

SB 975

EDT

fukunaga4 - Michelle

From: Democratic Party of Hawaii [dphstaff@inbox.com]
Sent: Monday, February 09, 2009 10:39 AM
To: EDTTestimony
Subject: Democratic Party of Hawaii testimony in support of SB 975
Attachments: BUS RES 08-16.pdf

The Democratic Party of Hawaii wholeheartedly supports SB 975 Relating to High Technology Business Investment Tax Credit, which would amend the High technology Investment credit, also known as Act 221, to provide an aggregate cap on the amount of high technology investment tax credit issued per year.

At our 2008 State Convention, we passed Business and Economic Development Committee resolution 08-16 Urging Support for Tax Incentives and Workforce Development Initiatives that Help Diversify Hawaii's Economy. The resolution states,

"BE IT FURTHER RESOLVED, that the Democratic Party of Hawaii urges support of initiatives that will encourage Hawaii's innovation/technology and emerging industries including: tax incentives, strong research institutions with successful technology transfer, specialized facilities, capital formation, an educated workforce, and a stable and supportive public policy framework; ..."

The full resolution is enclosed. The Democratic Party of Hawaii strongly supports investments in Hawaii's innovation sectors, and thus strongly endorses SB 975.

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BUSIN 08-16 URGING SUPPORT FOR TAX INCENTIVES AND WORK FORCE DEVELOPMENT INITIATIVES THAT HELP DIVERSIFY HAWAII'S ECONOMY

WHEREAS, the Democratic Party recognizes the need for, and supports the diversification of, the State's economy in order to compete successfully in the global economy of the 21st century; and

WHEREAS, Hawaii's emerging innovation/technology industries are a critical component in achieving a sustainable, globally competitive 21st century economy for our people and our State; and

WHEREAS, innovation/technology and emerging industries will reverse the "brain drain", allow our young people to return home, provide living wages for our people, and provide a solid future for our children; and

WHEREAS innovation/technology and emerging industries provide the opportunity for individual prosperity, rewarding and meaningful careers, and economic stability for our State; and

WHEREAS, while many of these innovation/technology and emerging industries are relatively new to the State, Hawaii's R&D and high technology tax credits have spurred new investments by individuals and corporations; and

WHEREAS, even with these incentives, Hawaii is undercapitalized when it comes to venture capital and other forms of business capital, and consistently ranks among the bottom 10 states in VC and small business loans, yet ranks respectably on measure of entrepreneurial activity; and

WHEREAS, dual-use technologies – those that have both military and civilian applications – are a growing sector in Hawaii, with 82 private companies that employ 3,800 workers, with an average salary of \$57,500 (2005 data); and

WHEREAS, Department of Taxation's 2007 report on operations of Qualified High Technology Businesses between 2002-2006 (companies whose investors are eligible for the high technology business investment tax credits) reported that investments received by QHTBs totaled \$821.6 million, that total expenses incurred by these QHTBs in Hawaii totaled \$1.043 billion, that the average employee salaries for these QHTBs was \$56,262, and that 2006 tax filings of 157 QHTBs reported that they created 5,383 jobs since their inception; and

WHEREAS, preliminary data from an ongoing study from the Hawaii Science & Technology Institute, in partnership with state agencies and The Council for Community and Economic Research, indicates that Hawaii's 1,900 core technology companies employ approximately 28,000 people with an average wage of \$67,000, and this 3.3% of the workforce produced an estimated 6% of Hawaii's total gross domestic product for an estimated \$3.2billion in 2007; and

WHEREAS, continued and enhanced support for Hawaii's innovation/technology and emerging industries is critical to the State's long-term economic diversification; now, therefore,

BE IT RESOLVED, that the Democratic Party of Hawai'i supports the further development and growth of Hawaii's innovation/technology and emerging industries; and

BE IT FURTHER RESOLVED, that the Democratic Party of Hawai'i urges support of initiatives that will encourage Hawaii's innovation/technology and emerging industries including: tax incentives, strong research institutions with successful technology transfer, specialized facilities, capital formation, an educated workforce, and a stable and supportive public policy framework; and

BE IT FURTHER RESOLVED, that certified copies of the Resolution be transmitted to the Governor, Democratic members of the State Legislature and the county councils, and the appropriate Committee(s) of the State Democratic Convention.

PASSED WITH AMENDMENTS.



