thornton Likela	<i>[Signature]</i>	ACCOUNTING	
LENN WONG	<i>[Signature]</i>	CONST.	
FRANK S. LAUIER	<i>[Signature]</i>	665	
Marles Kaahole	<i>[Signature]</i>	665	
WILLIAM RISSO	<i>[Signature]</i>	665	
LYLE GIBBS	<i>[Signature]</i>	CONTS.	
EMATOR JENNINGS	<i>[Signature]</i>	66	
MALBY RASMUSSEN	<i>[Signature]</i>	LOCAL 44	
Freddie Kalam	<i>[Signature]</i>	Driver	

PRINT NAME:	SIGNATURE:	DEPARTMENT:
Keona Kaula		Transportation
MIKE CANNON		Security
Earl Mitchell		Security
Bob Johnson		Elec.
Bruce Vollett		GRIP
HANNY LADAN		Production Mgr AD
DANA K SATO		Art
MARTIN L. GREGGARD		Floor
Melody N. Low		GRIP
Aileen Joy Levy		GRIP
Tomoko Stagg		Coordinator
Emil Uyeno		Coordinator
Ryan Moriz		Medic
PICER CEUM		Lighting
Scott Lisetor		GRIP
Don Tomack		Lighting
JASON FRATIS		ELECTRIC
BRANDON PAGE		Coordinator
PAUL SMITH		GRIP
HANNY JAMES C LEVY		GRIP
VISMA ROBINS		GREENS
Linda Lee		art dept
KAHUKAILANI BROWN		security
CLYDE L. WONG		Greens/Props
WENDELL TITCOMB		CRAPT SERVICE
James Spruill		PROPS
Reuben Iao		PROPS
John Reed		Transportation
Kenneth Smith		TRANSPORTATION
Jon Piper		PROP
LEE KANEAKUA		GRIP
PUNA TITCOMB		CS
Talissa Niko		LABORER
BRIAN COSTA		PROPS
John Luvogold		MEDIC

	PRINT NAME:	SIGNATURE:	DEPARTMENT:
	ANE TRUNETZKI	<i>[Signature]</i>	GRIPS IA
	Bonnie Freitas	<i>[Signature]</i>	Greens IA
	Alwin Akai	<i>[Signature]</i>	Greens IA
Mar	"Aing" Riboca	<i>[Signature]</i>	GRIPS IA
	DAVID CATUBARA	<i>[Signature]</i>	PROPERTY IA
	Maul Ohtani	<i>[Signature]</i>	Electric IA
	Mike Sain	<i>[Signature]</i>	FX IA
	Charita Borrillo	<i>[Signature]</i>	Makeup IA
	Susani Taguing	<i>[Signature]</i>	Wardrobe IA
	AARON E. MELISAP	<i>[Signature]</i>	Wardrobe IA
	Cole Chetney	<i>[Signature]</i>	GRIPS IA
	Mark Kalanaher	<i>[Signature]</i>	Set Lighting IA
	<del>Mark Wente</del>	<del><i>[Signature]</i></del>	<del>EXTRA</del>
	EBYRD VAUGHN	<i>[Signature]</i>	ACTOR/STUD
	Jonathan Shirley	<i>[Signature]</i>	EXTRA
	Jeff Hummer	<i>[Signature]</i>	EXTRA
	KURT VIMAFRANCA	<i>[Signature]</i>	LOST... GRIPS IA
	Chris Punt	<i>[Signature]</i>	Lost Grip IA
	KIM STOWELL	<i>[Signature]</i>	LOST/ACTOR
	JASON MATVUSL	<i>[Signature]</i>	LOST/SPL
	Brian Matsumura	<i>[Signature]</i>	CAMERA 600
	Kevin Craven	<i>[Signature]</i>	Extra
	Stan Cooper	<i>[Signature]</i>	EXTRA
	STEPHEN BACQUET	<i>[Signature]</i>	Set Lighting IA
	Kanoga Dablin	<i>[Signature]</i>	Set Dressing IA
	Jon Mumper	<i>[Signature]</i>	Sound IA
	Andrew Childes	<i>[Signature]</i>	Set P.A. DGA
	John M. H. Lee	<i>[Signature]</i>	Set Lighting IA
	Roger Thompson	<i>[Signature]</i>	Set Lighting IA
	Akoni Kaani	<i>[Signature]</i>	Set Lighting IA
	RACER MOODY	<i>[Signature]</i>	Stand-In IA
	Keola Sui'a	<i>[Signature]</i>	Transportation
	DIANE FRAUENHARZ	<i>[Signature]</i>	SCRIPT SUPERVISOR
	Lance Hookano	<i>[Signature]</i>	GRIP IA
	W. Jennings Fowler	<i>[Signature]</i>	PROPERTY IA
	Fred Barraghia	<i>[Signature]</i>	Actor
	Carla Bowen	<i>[Signature]</i>	PRODUCTION DGA
	FRANCIS CHAN	<i>[Signature]</i>	Actor
	Anne Hoss	<i>[Signature]</i>	COSTUMES IA
	Jon T. Dahl	<i>[Signature]</i>	Transex

PRINT NAME:

SIGNATURE:

DEPARTMENT:

EKEPATI NIKO	<i>Ekepati Niko</i>	DRIVER
Andrew Panyky	<i>Andrew Panyky</i>	DRIVER
ELIZABETH BARTON	<i>Elizabeth Barton</i>	SCRIPT SUPERVISOR
J. Nick Porreca	<i>J. Nick Porreca</i>	Accounting
Shawn Julian	<i>Shawn Julian</i>	labor
Michael Julian	<i>Michael Julian</i>	labor
Makani Young	<i>Makani Young</i>	stage
Sean Brazier	<i>Sean Brazier</i>	Loganville
Timothy Brandon	<i>Timothy Brandon</i>	Loganville
EUGENE TENDRANT	<i>Eugene Tendrant</i>	Loganville
NOAH WILLIAMS	<i>Noah Williams</i>	Geethy
Brian Julian	<i>Brian Julian</i>	labor
Kenneth Reapre	<i>Kenneth Reapre</i>	LABOR
Patrick Miller	<i>Patrick Miller</i>	labor
DUNCAN COSTA BRUM	<i>Duncan Costa Brum</i>	LABOR

RICHARD WALKER	<i>Richard Walker</i>	IATSE LOCAL 665
Anthony Lehman	<i>Anthony Lehman</i>	IATSE local 665
Lani Tanoai	<i>Lani Tanoai</i>	IATSE Local 665
KATHLEEN HUGHES	<i>Kathleen Hughes</i>	IATSE Local 665
Eric Hughes	<i>Eric Hughes</i>	IATSE LOCAL 665
Heather McDaniel	<i>Heather McDaniel</i>	IATSE LOCAL 665
Robert Torres	<i>Robert Torres</i>	DHL TRUCKING
June Miyakawa	<i>June Miyakawa</i>	Attco Inc
Robert Robsen	<i>Robert Robsen</i>	IATSE local 665



MONSANTO HAWAII  
2104 LAUWILIWILI STREET  
BLDG. K, SUITE 101K  
KAPOLEI, HAWAII 96707

March 27, 2009

TESTIMONY BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

HB 1583

Chair Kim and committee members:

My name is Alan Takemoto, Community Affairs Manager, with Monsanto Hawaii.

