



Creating A Better Hawaii
Through Private Enterprise

SMALL BUSINESS NEWS

Volume 34, Number 5 • www.smallbusinesshawaii.com

May 2009

First Hawaiian Bank Captures Top SBH Business Award

Honorees to be Celebrated at Annual Banquet on May 15

First Hawaiian Bank (FHB) has been named the "SBH Lex Brodie Business of the Year—2008" by Smart Business Hawaii. The annual **SBH Business Awards** will be presented at the business banquet, **Friday, May 15** at the **Waialae Country Club** from 5:30 to 8 pm.

The awardees are chosen from SBH members and community leaders from nominees received by the Board of Directors and voted upon annually. The Directors also made several changes in the names of some of the awards to reflect SBH's new "SmartBusiness Hawaii" branding and to honor founder, **Lex Brodie**.

Awards for 2008 to be presented on May 15 include:

- SBH Lex Brodie Business of the Year — **First Hawaiian Bank, Inc** (celebrating 150 years of service in Hawaii) for its high level of customer service and community leadership.

- SBH Jean Fukuda Civic Leadership Award — **Debi Halcro**, Valenti Print Group



Don Horner of FHB

for her service and leadership in behalf of many educational, business and charitable community organizations.

- SBH Young Entrepreneur of the Year — **Emily Pick**, My Gym, for business creativity and entrepreneurial initiative.

- SBH George Mason Outstanding Business Reporting (co-winners): **David Shapiro**, *The Honolulu Advertiser* and **Sean Hao**, *The Honolulu Advertiser*.

- SmartBusiness Success All Stars: **Kedric Dean**, Collection Management Services of Hawaii; **Arla & Walt Harvey**, East Oahu Realty, Inc., and **Shelly Wilson**, Wilson Home Care.

The awards banquet is open to the pub-

lic. A Silent Auction is included.

Entertainment will include famed local pianist **Don Conover**, author, columnist and humorist **Charles Memminger**, and local comedy improv group, **Bobby Duncan** and the **Comedy Crusaders**. It will be a night to remember. Surprise guests too.

Sponsorships available (contact Malia at 306-3161).

Advance reservations are required. Cost for the entire event including free parking is \$100 per person for SBH members and their guests. Special tables available. (Contact Darlyn at 396-1724).

SBH MEMBER CALENDAR

PHONE 396-1724 • FAX: 396-1726

Friday, May 15

SBH Business Awards Banquet

Waialae Country Club

5:30 – 8pm

Monday, May 18

SBH Board of Directors

SBH Office • Noon

Friday, May 22

2009 Small Business Fair

KCC Ohia Building

8 am – 3:30 pm

Thursday, May 28

SBH Sunrise Networking

Matt Longfellow (Marketing)

Macy's Pineapple Room

7 – 8:30 am

SmartBusiness
HAWAII

Matt Longfellow is Sunrise Speaker for May



Smart Business Hawaii's (SBH) monthly Sunrise Networking Breakfast is **Thursday, May 28**, in the Pineapple Room, Macy's Ala Moana, 7 to 8:30 am.

Former "SBH Young Entrepreneur of the Year," SBH Director, and head of ValPak of Hawaii, **Matt Longfellow**, will share his ideas on "Targeted Marketing During a Recession" with you at this month's Sunrise.

Matt and ValPak are doing well in these tough economic times. Learn why and how you can benefit.

Members at SBH Sunrise enjoy a complete buffet breakfast, free exhibit area, networking, and business introductions to boost their business.

The public is welcome. Parking is free. Cost is \$25 for members and their guests who pay in advance; \$35 for non-members and at the door.

Andy Mertz New Legislative Head Page 2
Legislature Wants More Tax Hikes Page 3
KCC to Host Small Business Fair Page 4

Cell Phones Banned in Vehicles Page 4
Rail Costs Understated Page 5
Selling in a Down Market Page 11

More Than 1,000 Attend Hawaii Tea Party Tax Protest • Pages 6 & 7



Smart Business Views

By Sam Slom, President – Smart Business Hawaii

Legislature heading for a May 7 adjournment and more taxes for

you. Take your pick: income, GET, a new sales tax, conveyance, hotel room, tobacco or all of the above. Not one but several. In addition the union card check, successor employer, work comp bad bills and more fees, mandates and restrictions. Business not doing an effective job of speaking out. We can't be silent and we can't give up. Not now. Not ever. The future of private industry is truly on the line, locally and nationally.