**Hawaii
Aquaculture
Association**

THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

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

FROM: Ronald P. Weidenbach, HAA President

RE: Testimony In Opposition to SB975: Relating to High Technology Business
Investment Tax Credit

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

Thank you for the opportunity to testify in opposition to SB975. The Hawaii Aquaculture Association is opposed to SB975 because we believe the imposition of caps on Act 221/215 is inappropriate at a time when Hawaii needs an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company and high technology industry growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Again, thank you for the opportunity to testify on opposition to SB975.

fukunaga4 - Michelle

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 08, 2009 8:47 PM
To: EDTTestimony
Cc: captcoon@hawaiiantel.net
Subject: Testimony for SB975 on 2/9/2009 1:15:00 PM

Testimony for EDT 2/9/2009 1:15:00 PM SB975

Conference room: 016
Testifier position: oppose
Testifier will be present: Yes
Submitted by: James E. Coon
Organization: Individual
Address: PO Box 847 Kula, HI 96790
Phone: 808-870-9115
E-mail: captcoon@hawaiiantel.net
Submitted on: 2/8/2009

Comments:

I oppose this bill. I believe the tax credits in place have promoted much growth in high tech industries in our State. This would make it more difficult to diversify our economy.
Sincerely,
James E. Coon

fukunaga4 - Michelle

From: Brooke S. Loughridge [b_schim@yahoo.com]
Sent: Sunday, February 08, 2009 11:50 PM
To: EDTTestimony
Cc: Mark Loughridge
Subject: Updated message about SB975: Relating to High Technology Business Investment Tax Credit

> Subject: SB975: Relating to High Technology Business Investment Tax
> Credit
>
>
> DATE: February 9, 2009
> TIME: 1:15pm
> PLACE: Conference Room 016
>
> TO: Senate Committee on Economic Development and Technology The
> Honorable Carol Fukunaga, Chair The Honorable Rosalyn Baker, Vice
> Chair
>
> FROM: Mark Loughridge
> Aloha Island, Inc.
> 1035 University Ave. #202
> Honolulu, HI 96826
> 808-945-7745
>
> RE: Testimony In Opposition to SB975
>
> Aloha Chair, Vice Chair, and Members of the Committee,
>
> Thank you for the opportunity to testify in opposition to SB975. Aloha
> Island, Inc. is opposed to SB975 because the imposition of caps on Act
> 221/215 is the wrong strategy at a time when what Hawaii needs is an
> economic stimulus to preserve and create new jobs. The proposed caps
> reduce investment dollars at a time when Hawaii's growing tech sector
> needs to attract sources of investment to continue to support company
> growth. Tax Department data shows that the benefits of Act 221 have
> already exceeded its costs by a factor of at least 3:1, and this is
> even before State tax revenues generated by Act 221 companies, their
> activities, employees and contractors have been computed.
>
> Published Tax Department data shows more than \$1.2 billion invested in
> at least 333Act 221 companies, which have spent more than \$1.4 billion
> in Hawaii, at a cost of less than
> \$437 million in credits claimed from 1999 through 2007, and this is
> before State tax revenues generated by these Act 221 companies, and
> their activities employees and contractors have been included.
>
> Aloha Island, Inc. is a digital media company that develops games and
> content for educational and entertainment software. We have 8
> employees and would not exist if Act 221 does not exist.
>
> Thank you for the opportunity to testify on this important bill.
>

> Sincerely,
>
> Mark Loughridge
> President
> Aloha Island, Inc.
> 808-945-7745
> b_schim@yahoo.com
>
>
>
>

FAX COVER SHEET

FAX NUMBER 18085866659

FROM Phil Kinnicutt

DATE 2009-02-09 19:22:21 GMT

RE SB 975

COVER MESSAGE

I am strongly opposed to SB 975. Our economy needs all the help it can get. Now is not the time to reduce our diversification efforts when other states are increasing their tax incentives.

Phil Kinnicutt

Kailua, HI

808-254-4534

leafishing@aol.com

fukunaga4 - Michelle

From: Janet S Holman [makuapictures@hawaii.rr.com]
Sent: Monday, February 09, 2009 9:06 AM
To: EDTTestimony
Subject: TO THE COMMITTEE SB975 PINK NEON

Importance: High

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

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

RE: Testimony In Opposition to SB975

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

Thank you for the opportunity to testify in opposition to SB975. **MAKUA PICTURES LLC AND CAG** is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Makua Pictures LLC is a feature film company developing a film to be shot asap as we currently finalize the film financial package:

As per the committee's tax credits to be made available:

"I HAVE SOMEONE WHOM WILL BUY ALL THOSE TAX CREDITS:

I AM **PINK NEON!** AS PINK NEON IS HARD TO FIND AND ALL YOU HAVE TO DO IS ASK FOR THEM!!!"

WARM REGARDS,

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

Janet Susan Holman

www.janetsusanholman.com

Manager

Makua Pictures LLC

CAG (Cook Ad-Venture Group)

Author, Producer, Screenwriter

Phone: 808 778 0007

Email : makuapictures@hawaii.rr.com

Subject: TO THE COMMITTEE SB975

SB975 amends Act 221 to provide an aggregate cap on the amount of high technology business investment tax credit per year.