We do not support the HB 1583 that would limit or eliminate the High Technology Investment credit, also known as Act 221.

Monsanto supports Act 221 as it provides an incentive program that energizes and attracts high technology companies to further invest in Hawaii that would otherwise have gone to other states. We strongly suggest that incentive programs like this need to be expanded, rather than eliminated or reduced.

The global economic meltdown means Hawaii needs to attract and draw new business in. When business is down, we should not reduce incentives and marketing efforts, we should increase our efforts to encourage investments into Hawaii. Similarly, while tourism is down, the Hawaii Tourism Authority recently reallocated millions of dollars to market Hawaii to the world. Hawaii needs strong business incentives like Act 221 so that it can be viewed as a business friendly state and not only a tourist destination.

In the larger perspective, we urge the legislature to look at ways on how Hawaii can attract and maintain new and existing businesses. We should be looking at other incentives that encourage businesses to increase more jobs into the state or increase investment during these difficult economic times.

We cannot afford reducing these incentives for businesses, especially Hawaii, where we are thousands of miles away from the nearest major market. Businesses are already hard pressed to make ends meet and every incentive mechanism will encourage them to remain in Hawaii.

Thank you for allowing us to testify in opposition to these measure.



1515 Ualakaa Place  
Honolulu, HI. 96822  
Phone: (808) 944-9283 Fax: (808) 941-2503  
E-Mail: larry@naturalpowerconcepts.com  
Web: www.naturalpowerconcepts.com

**HB1583 HD1 SD1 Proposed- Relating to Taxation**

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Larry Lieberman, CEO  
Natural Power Concepts Inc.

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Dear Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

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.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

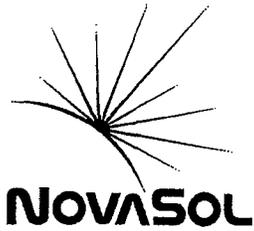
**Issues with retroactivity may be unconstitutional** : The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** : Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** : Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** : As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.  
Larry Lieberman, CEO  
Natural Power Concepts  
808-741-7529  
larry@naturalpowerconcepts.com



March 26, 2009

**HB1583 HD1 SD1 Proposed- Relating to Taxation**

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Rick Holasek, President and CEO, NovaSol

**Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation**

Aloha Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

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**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job

CORPORATE OFFICE

28<sup>th</sup> Floor  
733 Bishop St.  
Honolulu, Hawaii 96813  
808.441.3600  
808.441.3601 fax

CALIFORNIA OPERATIONS

15150 Avenue of Science  
San Diego, California 92128  
858.376.0185  
858.376.0190 fax

FINANCE OFFICE

28<sup>th</sup> Floor  
733 Bishop St.  
Honolulu, Hawaii 96813  
808.680.9601  
808.680.9624 fax

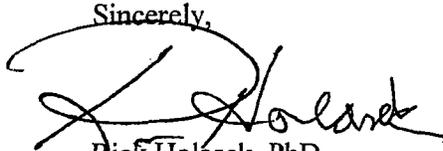
Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to  
Taxation  
Page 2  
March 26, 2009

creation and diversification of Hawaii's economy should be a focal point of  
government initiatives.

NovaSol is a local Hawaii-based high technology firm working in the  
aerospace/defense sector. Established in 1988, we specialize in  
reconnaissance camera systems and free space optical communications.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Holasek". The signature is written in a cursive style with a large, sweeping initial "R".

Rick Holasek, PhD  
President and CEO, NovaSol  
808-441-3666  
rick@nova-sol.com



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Harry G. Jackson  
President & CEO

Ocean Engineering and Energy Systems, Inc.

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

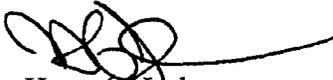
**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4

billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Our small business company is in the renewable energy sector providing local opportunity to develop and commercialize Ocean Thermal Energy Conversion technologies for Hawaii and other locations. Since we are in the early start-up phase of establishing our corporate presence and marketing our technology/ability to build these projects that provide electricity, fresh water, seawater air conditioning and aquaculture, Act 221 is our life source to provide the funding to keep our company operating! Act 221, in its current format, makes investors excited about investing in our technology and it gives them a stronger incentive to make an investment here in Hawaii with our company instead of going somewhere else like Nevada, Texas or North Carolina to invest their dollars.

Sincerely,



Harry G. Jackson  
President & CEO  
Ocean Engineering and Energy Systems, Inc.

808-954-6020

[hjackson@ocees.com](mailto:hjackson@ocees.com)

**Gina Williams**

---

**From:** Ken Sanders [kens@hawaii.rr.com]  
**Sent:** Wednesday, March 25, 2009 6:30 PM  
**To:** WAM Testimony  
**Subject:** Strong Opposition to HB 1583 HD1 SD1 re. Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **J. Kenneth Sanders, Chairman/Co-Founder/President, Ocean Network LLC**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

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**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Ocean Network is a start-up company that is very dependent on Act 221 tax credits to attract investors. We are now two years old as Hawaii's newest TV station, Chan. 349, and plan to always keep Hawaii as our Headquarters as we expand around the whole Pacific Rim, and eventually across the U.S. We will be bringing jobs and tax collections to this state, as well as helping building Hawaii's employment diversity, and reputation as the Ocean experts to the world.

Thank you for the opportunity to testify.