Hard to believe that some business organization leaders got sucked into and fell for the government ploy: "Do you want a GET increase or a new sales tax?" The answer of course is neither but **Carol Pregill** of the Retail Merchants said a hike in the disastrous GET is preferable. So did new Hawaii Tourism head (former union official) **Mike McCartney**. Ditto Paradise Cruises. **Jim Tollefson** of the Chamber of Commerce refused to answer. **Carl Bonham** of UH Economics said a little income hike on the "wealthy" wouldn't be so bad. *Pacific Business News* had a luke warm editorial response. The answer to higher business taxes is simply no! Agree or disagree? Only SBH always remains consistent on these issues.

Every business is "going green." That means different things to different people. If you're not "green," you are politically incorrect. Few are examining the true cost of "green."

The April 15 Hawaii tax protest, part of a spectacular national event was awesome. It must be held annually. Mahalo to **Joe "the Builder" Pandolfe** and other organizers.

The sale of AIG Hawaii Insurance to Farmers' Insurance of California April 16 was done quickly and seamlessly but it will have an impact on the auto insurance market here. Competitors' marketing accelerating.

The auction of Ilikai commercial and residential units April 15 still leaves the issue of the hotel and the residences in doubt.

The bankruptcy of General Growth Properties (GGP) will have major impact on Ward developments. The good news is that it will stop the continual assault on Queen Street small businesses—at least for now.

SBH will participate in the Kapiolani Community College Business Fair, Friday, May 22 on campus. SBH will have a booth there. Come by and visit.

You'll buy your next American car from the new owner, the U.S. Government.

Don't miss the annual SBH Business Awards Banquet on Friday, May 15 at Waialae Country Club. First Hawaiian Bank is our top winner. **Charles Memminger**, **Don Conover** and **Bobby Duncan** and the **Comedy Crusaders** will all entertain you. See story on page 1 for details and reservations. It will be a fun night with lots of entertainment, a silent auction and good company.

A proposed Hawaii Capital Heritage Area bill could mean residents and Small Businesses have a lot to lose if the bill becomes law and carves out the area from Pali to the ocean as national historic preservation. Once the NHA management plan is in place, changes to property or buildings may be subject to review and comment by the managing entity—or a community might be re-classified entirely. In December 2008 the Hawaii Capital Cultural Coalition became the proposed management entity. NHAs are run by non-governmental, unelected coalitions and their board of directors. Unlike elected representatives (neighborhood board, council and legislators), they are not accountable to local community stakeholders.

Pasha Hawaii Transport Lines LLC has filed with the PUC to expand Inter-Island freight service, causing Young Brothers to protest saying Pasha would not serve all ports (Molokai, Lanai and Kawaihae) and unlevel the playing field. Young Brothers was also unhappy with the competition that the Hawaii Superferry brought previously.

The swine flu scare is yet another blow to Hawaii's struggling visitor industry this year.

A UH economics study confirmed the Honolulu rail transit will not produce the number of jobs the city government has claimed.

Newest City Councilmember is **J. Ikaika Anderson** who will serve out the remainder of **Barbara Marshall's** term. He won a special, all mail ballot election, with 49 percent of the vote in an 11-candidate field April 23.

Early betting is on **Micah Kane** for the next Kamehameha Schools Trustee.

See you at the KCC Small Business Fair on Friday, May 22.

SBH Sunrise Networking Breakfast this month is Thursday, May 28, 7 am at the Pineapple Room at Macy's Ala Moana. Our speaker is ValPak of Hawaii's **Matt Longfellow**, former SBH Young Entrepreneur of the Year and current member of the SBH Board of Directors. Matt will speak on "Effective Target Marketing in a Recession." Reservations on page 8.



Andy Mertz is New SBH Legislative Chair

Former SBH Small Business Person of the Year, current SBH Director, and owner of Andy's Pool Service, **Andy Mertz** is the new Legislative Chair of the SBH Legislative Coalition. He starts immediately.

