

**NEIL ABERCROMBIE**  
GOVERNOR

**BRIAN SCHATZ**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**FREDERICK D. PABLO**  
DIRECTOR OF TAXATION

**RANDOLF L. M. BALDEMOR**  
DEPUTY DIRECTOR

## LATE TESTIMONY

To: The Honorable Angus McKelvey, Chair  
And Members of the House Economic Revitalization and Business Committee

Date: Tuesday, February 14, 2012  
Time: 8:30 a.m.  
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

### Re: H.B. 2408 Relating to Taxation

The Department of Taxation (Department) defers to the Department of Budget and Fiscal regarding the financial impact removing the exemption may have on the budget proposed for fiscal year 2013.

H.B. 2408 effectively removes the general excise tax exemption suspension imposed under Act 105, Session Laws of Hawaii 2011, for amounts received as high technology research and development grants under Section 206M-15, Hawaii Revised Statutes, as described under section 237-24.7(10), and amounts received from shipbuilding and ship repairs, as described under Section 237-28.1, HRS. The bill would be effective as of June 30, 2012.

The Department notes that the exact financial impact of restoring these two exemptions is unknown at this time. Taxpayers receiving general excise exemptions report their gross income based on broad activity categories and not by industry. In other words, there may be several companies and/or industries reporting gross income in the same manner, but not all may be eligible for a tax exemption.

Thank you for the opportunity to provide comments.



# Pacific Shipyards

I N T E R N A T I O N A L

LATE TESTIMONY

February 13, 2012

The Honorable Representative Angus McKelvey, Chair  
The Honorable Representative Isaac Choy, Vice Chair  
House Committee on Revitalization and Business

Hawaii State Capitol, Conference Rm. 312  
415 South Beretania Street  
Honolulu, HI 96813

## TESTIMONY TO COMMITTEE ON REVITALIZATION AND BUSINESS

Tuesday, February 14, 2012

8:30 AM

Conference Room 312

Hawaii State Capitol

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

On behalf of Pacific Shipyards International LLC, I am submitting this written testimony in response to House Bill 2408. Pacific Shipyards International strongly supports HB 2408, changing the sunset date of the temporary suspension of the General Excise Tax (GET) pertaining to Shipbuilding and Ship Repairs provided for in Act 105, Session Laws of Hawaii, 2011. HB 2408 would restore our industry's GET exemption, effective June 30, 2012.

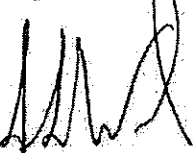
The ship repair industry in Hawaii has been fighting to maintain our industrial base since the mid 1990s. Owing to a number of unique economic factors that exist in Hawaii, our industry struggles to keep Hawaii's military and commercial home ported vessels in the State for ship modernization and repair requirements. Hawaii is the only Island State in the Union. We have a unique, encapsulated economy which restricts our ability to import the material and resources necessary to maintain our industry.

Our ship repair business and others in the industry are also significantly engaged in critical industrial services to our community (other than ship repair), including sandblasting and painting; welding and metal manufacturing; electric motor and generator repairs and service, among others. Imposing a GET on the ship repair portions of our businesses, even for the intended limited duration of Act 105 imposed in 2011, critically impacts our businesses in an already difficult economy, constituting a very real threat to a unique component of our community's fragile industrial base.

Pacific Shipyards International constitutes a significant industrial benefit to our community, with sound skills, technology and employment, good wages and a positive input to the State's tax base. The jobs our company creates and taxes the employees pay – as well as the substantial taxes our company pays on the non-ship repair revenues of our business – are imperiled by the continued imposition of GET on ship repair in Hawaii.

We ask you to support HB 2408 to expeditiously restore the GET exemption normally and appropriately afforded Hawaii's Shipbuilding and Ship Repair industry, to help level the playing field for Hawaii-based ship repair businesses in a highly competitive global industry.

Respectfully yours,



Iain Wood  
Chief Operations Officer  
Pacific Shipyards International, LLC



LATE TESTIMONY

## **Ship Repair Association of Hawaii**

P.O. Box 29001, Honolulu HI 96820

Ph# (808) 848-6211 Fax# (808) 848-6279

February 13, 2012

The Honorable Representative Angus McKelvey, Chair  
The Honorable Representative Isaac Choy, Vice Chair  
House Committee on Revitalization and Business

Hawaii State Capitol, Conference Rm. 312  
415 South Beretania Street  
Honolulu, HI 96813

### **TESTIMONY TO COMMITTEE ON REVITALIZATION AND BUSINESS**

Tuesday, February 14, 2012

8:30 AM

Conference Room 312  
Hawaii State Capitol

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

On behalf of the Ship Repair Association of Hawaii (SRAH), I am submitting this written testimony in response to House Bill 2408. The SRAH strongly supports HB 2408, changing the sunset date of the temporary suspension of the General Excise Tax (GET) pertaining to Shipbuilding and Ship Repairs provided for in Act 105, Session Laws of Hawaii, 2011. HB 2408 would restore our industry's GET exemption, effective June 30, 2012.

The ship repair industry in Hawaii has been fighting to maintain our industrial base since the mid 1990s. Owing to a number of unique economic factors that exist in Hawaii, our industry struggles to keep Hawaii's military and commercial home ported vessels in the State for ship modernization and repair requirements. Hawaii is the only Island State in the Union. We have a unique, encapsulated economy which restricts our ability to import the material and resources necessary to maintain our industry.