Ken Sanders, Chairman/Co-Founder/President, Ocean Network LLC

## Gina Williams

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**From:** Ian Kitajima [ian.kitajima@gmail.com]  
**Sent:** Wednesday, March 25, 2009 9:32 PM  
**To:** WAM Testimony  
**Subject:** Testimony in opposition to HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Ian Kitajima**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I work for Oceanit, Hawaii's largest and most diversified privately-held science and engineering company. Our company develops cutting edge technologies for the Federal Government - from a global network of robotic telescopes to track space debris to advance materials which produce energy just like plants. Since the enactment of Act 221, Oceanit has finally been able to transition years of Federal research into two new companies - Hoana Medical and Nanopoint. Combined, these two leading edge companies have brought millions of outside investor dollars to Hawaii, and have created over 50 jobs as a result of Act 221. For 2009, Oceanit is currently working on two new ventures - a smart concrete material that can detect cracks and a paper thin material that can be used to create energy producing structures.

HB1583 HD1 SD1 will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies - like the two we are establishing now. The loss of investment dollars poses a threat to the survival of early stage companies, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely, Ian Y. Kitajima

--  
Private Account

## Gina Williams

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, March 26, 2009 10:26 AM  
**To:** WAM Testimony  
**Cc:** stevenkbaker@palmcovecapital.com  
**Subject:** Testimony for HB1583 on 3/27/2009 9:30:00 AM

Testimony for WAM 3/27/2009 9:30:00 AM HB1583

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Steven K. Baker  
Organization: Palm Cove Capital, LLC  
Address: 5857 Kalaniana'ole Hwy Honolulu, Hawaii 96821  
Phone: 808-373-9778  
E-mail: [stevenkbaker@palmcovecapital.com](mailto:stevenkbaker@palmcovecapital.com) Submitted on: 3/26/2009

Comments:  
HB1583 HD1 SD1 Proposed- Relating to Taxation

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:  
Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed. Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

Issues with retroactivity may be unconstitutional The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

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Thank you for the opportunity to testify.

Steven K. Baker  
Palm Cove Capital, LLC

**Gina Williams**

---

**From:** Chaoying Bossert [chaoying.bossert@pipelinemicro.com]  
**Sent:** Thursday, March 26, 2009 2:37 PM  
**To:** WAM Testimony  
**Subject:** HB1583 Testimony

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: ChaoYing D. Bossert

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed. I am an employee at Pipeline Micro Inc. a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

ChaoYing Deng Bossert  
Vice President  
Pipeline Micro, Inc.

--  
ChaoYing Deng Bossert, Vice President  
Pipeline Micro  
Smaller Faster Cooler  
Leading the Microscale Revolution  
[www.pipelinemicro.com](http://www.pipelinemicro.com)  
Office: 808-539-3820

Direct: 808-237-5666  
Fax: 808-748-0404  
Cell: 808-232-3921

## Gina Williams

---

**From:** Eric Griffith [eric.griffith@pipelinemicro.com]  
**Sent:** Thursday, March 26, 2009 2:32 PM  
**To:** WAM Testimony  
**Subject:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**FROM: Eric Griffith, President  
PIPELINE MICRO, INC**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

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**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

**Pipeline Micro is an excellent example of a success story for Hawaii's high tech industry under Act 221. We have kept Master's level University of Hawaii engineering graduates in the state in their chosen area of expertise where no other jobs exist. We have brought some of the world's finest engineer's to Hawaii. We are building a global high**

**technology company that would not be possible if this legislation is passed.**

Eric Griffith, President  
Pipeline Micro  
*Smaller Faster Cooler*  
Leading the Microscale Revolution  
[www.pipelinemicro.com](http://www.pipelinemicro.com)  
Office: 808-237-5654  
Fax: 808-748-0404  
Cell: 808-561-6870

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**Gina Williams**

---

**From:** Kristine Luna [kristine.luna@pipelinemicro.com]  
**Sent:** Thursday, March 26, 2009 12:27 PM  
**To:** WAM Testimony  
**Subject:** Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **NAME**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Pipeline Micro, Inc., a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Kristine Luna  
Marketing Specialist  
Pipeline Micro, Inc.  
1240 Ala Moana Blvd. Suite 240  
Honolulu, HI 96814  
+1-808-237-5656  
[www.pipelinemicro.com](http://www.pipelinemicro.com)



HB1583 HD1 SD1 Proposed - Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Norman Wayne Karo  
CEO  
Pipeline Micro

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional.** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations.** Elimination of disproportionate credit allocation will cut off or severely limit out of state investment.

**R&D Credit.** Eliminating the R&D credit on Act 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss.** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Hawaii-based Pipeline Micro is the developer of the world's smallest and most efficient liquid cooling systems for consumer electronics, including computers, laptops, and video graphics cards. Liquid cooling systems developed by the company use a patented thermal system design that dramatically improves heat transfer, stabilizes temperature, and enables products to run faster, perform longer, and use less energy.

Pipeline Micro grew from 5 to 13 employees in 2008, and will grow to over 20 employees in 2009. We hire UH graduates and are bringing world renowned talent into the State. Our customers are global electronics giants from the Mainland and Japan. Act 221/215 has enabled us to take a "holy grail", breakthrough invention from the University of Hawaii and make products that are in high demand even in this recession.

Thank you for the opportunity to testify.

Sincerely,

Norman Wayne Karo  
CEO  
Pipeline Micro  
(808) 292-0131  
wayne.karo@pipelinemicro.com



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Paul Merian, Manager of Legal Affairs

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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Credit Allocations Elimination of disproportionate credit allocation will cut off out of state investment.

R&D Credit Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

Job and Investment Loss As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and

QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

Paul Merian  
Manager, Legal Affairs  
Pipeline Micro, Inc.

**Gina Williams**

---

**From:** Abel Siu [abel.siu@pipelinemicro.com]  
**Sent:** Thursday, March 26, 2009 1:01 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: NAME

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at **Pipeline Micro, Inc**, a company in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

--  
Abel Siu  
Thermal Engineer

Pipeline Micro, Inc.  
1240 Ala Moana Blvd., Ste. 240  
Honolulu, HI 96814  
TEL: (808) 539-3820 x159  
FAX: (808) 748-0404  
email: [abel.siu@pipelinemicro.com](mailto:abel.siu@pipelinemicro.com)  
[www.pipelinemicro.com](http://www.pipelinemicro.com)

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# **ProVision Technologies, Inc.**



**Electrical Contractor C-26351**

March 24, 2009

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

DATE: Friday March 27, 2009  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

**Regarding HB 1583**

**Testimony in Strong Opposition**

There is strong, if not overwhelming, support across the political spectrum for the more rapid development and adoption of renewable energy sources and technologies here in our islands. Who among us would dispute the goal of making Hawai'i greener, cleaner and more energy independent?