Mertz has long been active in legislative issues at the state and county levels that impact small business. In his new role he will be even more active in presenting SBH's legislative platform and garnering testimony.

Andy is already gearing up for the next (2010) legislative session which will begin in January. If you are interested in serving with him on the SBH legislative coalition, please contact SBH at 396-1724 or contact Andy directly at 732-0202. SBH needs YOU!

SMALL BUSINESS NEWS

Volume 34, No. 4 • April 2009

SMARTBUSINESS HAWAII

6600 Kalaniana'ole Hwy., #212 • Honolulu, HI 96825

Ph. (808) 396-1724 • FAX (808) 396-1726

email: sbh@lava.net

Web: <http://www.smallbusinesshawaii.com>

Published monthly by Small Business Hawaii, Periodicals Postage Paid at Honolulu, Hawaii. Small Business News (ISSN #0279-8395)

EDITOR & PUBLISHER: **Samuel M. Slom**
MANAGING EDITOR: **Malia Zimmerman**

DIRECTORS: **Ed Case, Eric Carson, Winnie Chan, Joyce Edwards, Debi Halcro, Walt Harvey, Matt Longfellow, Andy Mertz, Bob Sigall, Sam Slom** and **Geal Talbert**

ART DIRECTOR & PHOTOS: **Melvin Ah Ching**

POSTMASTER: Send address changes to Small Business Hawaii, 6600 Kalaniana'ole Hwy., Suite 212 Honolulu, Hawaii 96825.

Small Business Hawaii (SBH), was founded in 1975, by **Lex Brodie**. SBH is a private, independent, non-profit [501 (c) (6)] statewide association of nearly 3,000 business members.

SBH is dedicated to improving Hawaii's business climate, creating a better Hawaii through private, competitive enterprise, and promoting, educating, and effectively representing small business, while advocating tax reduction, lower business costs and job creation incentives to diversify Hawaii's economy.

SBH invites comment small business issues in Hawaii. Send them to Small Business Hawaii by the 10th of the month for the next issue. Commentaries and news items should be no longer than 800 words; 500 words are desired. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

Legislature Set to Increase Taxes by \$1 Billion

The 25th State Legislature which convened on January 21 and is scheduled to adjourn May 7. The legislature is poised to increase several taxes to nearly \$1 billion over the next two fiscal years.

All of the tax bills currently still alive, could be passed or enacted. The Governor has indicated she will veto a number of tax increases. The Democrats insist higher taxes are needed to balance the budget.

The annual state budget is in excess of \$7 billion, and there is a projected revenue loss of \$2 billion over the next 2 fiscal years and that loss may grow when the council on revenues makes its next projection at the end of May.

That is assuming that the tax increases don't drive activities down that don't generate taxes in the first place

That includes hikes seen in this chart below:

Hardest hit by this redistribution of income will be small businesses and the visitor industry.

At this point, with days left in the session many of the tax positions are still being used by House and Senate Democrats as bargaining chips for other measures.

Several of the threatened tax hike vetoes by Republican Governor **Linda Lingle** could be sustained despite the overwhelming Democrat majority in both the House and Senate.

Some very real differences exist between Majority Democrats in the House and Senate. The difference doesn't involve whether or not to raise taxes on Hawaii's beleaguered taxpayers, only the amount, the kind of tax, and the distribution of more of these taxes.

The House and Senate Republicans, who generally have voted in opposition to these tax increases and have warned of the serious economic consequences should they be enacted, are powerless in terms of numbers to stop the tax hikes with 2 of 25 members in the Senate and 6 of 51 members in the House or sustain most of the Governor's promised vetoes.