#### **The Ship Repair Industry in Hawaii:**

- Employs approximately 750 local, technically trained, well compensated, tax paying Hawaii residents.
- Employs many other residents through companies who support our industry by providing vendor services, materials, equipment, and supplies.

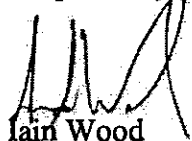
Our ship repair businesses are also significantly engaged in critical industrial services to our community (other than ship repair), including electric motor and generator repairs and service; welding and metal manufacturing and repairs; ventilation and air

conditioning, among others. Imposing a GET on the ship repair portions of our businesses, even for the intended limited duration of Act 105 imposed in 2011, critically impacts our businesses in an already difficult economy, constituting a very real threat to a unique component of our community's fragile industrial base.

The Ship Repair Association of Hawaii and our member companies constitute a significant industrial benefit to our community, with sound skills, technology and employment, good wages and a positive input to the State's tax base. The jobs our industry creates and taxes the employees pay – as well as the substantial taxes our companies pay on the non-ship repair revenues of our businesses - are imperiled by the continued imposition of GET on ship repair in Hawaii.

We ask you to support HB 2408 to expeditiously restore the GET exemption normally and appropriately afforded Hawaii's Shipbuilding and Ship Repair industry, to help level the playing field for Hawaii-based ship repair businesses in a highly competitive global industry.

Respectfully yours,



Iain Wood  
President

Ship Repair Association of Hawaii



**LATE LATE TESTIMONY**

February 13, 2012

The Honorable Representative Angus L.K. McKelvey, Chair  
The Honorable Representative Isaac W. Choy, Vice Chair  
Committee on Economic Revitalization & Business

Hawaii State Capitol, Conference Room 312  
415 South Beretania Street  
Honolulu, HI 96813

**TESTIMONY TO COMMITTEE ON REVITALIZATION & BUSINESS**

Tuesday, February 14, 2012

8:30 am

Conference Room 312  
Hawaii State Capitol

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

On behalf of the Unitek Contracting Group (UCG), I am submitting this written testimony in response to House Bill 2408. The UCG strongly supports HB 2408, changing the sunset date of the temporary suspension of the General Excise Tax (GET) pertaining to Shipbuilding and Ship Repairs provided for in Act 105, Session Laws of Hawaii, 2011. HB 2408 would restore our industry's GET exemption, effective June 30, 2012.

The UCG, which is locally owned, and based out of Pier 41, currently employs a total of 154 employees, 24 of which are employed directly by UTS Maritime Services, LLC (UTSM), which is engaged primarily in the business of ship repair. Other companies within the UCG, Unitek Insulation, LLC, Acutron, LLC & Unitek Supply, LLC, provide support for UTSM in the areas of hazardous material abatement, insulation & industrial supplies. Imposing a GET on the ship repair portions of our business critically impacts our business in an already difficult economy.

Representing the UCG, we ask you to support HB 2408 to expeditiously restore the GET exemption normally and appropriately afforded Hawaii's Shipbuilding and Ship Repair industry, to help level the playing field for Hawaii-based ship repair businesses in a highly competitive global industry.

Respectfully yours, ,

A handwritten signature in black ink, appearing to read 'Darren Hori', with a long horizontal line extending to the right.

Darren Hori  
Chief Financial Officer  
Unitek Contracting Group

**UNITEK CONTRACTING GROUP, LLC**

**UNITEK INSULATION, LLC | ACUTRON, LLC | UNITEK RESTORATIVE SERVICES, LLC**

**UTS MARITIME SERVICES, LLC | UNITEK SUPPLY, LLC**

P.O. BOX 29177 | HONOLULU | HAWAII | 96820 | PH: (808) 831-3076 | FX: (808) 831-3080 | [www.unitekhawaii.com](http://www.unitekhawaii.com)



# Ship Repair Association of Hawaii

P.O. Box 29001, Honolulu HI 96820

Ph# (808) 848-6211 Fax# (808) 848-6279

## LATE TESTIMONY

2/14/12

The Honorable Representative Angus McKelvey, Chair  
The Honorable Representative Isaac Choy, Vice Chair  
House Committee on Revitalization and Business

Hawaii State Capitol, Conference room 312  
415 South Beretania Street  
Honolulu, HI 96813

### TESTIMONY TO COMMITTEE ON REVITALIZATION AND BUSINESS

Tuesday February 14, 2012

8:30 AM

Conference Room 312

Hawaii State Capitol

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

On behalf of the Anawati & Associates QA/QC, a member of the Ship Repair Association of Hawaii (SRAH), I am submitting this written testimony in response to HB2408. A&A QA/QC strongly supports HB2408 changing the sunset date of the temporary suspension of the General Excise Tax (GET) pertaining to Shipbuilding and Ship Repairs provided for in Act 105, Session Laws of Hawaii, 2011.

Anawati & Associates QA/QC is a small 3rd party inspection service that supports the Maritime industry and to a lesser amount construction in general. We are highly trained and are authorized to support the navy vessel repair effort. Maintaining this status is expensive and time consuming but navy work has been at times as much as 70% of our workload. Since the implementation of Act 105 we have seen a steady decline in the percentage of work performed for the military and available for us.

Once again we strongly support the bill to reinstate the GET exemption for Ship Repair..

Respectfully yours,

Jack R. Laws  
Vice President/ Manager  
Anawati & Associates QA/QC Division  
(A member of Ship Repair Association of Hawaii)