One of the indispensable factors which has supported the greater use of renewable energies in the state is the State Renewable Energy Technology Tax Credit (235-12.5). This tax credit has served to make these technologies more available and affordable to tens of thousands of Hawai'i home and business owners and has contributed to providing skilled jobs to our workforce.

Reducing, restricting or eliminating this tax credit even for an ostensibly temporary period would have a devastating effect on consumer confidence and the public's ability to purchase renewable energy systems as well cause further job losses in the state in an industry that needs to be nurtured and grown.

Finally, taking away or limiting the benefits of this tax credit *retroactively* would be unfair to those businesses and homeowners who have already purchased and installed these systems.

I respectfully urge you to reject this bill. While all of us in the State need to necessarily tighten our belts in these tough economic times, gutting one of Hawai'i's most important means of making Hawai'i nei more energy independent would be decidedly counterproductive.

Thank you for your consideration.

**69 Railroad Avenue, A-7, Hilo, HI 96720  
phone (808) 969-3281 fax (808) 934-7462**



HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: James P. Karins  
President and CEO  
Pukoa Scientific

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs



created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

/s/James P. Karins

James P. Karins  
President and CEO  
Pukoa Scientific  
2800 Woodlawn Dr., Suite 141  
Honolulu, HI 96825  
Karins@pukoa.com

# REAL-TIME GENOMICS, LLC

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Blair Stultz  
President  
Real-Time Genomics, LLC

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

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**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

# REAL-TIME GENOMICS, LLC

Page 2 of 2

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Blair Stultz

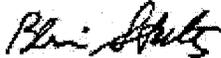
President

Real-Time Genomics, LLC

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Real-Time Genomics is developing an array reader for analyzing DNA. Our sector is in biotechnology with applications in military and commercial use. We have created four positions in our first year primarily in scientific research and engineering. Our plans include manufacturing our products locally for the national market. We need the investment opportunity created by the Act 221 to successfully fund our project over the next two years until we have a commercially viable product.

Sincerely,



Blair Stultz

President

Real-Time Genomics, LLC

808/247-6706

bearmach@hawaii.rr.com

24 March, 2009

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

DATE: Friday March 27, 2009  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

**Regarding HB 1583**

**Testimony in Strong Opposition**

I respectfully urge you to reject this bill. All of us in the State need to tighten our belts in these tough economic times; however, gutting State support for one of Hawaii's most important means of energy independence would be disastrous.

There is strong, if not overwhelming, support across the political & social spectrums for the rapid development and adoption of renewable energy sources and technologies here in our State. Who among us would dispute the goal of making Hawai'i greener, cleaner and more energy independent?

The State Renewable Energy Technology Tax Credit (235-12.5) has supported indispensably the greater use of renewable energies. This tax credit has served to make these technologies more available and affordable to tens of thousands of Hawaii home and business owners, as well as providing skilled jobs to our workforce.

Approval of the bill would hamper the efforts of those started and pursued by The Department of Economic Development and Tourism; would challenge the goals Hawaii has made to further energy independence; would detrimentally undermine the State's efforts to support the 2006 International Energy Conservation Code (IECC); and would fundamentally cripple the efforts of Hawaii's 2020 Energy Independence Initiative. Moreover, approval of the bill would affect my business directly, as well as gouging a growing market force, resulting in a loss of tax revenue for the State.

Reducing or eliminating the tax credit, even for an ostensibly temporary period, would have a devastating affect on consumer confidence. It would erode the public's ability to purchase renewable energy systems, as well as devastating potential job growth in the State. The State of Hawaii should be at the forefront of this technology. Renewable energy is an industry that needs to be nurtured and grown!

Retroactively restricting or limiting the benefits of this tax credit would be unfair to those businesses and homeowners who have already purchased and installed these systems, to those who based their economic strategy on the fact that the tax credit was indeed available. Please do not pretend that so egregious an attempt at swindling the public would be acceptable

to anyone in the State. The effect could be economically crippling, and would mortally wound our credibility in the industry of alternative energy.

In closing, please reject this anti-renewable, anti-Hawaii bill.

Mahalo

Aaron Spielman  
Rhoady Lee Architecture & Design  
Hawaii, Hawaii



677 Ala Moana Boulevard, Suite 1100, Honolulu, Hawaii 96813  
808.539.9331 / f: 808-539-9345 / www.tissuegenesis.com

Bradley Perkins, Senior Vice President, Administration and General Counsel  
d: 808.772.5530/ c: 808.372.2661 / bperkins@tissuegenesis.com

March 25, 2009

HB1583 HD1 SD1 Proposed- Relating to Taxation

Date: Friday, March 27, 2009  
Time: 9:30 am  
Place: Conference Room 211  
To: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair  
Regarding: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit, and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional.** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy our investors' confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit allocations.** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D credit.** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the mainland, where costs are often substantially less. This credit is not a major cost issue to the State, but has a lot to do with why the technology industry is the fastest growing sector in the State.

**Job and investment loss.** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Tissue Genesis is an emerging high-growth company in the field of regenerative medicine, using a patient's own cells to coat implants, repair damaged tissue, heal disease, and address other medical concerns. Tissue Genesis is leveraging its automated cell separation and isolation platform, and expertise to deliver products to the regenerative medicine market. Current near term applications include coating of implantable devices, such as vascular grafts and stents; repair of damaged tissue,



such as found in heart disease and peripheral artery disease; orthopedic and veterinary applications; and other tissue healing using a patient's own regenerative cells. Act 221 has been instrumental to the progress of our company.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradley Perkins", followed by a long horizontal flourish line.

Bradley Perkins  
Senior Vice President, Administration and General Counsel

## kim2 - Arline

---

**From:** bonner@p3re.com on behalf of Warner Bonner [bonner@phase3properties.com]  
**Sent:** Wednesday, March 25, 2009 4:10 PM  
**To:** WAM Testimony  
**Subject:** Testimony of Strong Opposition to HB 1583

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Warner Bonner, Principal, Phase 3 Properties, Inc.**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

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Phase 3 Properties is a private equity real estate development firm focused on the development, leasing and management of life science research asset. Phase 3 Properties, Inc. develops state of the art corporate facilities for research related

Universities, Institutions, biotech firms, and pharmaceutical companies. We develop laboratory buildings uniquely suited to the needs of both established and rising scientific entities. We offer a complete range of development services by a highly skilled team of real estate professionals. Phase 3 is dedicated to creating high quality, functional and affordable laboratory properties in emerging market throughout the US.