BILLS RAISING FEES OR TAXES--FY 2009 SESSION			
Bill #	Description	Revenue Gains	
		FY 10	FY 11
HB 371	Repeals sunset on Naphtha; raises gasoline tax from 1 to 2 cents/gallon	\$6,700,000	\$6,700,000
HB 895	Tax increase on tobacco products	\$1,200,000	\$1,750,000
HB 1175	Cigarette Tax Increase	\$32,300,000	\$25,100,000
HB 1271	Food and Energy Security; increase in tax on petroleum products sold by distributor	Amt undetermined	Amt undetermined
HB 1544	Income Tax Exemption Phase-out	\$14,000,000	\$14,100,000
HB 1550	Deferred comp, taxing rollovers to qualified retirement programs	\$7,000,000	\$7,000,000
HB 1741	Conveyance Tax Increase on higher end properties and reductions in transfers from other funds to GF	\$12,300,000	\$12,300,000
HB 1744	Repeal TAT transfer to counties		\$102,300,000
HB 1747	Income tax increase on high incomes	\$59,100,000	\$59,100,000
SB 199	Tax credit cuts	\$83,300,000	\$76,100,000
SB 971	Conforming to federal income tax; SD2 taxes retirement income over \$50 k; HD1 deleted the tax on retirement completely	Unknown	Unknown
SB 1111	TAT increase, to go to GF: 1% increase 7/1/09 and 2% 7/1/10	Undetermined	Undetermined
SB 1260	Air pollution fees for large polluters (HECO)	\$230,000	\$230,000
SB 1611	Highways; increases in vehicle registration, gas	\$127,000,000	\$140,000,000
	TOTAL	\$336,430,000	\$444,680,000

Prepared by Senate Minority Research Office



KCC's cafeteria will be the location of the 2009 Small Business Fair.

KCC to Host Small Business Fair

Kapiolani Community College (KCC) will host the **2009 Hawaii Small Business Fair** on **Friday, May 22**, from **8:00 A.M. to 3:30 P.M.** at the KCC Campus. This **FREE** fair is perfect for anyone and everyone who is interested in starting a business, expanding a business, or just keeping a business alive in the current economy.

SBH will have a booth at the fair.

Attendees of the 2009 Hawaii Small Business Fair will have the opportunity to visit a number of exhibitor booths in the Kapiolani Community College Cafeteria (second floor of the Ohia Building) to find the services they need. Those services include entrepreneurship training programs, import/export services, small business counseling, loan programs, one-stop licensing and registration, small business information, and more!

Attendees also can attend **FREE** mini-seminars that will be offered throughout the day. Seminar topics include:

- Planning your Business
- Basic Record Keeping for Small Business
- Marketing Techniques
- Advertising Your Business
- Need Money for your Business?
- Doing Business in the Internet
- Web Site Design
- Financial Management Tips for Business

And Much More!

The parking is free, and no registration is needed either for the fair or for the seminars. Just come and go as is convenient. For more information, call **Ed Valdez** at 808-734-9153.

Honolulu City Council Passes Cell Phone Ban

The Honolulu City Council last month passed legislation that will ban Oahu drivers from using electronic devices while driving.

The bill will make it illegal for anyone to hold a cellular phone or other electronic devices while driving. Drivers can still use hands free devices.

The legislation, supported by the Honolulu Police Department, is expected to be signed into law by Mayor **Mufi Hannemann** and go into effect on July 1, 2009.

There is an exemption for drivers who need to make 9-1-1 calls or use two-way radios.

Six council members present supported the ban introduced by Council Members **Rod Tam and Donovan Dela Cruz** including Council members **Duke Bainum, Gary Okino, Nestor Garcia and Romy Cachola**. Council member **Charles Djou** was out of town for the vote, but supported the measure. **Todd Apo** was the sole vote against the bill.

SBH TV on 54

Have you caught SBH TV? If not you can catch it on Olelo Channel 54 every Sunday afternoon at 4:30 p.m.

SBH TV is Small Business Hawaii's monthly TV show that brings you highlights of various SBH events, most notably recaps of our monthly SBH Sunrise Breakfasts. Sometimes the show will deviate to something special like a compelling speech from a visiting guest. Tune in to Olelo 54.

SMALL BUSINESS SERVICES!

FREE First Consultation Meeting!

- Financial Statement Preparation
- Complete Payroll Services
- Personal & Business Tax Returns
- Responsive, Affordable, and Trustworthy



PREMIER
BUSINESS SERVICES

Formerly Century Small Business Services
Hawaii's "Premier" Accounting Company



Peter A. Matsumoto, CPA
President
Personalized Attention
To Every Client!

Phone: **395-5492**
pmatsumoto@hawaii.com

IS PAYROLL A PAIN?