Makua Pictures LLC is a feature film company developing a film to be shot asap as we currently finalize the film financial package:

As per the committee's tax credits to be made available:

"I HAVE SOMEONE WHOM WILL BUY ALL THOSE TAX CREDITS:

I AM **PINK NEON!** AS PINK NEON IS HARD TO FIND AND ALL YOU HAVE TO DO IS ASK FOR THEM!!!!"

WARM REGARDS,

JAN HOLMAN

MAKUA PICTURES FOR C.A.G. (Cook Ad-Venture Group)

I can be reached anytime on my cell phone at 808 778 0007.

Jan Holman

From the desk of:

Janet S. Holman

Makua Pictures L.L.C.

Tele: 808 235 2211

Fax: 808 356 0891



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

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

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

FROM: Larry Lieberman, CEO
Natural Power Concepts, Inc.

RE: Testimony In Opposition to SB 975

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

Thank you for the opportunity to testify in opposition to SB975.

Natural Power Concepts, Inc. is opposed to SB975 for a number of reasons. The imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

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.

We believe that putting a cap on the annual allowable claims would be likely to stifle investment, since the investment process requires due diligence and can be time consuming. Investors will not want to put a lot of work into preparing to fund a company, only to find that their tax credit somehow evaporates because while

they were in the process of putting a deal together someone else got the last available credits. This type of a scenario could mean their deal would ultimately not qualify for credits due to someone else's unrelated transactions. It seems likely that the cap could also create a scenario in which the "first come first system could be manipulated to favor one company's interests over another. In addition, it would be difficult for companies to promote the availability of the tax credits as part of their fundraising efforts, since the availability could not be guaranteed. This would in many ways defeat the purpose of the original act, since bringing investment dollars into Hawaii from outside investors is what the purpose of the law was in the first place.

In conclusion, we reiterate our opposition to SB975.

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

Sincerely,

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



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

February 9, 2009

TESTIMONY BEFORE THE
SENATE COMMITTEE ON ECONOMIC
DEVELOPMENT AND TECHNOLOGY

SENATE BILL 975
“RELATING TO HIGH TECHNOLOGY BUSINESS
INVESTMENT TAX CREDIT”

Chair Fukunaga and committee members:

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

We do not support SB 975 that would further limit the High Technology Investment credit, also known as Act 221.

Monsanto does not benefit from this particular program in Act 221 because we do not have a separate entity set up for Hawaii. However, we do believe that Act 221 is good public policy that provides an incentive program to energize and attract 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. Maybe 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 this measure.

SB975: Relating to High Technology
Business Investment Tax Credit



DATE: February 9, 2009
TIME: 1:15pm
PLACE: Conference Room 016

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

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

RE: Testimony In Opposition to SB975

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

Thank you for the opportunity to testify in opposition to SB975. Ocean Network is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Ocean Network is a two-year old Ocean Content Aggregation company with a lot of credibility because we're from Hawaii. We have 5 employees so far but will have many more eventually. We wouldn't exist without Act 221; all of our investors support it.

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

Ken Sanders
Ocean Network LLC
Email: ksanders@oceannetwork.tv
www.oceannetwork.tv
"Bringing You the World of Water"

Hawaii's Digital Channel 349
www.OceanNetwork.tv

1132 Bishop Street, Ste. 501, Honolulu, HI 96813
Phone: (808) 521-4020 Fax: (808) 521-2889



Hawaii Island Chamber of Commerce

106 Kamehameha Avenue
Hilo, Hawaii 96720
Phone: (808) 935-7178
Fax: (808) 961-4435
E-mail: admin@hicc.biz
www.hicc.biz

February 9, 2009

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

RE: Testimony In Opposition to SB975

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

Thank you for the opportunity to testify in opposition to SB975. The Hawai`i Island Chamber of Commerce is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at this time. Hawai`i needs to provide every possible economic stimulus for businesses so that they can preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawai`i's growing tech sector needs to attract sources of investment to continue to support company growth. Now is the time to enable businesses to remain here, not to encourage them to leave because tax incentives have been removed.

Published Tax Department data show more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawai`i, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities, employees and contractors have been included.

The Hawai`i Island Chamber of Commerce is comprised of over 700 registered members from over 345 businesses. These businesses range from sole proprietorships to companies that employ over 1000 people. Our mission is to support business by promoting the economic well-being of the Hawai`i Island community as a whole.

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

Sincerely,

Judith Steinman
Executive Officer
Hawai`i Island Chamber of Commerce
exec@hicc.biz