Thank you for the opportunity to testify.

Warner A. Bonner III

Phase 3 Properties, Inc.

8910 University Center Lane

Suite 265

San Diego, CA 92122

Office - 858-546-0888 x23

Mobile - 858-414-0497

Fax - 858-546-0999

[bonner@phase3properties.com](mailto:bonner@phase3properties.com)

[www.phase3properties.com](http://www.phase3properties.com)



**General Contractor License BC -12448**

March 24, 2009

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

DATE: Friday March 27, 2009  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

**Regarding HB 1583**

**Testimony in Strong Opposition**

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Reducing, restricting or eliminating this tax credit even for an ostensibly temporary period would have a devastating effect on consumer confidence and the public's ability to purchase renewable energy systems as well cause further job losses in the state in an industry that needs to be nurtured and grown.

Finally, taking away or limiting the benefits of this tax credit *retroactively* would be unfair to those businesses and homeowners who have already purchased and installed these systems.

I respectfully urge you to reject this bill. While all of us in the State need to necessarily tighten our belts in these tough economic times, gutting one of Hawai'i's most important means of making Hawai'i nei more energy independent would be decidedly counterproductive.

Thank you for your consideration.

***Alex Woodbury***

77-6503 Akai Street Kailua-Kona, Hawaii 96740-2481  
Office 808-322-5174 Fax 322-5178 Cell 640-1566

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Temporary tax credit reduction

BILL NUMBER: HB 1583, Proposed SD-1

INTRODUCED BY: Senate Committee on Ways and Means

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to provide that for tax years beginning on January 1, 2009 and ending before January 1, 2011, no claim for a "business credit," including carryover business credits from prior taxable years, shall exceed 75% of a taxpayer's tax liability under HRS chapters 235, 239, 241, or 431, for the taxable year in which the credit is claimed.

Any business credit claimed between January 1, 2009 and December 31, 2010 shall be subject to the credit claim limitation and shall not result in a credit carryover in subsequent taxable years.

Any business credit claimed before January 1, 2009, which resulted in a credit carryover, shall be subject to the credit claim limitation; provided that any business tax credit carryover applicable to a tax year beginning before January 1, 2009, may be used against tax liability in tax years beginning on January 1, 2011 until exhausted.

Business credits claimed during taxable years beginning on January 1, 2009 and ending before January 1, 2011, shall be claimed first, and credits generated in taxable years prior to January 1, 2009, shall be claimed thereafter; provided that, with regard to any business credit properly claimed for a tax year before January 1, 2009, the specified period of time established to exhaust that business tax credit shall be tolled until such time that business tax credits accrued for the period beginning January 1, 2009, and ending January 1, 2011, have been exhausted.

For purposes of this section, "business credit" means all tax credits allowable under HRS chapters 235, 239, 241, and 431, excluding the following tax credits:

- (1) section 235-15 (relating to a tax credit for child passenger restraint systems);
- (2) section 235-17 (relating to a tax credit for motion picture, digital media, and film production);
- (3) section 235-55 (relating to a tax credit for resident taxpayers);
- (4) section 235-55.6 (relating to a tax credit for household and dependent care services);
- (5) section 235-55.7 (relating to a tax credit for low-income household renters);
- (6) section 235-55.85 (relating the refundable food/excise tax credit);
- (7) section 235-110.3 (relating to a tax credit for ethanol investment);
- (8) section 235-110.6 (relating to a tax credit for commercial fishers' fuel);
- (9) section 235-110.8 (relating to a credit for capital goods excise taxes);
- (10) section 235-110.91 (relating to a credit for research activities);
- (11) section 239-6.5 (relating to the tax credit for lifeline telephone services); and
- (12) any credit against any tax required by the Constitution or the laws of the United States.

Adds a new section to HRS chapter 235 to provide that for tax year beginning January 1, 2009, and ending before January 1, 2011, allocation of tax credits shall be made in accordance with subchapter K,

HB 1583, Proposed SD-1

subchapter J, or subchapter S of the Internal Revenue Code.

Amends HRS section 235-110.3 (e) to make the ethanol facility tax credit nonrefundable.

Amends HRS section 235-110.6 (c) to make the fuel tax credit for commercial fishers nonrefundable.

Amends HRS section 235-71 (c) to provide that in the case of a shareholder of a regulated investment company who receives a credit for the amount of the tax imposed on the capital gains which has been paid to the state by the regulated investment company; the credit shall not be refundable.

Amends HRS section 235-110.7 (b) to make the capital goods excise tax nonrefundable.

Amends HRS section 235-110.91 to provide that after June 30, 2009 a taxpayer claiming a credit under HRS section 235-110.9 (high technology business investment tax credit) shall not be eligible for the tax credit for research activities.

Repeals HRS section 235-110.51 which provides a technology infrastructure renovation tax credit.

This act shall be repealed on January 1, 2015.

EFFECTIVE DATE: Tax years beginning after December 31, 2008

STAFF COMMENTS: It appears that the proposed measure attempts to “plug” the outflow of state revenues by restricting the amount of tax credits that may be claimed, changing refundable tax credits into nonrefundable credits, and eliminating the technology infrastructure renovation tax credit.

While it is understandable given the dire financial situation of the state, this proposal represents a reasonable response as it would reduce the amount of tax credits that could be claimed by any one taxpayer. However, it is curious that some of the credits that would be excluded by this limitation on the amount of credit claim include some major business tax credits such as those for digital media, the ethanol investment credit and commercial fishers’ fuel tax credit. In the case of the latter, if lawmakers wish to continue the fuel tax credit, the credit should be charged against the fund that benefits from the fuel tax paid by commercial fishers.

Although more thought needs to go into the strategy this proposal represents, it is a step in the right direction. Many of the other tax credits that would be excluded from the limitation exist to offset an undue burden imposed by other taxes such as the low-income household credit or to alleviate the cost of dependent care for a worker. The capital goods excise tax credit which refunds the 4% general excise tax on the purchase of capital goods is especially critical to retain in these tough economic times, but it would be a mistake to make it nonrefundable as this measure proposes to do. The whole idea behind the capital goods excise tax credit is to reduce the cost of acquiring goods and equipment that are necessary to create jobs, something Hawaii needs in this down economy. Another credit that should be exempt from the limitation is the low-income housing tax credit under HRS section 235-110.8. This is the credit that will be used to help finance the purchase of Kukui Gardens and other affordable housing projects in the state.