CALL JSE FOR RELIEF

SERVICES, INC.

EMPLOYEE LEASING

- Payroll
- Worker's Comp - TDI
- Health Insurance

ph: (808) 737-4888
fx: (808) 737-1767

www.jsservices-hawaii.com

SERVING HAWAII SINCE 1982



Jack Schneider - President

Observations on the Future of Capitalism

By Kenli and Ken Schoolland

The Polish American Foundation for Economic Research and Education (PAFERE) hosted us for presentations at 17 schools, universities, and public events in 5 cities around Poland over Spring Break. Interviews were provided to radio, television, and newspaper journalists and meetings were held with The Political Club, The Nowogrodzka 44 Discussion Club, and the PAFERE Conference on “Ethical Sources of the Present Crisis: What Will Be the Future of Capitalism?”

Audiences were most interested in hearing about causes and cures for the global monetary crisis. They have a healthy skepticism of the panicked clamor to give trillion dollar bailouts to cronies in the financial sector. In fact, many Poles felt that the “recession” was being over-hyped. How else could American politicians get away with bailout pledges that amounted to more than double the total expense of World War II?



Students, well-versed in the politics of corruption in Eastern Europe, were bitterly amused to learn of the revolving door in Washington D.C. where personnel and payoffs so deftly coursed through the halls of government and allied corporate boardrooms. PAFERE was founded in a staunchly Catholic Poland to combat immoral political behavior that blatantly violates the Seventh Commandment: “Thou shalt not steal.”

Ken did much of the talking and Kenli did most of the thinking. She provided the technical support for power point presentations and coached timing and relevance. Virgis Daukas, Kenli’s “uncle” and founder of the Lithuanian Free Market Institute, provided counsel, transportation, and laughs. [See photo L-R: Virgis, Kenli, Ken]

Other topics included Free Market Ethics, Trade and Labor Protectionism, and the new, third Polish edition of *The Adventures of Jonathan Gullible: A Free Market Odyssey*. People came from all over the country seeking autographs for copies published nine years ago in Lublin and Kraków. Ironically, this educational tool of Small Business Hawaii has made a greater impact in Poland than in Hawaii.

The perennial question on the tour was, “When will the recession end?” We answered with a straight face, “August 23 at 8:47 AM.” But this is not a joking matter for Poles. After all, they experienced the worst of inhuman horrors for half a century, when their neighbors east and west sacrificed personal liberties to political tyrants who promised to rescue them from the 1930’s Depression.

Kenli returned to her studies at the University of Buckingham in the British isles where she is a leader in the Economist Club. Ken returned to the islands where he learned that *Jonathan Gullible* has been renamed *Jamal Attaib* for the new Arabic edition in Jordan. This is the 43rc language edition.

Ken Schoolland, an SBH member, is a member of the Board of Directors for the Small Business Hawaii Entrepreneurial Education Foundation, the Board of Scholars for the Grassroot Institute of Hawaii, and the Board of Directors for the International Society for Individual Liberty.



In addition to rail’s high capital and operating costs, the Outdoor Circle in Honolulu recently declared there is “no other proposal that holds the potential to degrade the landscape of Oahu and change the character of our communities as greatly as the Honolulu transit project. We believe it will be the most visually disruptive project in the history of Hawaii.”

Honolulu Rail’s Operating Costs Understated

By Cliff Slater, Honolulu traffic.com

The City & County of Honolulu forecasts for rail transit’s operating costs are \$68 million annually in today’s dollars while boarding 30 million passengers. And since the City keeps telling us that rail costs less to operate than buses, we thought it a good idea to look at the elevated heavy rail systems in the country and their associated bus systems and see how their actual performance compares to that projected for Honolulu.

There are only two modern rail lines in the U.S. that are elevated third rail systems. We used data from the National Transit Database to compare them to Honolulu.

You will note that we would have to at least double the City’s projected operating costs to be in line with these others. But one of the more interesting factors that came out of this review was to find that in each case the associated bus system was less expensive per passenger trip than rail — exactly the opposite of what the City has been telling us. San Francisco’s buses are even less expensive than its Muni light rail line both per passenger mile and per passenger trip.

The latest FTA Report evaluating rail transit’s operating costs forecasts showed an average cost overrun of 87 percent. This was remarkably close to the only other assessment of operating cost overruns — the Pickrell Report averaging 83 percent.

It is obvious from this is that the projected operating costs for the rail project are severely understated. And since these costs will come directly from property taxes and not from the GE tax, the City Council needs to take a hard look at what they are getting us into.

ENDNOTES:

- i http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2007/agency_profiles/4034.pdf
- ii http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2007/agency_profiles/4094.pdf
- iii Draft EIS Table 3-16 for daily ridership and Table 6-3 for operating costs.
- iv http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2007/agency_profiles/9003.pdf
- v http://www.fta.dot.gov/documents/CPAR_Final_Report_-_2007.pdf

IRS Audit or Employee Leasing

By Jack Schneider, JS Services



One of the most stressful events in business is receiving a letter from the IRS.

When you receive a letter from the IRS your blood pressure immediately goes up, your palms get sweaty, and you ask yourself: What

did I forget to do, what did I forget to pay? Did I pay my payroll Tax on time? Did I fill out my Tax form correctly; did I file it on time? Did I's create very stressful situations.

There are numerous scenarios that will generate a letter from the IRS. Virtually all of the notices are generated by their computer system, with little or no human intervention. If you know how their system works, you can anticipate and prevent these letters from arriving.

Here are two classic scenarios:

1) It is the first pay period of a quarter and you are so rushed filling out the previous Quarterly stuff that you forget to pay the FICA, Medicare and Fed Withholding Tax (941) when due. It completely slips your mind.

For the rest of the quarter, however, you pay all of your 941 tax in full and on time.

One month into the following Quarter, a notice will be generated by the IRS computer and mailed to your place of business. It will state that you owe an amount due for an underpayment of the preceding Quarter's 941 tax, a very large penalty for not paying all of your tax on time, and a large charge for interest on the unpaid amount. The total amount due can be staggering.

Here is the sequence of events as viewed by the IRAS computer. You totally skipped the first payment. The next payment that you made was not credited to the second payroll period. It was credited to the first payroll period – and it was late. Therefore late payment penalties and interest were accrued.

You then paid the third payroll period taxes on time. This payment was then applied to the second payroll period, and you guessed it, it was a late payment. Penalties and interest accrued.

This scenario will play out for the entire calendar quarter. You can readily see how the penalties and interest charges grow exponentially.

If you know what happened (as you do now) you can call the IRS and explain what happened. Believe it or not, they are a reasonable group of people and they do try to help. They will not look at the root cause of your penalties and interest unless you call it to their attention, or until your case goes to collection. The IRS computer is just not set up to catch this scenario.

Some businesses will just pay up and hope the matter will go away. It probably will. However, if you know what happened, and why the charges have added up, you can save yourself a ton of money. A simple telephone call, with an explanation of the cascading effect, will mitigate most of the charges.

There is an easy way to eliminate this type of stress and business distraction. It's called Employee Leasing.

2) You normally pay your 941 taxes electronically. One day your computer freezes up, and the 941 payment is due tomorrow.

You have two choices: You can hopefully have your computer fixed ASAP, and end up paying the 941 tax late, or you can make an on time payment to the IRS at your bank via the tax coupon (Form 8109).

Which would you choose?

Choice one will cause a late payment penalty, but choice two will cause a 10% penalty by making payment via the wrong payment method.

In this scenario it is better to be late and pay by the correct method than to be on time and pay via the wrong payment method.

Eliminate the stress and business distraction by using an Employee Leasing Company.

There is an easy way to eliminate this type of stress and business distraction. It's called Employee Leasing.



"Silent Majority No More" was the theme of national tea parties that took place all over the nation. In Hawaii the tax protest website is active at www.overtaxedhawaii.com.



Joe "The Builder" Pandolfe

1,500+ Attend Taxpayer Protest

More than 1,500 Hawaii residents attended the April 15 Taxpayer Tea Party protest at sites around the state. This was part of a national day of protest against rising taxes, increasing government spending and debt and loss of individual freedom

The largest rally was held in Honolulu at the State Capitol which drew more than a thousand people during the 3-hour event. While the event was non-partisan, no Democrat lawmakers chose to actively participate even though they had been personally invited. The crowd was non-partisan and most attendees did not belong to either major political party. Families, small business, retirees and others filled the Capitol atrium.