Again whether or not this measure alone will help solve the state’s financial situation is anyone’s guess without a careful evaluation of how much revenue this measure would generate.

Digested 3/25/09



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**  
*Executive Director*  
Tel: 808.543.0011  
Fax: 808.528.0922

**NORA A. NOMURA**  
*Deputy Executive Director*  
Tel: 808.543.0003  
Fax: 808.528.0922

**DEREK M. MIZUNO**  
*Deputy Executive Director*  
Tel: 808.543.0055  
Fax: 808.523.6879

**The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Ways and Means**

**Testimony by  
Hawaii Government Employees Association  
March 26, 2009**

**H.B. 1583, H.D. 1 (Proposed S.D. 1) –  
RELATING TO TAXATION**

The Hawaii Government Employees Association supports the purpose and intent of H.B. 1583, H.D. 1 (Proposed S.D. 1). We believe that a temporary reduction and suspension of certain tax credits provided by the State of Hawaii is necessary during these difficult economic times. This proposed legislation will enable 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 has the same impact on the budget deficit as spending that dollar.

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

Thank you for the opportunity to testify in support of H.B. 1583, H.D. 1 (Proposed S.D. 1).

Respectfully submitted,

**Nora A. Nomura**  
Deputy Executive Director

## Gina Williams

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**From:** David C. Bangert [dbangert@hawaii.edu]  
**Sent:** Thursday, March 26, 2009 8:02 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: NAME

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an investor in companies in the high tech industry in Hawaii. These investments are, in part, a result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

David C. Bangert, PhD

**kim2 - Arline**

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**From:** Eric Bonnici [ericbonnici@mac.com]  
**Sent:** Tuesday, March 24, 2009 4:26 PM  
**To:** WAM Testimony  
**Subject:** Regarding HB 1583

March 24, 2009

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

**DATE:** Friday March 27, 2009  
**TIME:** 9:30 a.m.  
**PLACE:** Conference Room 211  
State Capitol  
415 South Beretania Street

Regarding HB 1583

**Testimony in Strong Opposition**

There is strong, if not overwhelming, support across the political spectrum for the more rapid development and adoption of renewable energy sources and technologies here in our islands. Who among us would dispute the goal of making Hawai'i greener, cleaner and more energy independent?

One of the indispensable factors which has supported the greater use of renewable energies in the state is the State Renewable Energy Technology Tax Credit (235-12.5). This tax credit has served to make these technologies more available and affordable to tens of thousands of Hawai'i home and business owners and has contributed to providing skilled jobs to our workforce.

Reducing, restricting or eliminating this tax credit even for an ostensibly temporary period would have a devastating effect on consumer confidence and the public's ability to purchase renewable energy systems as well cause further job losses in the state in an industry that needs to be nurtured and grown.

Finally, taking away or limiting the benefits of this tax credit *retroactively* would be unfair to those businesses and homeowners who have already purchased and installed these systems.

I respectfully urge you to reject this bill. While all of us in the State need to necessarily tighten our belts in these tough economic times, gutting one of Hawai'i's most important means of making Hawai'i nei more energy independent would be decidedly counterproductive.

Thank you for your consideration.

Eric Bonnici  
[www.4Total.com](http://www.4Total.com)  
1-877-4 Total e  
[eric@4totale.com](mailto:eric@4totale.com)

**kim2 - Arline**

---

**From:** David Chung [d.chung@aci-sim.com]  
**Sent:** Wednesday, March 25, 2009 4:23 PM  
**To:** WAM Testimony  
**Subject:** Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: David Chung

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Atlantis Cyberspace Inc., a company in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

David Chung

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Randy Cox

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs

created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read 'Randy Cox', with a stylized, cursive script.

Randy Cox

**kim2 - Arline**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 25, 2009 2:45 PM  
**To:** WAM Testimony  
**Cc:** mcurtis@hawaii.rr.com  
**Subject:** Testimony for HB1583 on 3/27/2009 9:30:00 AM

Testimony for WAM 3/27/2009 9:30:00 AM HB1583

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Mike Curtis  
Organization: Individual  
Address: 1829 Bertram Street Honolulu, HI  
Phone: 808-292-6862  
E-mail: [mcurtis@hawaii.rr.com](mailto:mcurtis@hawaii.rr.com)  
Submitted on: 3/25/2009

Comments:  
HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Mike Curtis, Hawaii Entrepreneur & Investor

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am in the high tech industry in Hawaii. This job the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Mike Curtis  
Hawaii Entrepreneur and Investor

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Kelli Goodin

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs

created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read 'Kelli Goodin', with a long horizontal flourish extending to the right.

Kelli Goodin

## Gina Williams

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**From:** jhinrich@hawaii.rr.com  
**Sent:** Thursday, March 26, 2009 3:31 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

**DATE:** Friday, March 27  
**TIME:** 9:30AM  
**PLACE:** Conference Room 211

**TO:** Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

**FROM:** John L. Hinrichs Ph.D.

**Re:** Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

Issues with retroactivity may be unconstitutional The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify,

John L. Hinrichs Ph.D.

<http://johnbitz.org>

**Gina Williams**

---

**From:** Ryan Ishizu [rishizu@pukoa.com]  
**Sent:** Thursday, March 26, 2009 10:48 AM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Ryan Ishizu

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government

initiatives.

Thank you for the opportunity to testify.  
Ryan Ishizu

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Andrea Kato

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities.

Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

**Issues with retroactivity may be unconstitutional** The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years.

**Credit Allocations** Elimination of disproportionate credit allocation will cut off out of state investment.

**R&D Credit** Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

**Job and Investment Loss** As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs

created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read 'AKato', written in a cursive style.

Andrea Kato

**24 March 2009**

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

NOTICE OF HEARING

DATE: Friday March 27, 2009  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

**Regarding HB 1583**

**Testimony in Strong Opposition**

With respect, I am submitting testimony in strong opposition to the following bill:  
HB1583

Being in business myself (three active businesses) I fully understand the meaning and terms of budgets, limited resources, economic down turns, reduced cash flow, etc. In addition, because of the current economic status, all of us here in the state of Hawaii and elsewhere need to make adjustments to meet the shortfalls of this situation. As always in business (and government should be no different), decisions and changes have to be made to reduce operating cost to maximize efficiency. One such choice is to always look for more ways to reduce the cost/consumption of utilities. Eliminating or even reducing the energy tax credits would further set back businesses by restricting their ability to lower their monthly out flow of cash especially for electricity. In addition to businesses, the homeowners who also pay one of the highest electricity rates in the U.S. would also be "condemned" to pay that same monthly expense for life without these tax credits. In turn the existing businesses who are vested into the field of alternative energy would thus attain huge setbacks from the diminished renewable energy technology tax credits surmounting the energy tax credits that these bills would eliminate.

The Department of Economic Business Development and Tourism has made considerable gains towards furthering the state of Hawaii's energy independence and these bills would stifle all that work. This would mean having to have wasted valuable tax dollars spent and budgeted for that very purpose. Besides striving to support the 2006 International energy conservation code IECC, the DEBDT is the state's only entity with the ability to conform to President Obama's plans for alternative energy and energy independence for America. These bills will put the state of Hawaii several steps backwards from our goal to meet the 2020 energy independence initiative.

All of these bills will negatively affect every person in this state in some form or another. With the inability to move forward to reduce monthly expenses for individuals, families, and businesses the trickle effect will be to reduce spending and inflict more hurt than help our economy. Also affected would be the very industry (alternative energy) that President Obama has planned to build and is instrumental in his economic stimulus plans. For our state that is too dependent upon fossil fuels and where tourism IS our economic base, we should not be closing the doors to any type of industry that could potentially widen our economy. Especially being in a state where we have a wide array of alternative energy sources it would be utterly foolish not to capitalize on that. The state of Hawaii has the potential to be one of the leaders of alternative energy in the U.S. and even reducing or eliminating these tax credits for "short term" purposes would have a devastating effect on our progress. Consumers (individuals and business; and government too) will not be able to afford these renewable energy systems. For individuals and business who have already committed, purchased, and installed these systems; the "retroactive" repeal of these tax credits would be unfair (can't change rules AFTER the "game" has started). This is not only unfair but also WRONG! No one should be subjected to having the "rug being pulled out from under them" after they had worked so hard and complied with the requirements of these tax credits.

The state of Hawaii is already known for being "anti-business" and the effects of these bills would then prove that label correct. We have growing industries in alternative energy, green building, energy efficiency, and more. We need construction to help our economy, retrofitting would substantially help our economy, the possibilities are there. We need to move from the "old" and into the future. Please don't stop the future of our state.

Thank you very much for your time and attention.

Sincerely,

Kyle H. Onaka

81-6678 Mamo Street  
Kealahou, Hawaii 96750

## Gina Williams

---

**From:** G.A. ROCK [rock96721@hotmail.com]  
**Sent:** Wednesday, March 25, 2009 10:30 PM  
**To:** WAM Testimony  
**Subject:** HB 1583 - RELATING TO TAXATION (strongly oppose)

TO: COMMITTEE ON WAYS AND MEANS

MEASURE: **HB 1583 - RELATING TO TAXATION**

HEARING: Friday March 27, 2009, 9:30 AM Conference Room 211

RE: ***Strong Opposition***

I write in strong opposition to HB 1583, especially regarding the impact it will have upon existing ***HRS §235-12.5 Renewable Energy Technologies Tax Credits***.

### RENEWABLE ENERGY INCENTIVES NEED TO BE MAINTAINED, NOT UNDERMINED

For many years, the State of Hawaii at all levels has been vigorously promoting renewable energy technologies so that Hawaii can become more energy independent, reduce our dependence on importing and burning fossil fuels, and protect our cherished island environment. A fair set of tax credits was devised for this purpose and has been widely promoted by various State agencies and solar energy providers. As a result, the renewable energy industry is now moving forward and the people of Hawaii are now buying into this technology more than ever. Drastically diminishing the existing tax credit allowances with the changes imposed by HB 1583 can only serve to undermine and damage the renewable energy industry in Hawaii, just when we need it most. Is this what the State Government wants to achieve with HB 1583 ? I don't think so.....

### RETROACTIVELY CHANGING THE TAX LAWS IS UNJUST TREATMENT OF TAX PAYERS

HB 1583 calls for limits placed upon the amount of tax credits that can be used in a given year and calls for the postponement of legally entitled tax credit carryovers. This will apply retroactively to individuals who installed renewable energy systems in prior years as well as systems installed under existing laws while the legislatures are even now meeting in the current year. Taxpayers rightly assumed that the tax credits would be applied up to the full extent of taxpayer liability for any given year and carryovers would be allowed in successive years until the credits are fully used, just as HRS rules were written and just as the State has been disseminating for several years in its push to advance renewable energy technology. To now suddenly, and without notice, limit the initial use of and block the carryover use of such credits harshly penalizes unsuspecting tax payers. The State of Hawaii would be breaking a promise to those who purchased renewable energy systems under the very rules it was widely promoting for many years. Would the State ever suspend income tax refunds for several years? Of course not. In either case, to do so would be the same as the State of Hawaii taking an "interest free" loan from the taxpayer by postponing what they should be receiving on a timely basis. Is this fair ? I don't think so.....

### SUMMARY

If HB 183 passes, it will substantially erode a successful set of tax credit incentives for renewable energy technology in Hawaii that have been very beneficial for the people of Hawaii. Predictably, people will not want to risk investing in this technology because they will no longer trust tax credit laws that the State legislature establishes. Who would gamble on relying upon a tax credit system that is changed (especially retroactively) at the whim of government and without appropriate advance notice? No one! Even if the State fully restores the tax credit rules several years in the future, the confidence of the public will have been lost and the incentives for homeowners to invest in renewable energy technologies blunted, perhaps indefinitely. Also, solar energy providers will have suffered significant loss of business and many will have closed their doors or moved on to areas where there is a demand that will sustain their business operations.

Please reconsider this bill, and at the very least exempt *HRS §235-12.5 Renewable Energy Technologies Tax Credits*, just as has been done for several other selective tax credits (ethanol facilities, commercial fisher's fuel, motion picture, digital media, and film production, etc).

Sincerely,

G.A. Rock  
Hilo, Hawaii  
March 25, 2009

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Internet Explorer 8 – Get your Hotmail Accelerated. [Download free!](#)

## kim2 - Arline

---

**From:** helierock@yahoo.com  
**Sent:** Wednesday, March 25, 2009 11:18 AM  
**To:** WAM Testimony  
**Subject:** HB1583 - opposed

To State Legislators;

I write in strong opposition to HB 1583, which reduces tax credits by 75%, as well as suspending tax credit carryovers for tax year beginning Jan. 1, 2009, especially as regards credits for alternative energy systems. While the bill seems reasonable on the surface, it creates a huge burden for those of us who have already such a system installed with the understanding that the tax credit would be available to us.

My husband and I have for many years wanted to install a photovoltaic (PV) energy system on our house, in full recognition of the fact that renewable energy sources are critical to the future of our state and country. However the cost of the system has kept us from proceeding, *until this year*, when we learned that due to the generous energy tax credits recently passed by the state and federal governments, it has finally become affordable for us to take the last big step to become fully "green" in our energy use. Our grid-tied system was installed less than a week ago, and no sooner was it installed, than we learned we are in danger of losing the tax credits we were counting on, advancing the spectre of a huge financial burden to our medium-income household.

Just this morning, I read in the newspaper that our local electric company, HELCO, has been able to reduce toxic emissions from their generating plant due, in large part, to the positive effect of adding renewable resources. Many of my friends and neighbors are moving forward to install renewable resources systems, especially PV, and the repeal of this tax credit could put a huge damper on our efforts to help the state in meeting its alternative energy goals.

I therefore ask you to please reconsider this bill, specifically by making an exception for renewable energy credits (HRS 235-12.5).

Sincerely,

Helie Rock  
Hilo, Hawaii

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Charise Suzuki

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed Relating to Taxation

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB1583 HD1 SD1 Proposed.

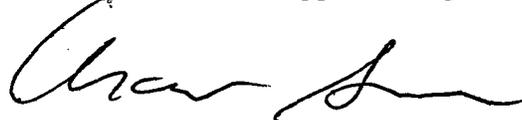
I am an employee of a high technology company that is leveraging Act 221/215 credits to create long term employment opportunities. Overall this bill negatively impacts both the Act 221/215 investor credit and R & D credit and does not contemplate the policy reasons for the existing provisions. Some of the major problems include:

Issues with retroactivity may be unconstitutional The tax credit provisions of Act 221/215 were to be in effect until 2010 and investments were made on that statutory commitment. Any reduction, or suspension of the credit or the carryover provisions prior to 2010 would erode if not destroy investor confidence, would dry up investments, and, we believe, would lead to the demise of a number of qualified high tech businesses. Because credits are claimed over a five year period, this bill would retroactively repeal credits from previous years. Credit Allocations Elimination of disproportionate credit allocation will cut off out of state investment.

R&D Credit Eliminating the R&D credit on 221 investments made in QHTBs eliminates one of the most significant advantages a Hawaii tech company has versus locating on the Mainland, where costs are often substantially less. This credit is not a major cost issue to the State but has a lot to do with why the tech industry is the fastest growing sector in the State.

Job and Investment Loss As noted in the 9/08 DoTax study, these QHTB's spent \$1.4 billion in Hawaii between 2002 and 2007, and were responsible for over 4000 local jobs through either direct employment or contracted services. These expenditures and jobs created a revenue stream for the State of Hawaii. The loss of investment dollars and QHTB's will have a negative effect on Hawaii's economy and the State's revenue at a time when job creation and diversification of Hawaii's economy should be a focal point of government initiatives.

Thank you for the opportunity to testify.



Charise Suzuki

**kim2 - Arline**

---

**From:** Neil Clendeninn [cybermad@msn.com]  
**Sent:** Wednesday, March 25, 2009 1:22 PM  
**To:** WAM Testimony  
**Subject:** HB1583 HD1 SD1 Proposed- Relating to Taxation

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: Neil J Clendeninn MD, PhD

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I live on Kauai but work in the high tech industry, in Biotechnology to be specific. My main field of interest is oncology, cancer. At the present I believe Hawaii could be on the verge of a rapid increase in companies doing pharmaceutical work, especially in Oncology. One of the items that is attracting these companies to Hawaii is the tax incentives. I understand the issues surrounding budget short falls but to nip in the bud a new high tech industry that is poised to start here in Hawaii seems short sighted. Hawaii needs more companies and jobs in the high tech industry. It is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii and to do business that we have some jobs and may get many more. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Neil J. Clendeninn MD, PhD

PO Box 1005, Hanalei, HI 96714

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27

TIME: 9:30AM

PLACE: Conference Room 211

TO: Senate Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

FROM: Stephen K. Oney

University of Hawaii, PhD program graduate in Ocean Engineering

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

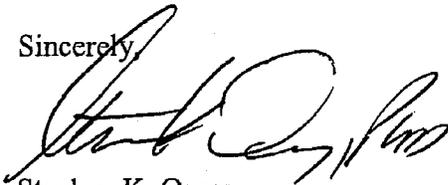
Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

I am an employee at Ocean Engineering and Energy Systems, and one of the many workers employed in the high tech industry in Hawaii. This job is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,



Stephen K. Oney

Chief Technology Officer & Executive VP

Ocean Engineering and Energy Systems, Inc.

808-954-6020

[sony@ocees.com](mailto:sony@ocees.com)

**Gina Williams**

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**From:** Ken Sanders [kens@hawaii.rr.com]  
**Sent:** Wednesday, March 25, 2009 6:56 PM  
**To:** WAM Testimony  
**Subject:** Strong Opposition to HB 1583 HD1 SD1 re. Taxation

Cathleen V. Sanders  
269 Kaelepulu Drive  
Kailua, Hawaii 96734  
Ph. (808) 263-7263

HB1583 HD1 SD1 Proposed- Relating to Taxation

DATE: Friday, March 27  
TIME: 9:30AM  
PLACE: Conference Room 211

TO: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

FROM: **Cathleen Sanders**

Re: Testimony in Strong Opposition to HB1583 HD1 SD1 Proposed - Relating to Taxation

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to submit testimony in strong opposition to HB1583 HD1 SD1 Proposed.

**My husband** is the President at **Ocean Network**, a company in the high tech industry in Hawaii. This QHTB start-up is the result of the incentives provided by Act 221 to encourage high tech companies to come to Hawaii to do business. HB1583 HD1 SD1 Proposed will shut off the flow of critical investment dollars needed for the establishment, survival and growth of early stage high tech companies. The loss of investment dollars poses a real threat to the survival of early stage companies, could lead to a shut down, and the loss of jobs here in Hawaii.

My husband has worked extremely hard for many years to get his new company where it is, and credits Act 221 for being mainly responsible for attracting investors. He says it is also essential to keep Act 221 going so that his present and future investors don't lose faith in the state for their promises in exchange for investment dollars, as well as to help diversify the state.

Mahalo for the opportunity to submit this testimony in strong opposition to this bill.

Sincerely,

Cathleen Sanders