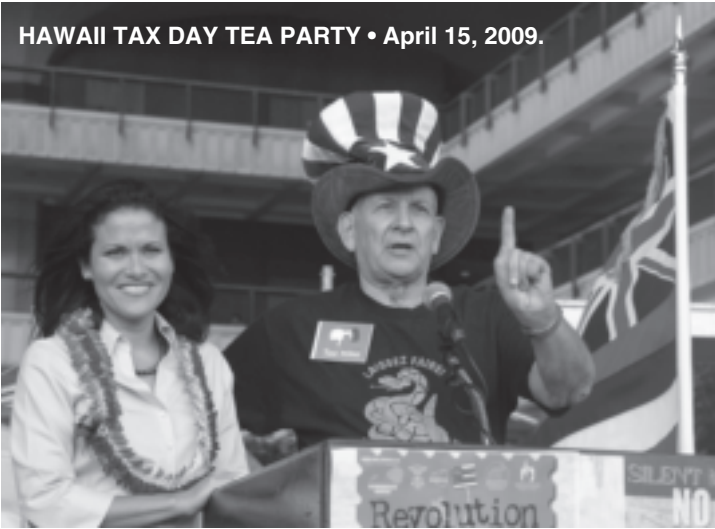
The original spark behind the event in Hawaii was **Joe "the Builder" Pandolfe**, a local small business contractor. Grassroot Institute of Hawaii, Hawaii Reporter and SmartBusiness Hawaii (SBH), Joe Builder, Inc., Hawaii Republican Assembly, Admor HVAC Products, Inc., MacMouse and Screentech Hawaii were among the co-sponsors.

It is hoped this will be an annual event. Some of the groups are planning additional taxpayer rallies this year.



SBH member Don Clothier is a patriotic taxpayer and businessman. More photos of Honolulu's tea party tax rally can be viewed at SBH's website: smallbusinesshawaii.com.

HAWAII TAX DAY TEA PARTY • April 15, 2009.



State Senator Sam Slom speaks up against government waste, bailouts and against new taxes. Slom has consistently voted against all tax increases in more than 10 years in office. Next to him is Rep. Kymberly Pine of Ewa Beach who was one of the organizers of the successful tax rally and another advocate against new tax hikes.



The tea parties brought out a people who were against tax hikes, Obama administration bailouts and much more. Sponsors registered more than 800 names which were added to a database for notifications of upcoming rallies and events. Photo by Jay McWilliams



Don't let Hawaii's children be tomorrow's prisoners of higher taxes, government debt and wasteful spending. Tax Relief Now, Not Tax Hikes!



COMMUNICATE. PROMOTE. ONLINE.

- > Stay ahead of your competitors.
- > Learn about how social networking can help promote your business (blogs social networking sites and more).
- > Your customers are online. They're networking, sharing, collaborating.

Learn how to promote your brand online. Give us a call. We can help.

>> FOR INFORMATION CALL 261-2300
>> Web tools free at www.thebrandstrategygroup.com



Strategy First.

www.thebrandstrategygroup.com
info@thebrandstrategygroup.com



More than 1500 people showed up at the tax rally on April 15 held at the Hawaii State Capitol. Tea Party rallies were held on the same day throughout the nation and around the state in Lihue, Kahului, Kona and Hilo. Despite the large turnout, legislators are still raising many taxes. Photo by Jay McWilliams

Alex, Central Pacific Bank's Loyalty Dog, Retires

By **Shayna Coleon**, Central Pacific Bank

Alex the Loyalty Officer who won over crowds at community events with his fuzzy face and warm demeanor and who served as the symbol of "fiercely loyal banking" is retiring from his post at Central Pacific Bank. After seven years of service at this financial institution, Alex, a Shetland sheepdog, will devote his time to working in the community as he trains for dog therapy certification. The retirement is part of the bank's new advertising campaign with the updated tagline, "Works. For You." that shows the many ways Central Pacific Bank serves its customers, shareholders and community. "Hawaii considers us the bank that's 'Fiercely Loyal,' which Alex succinctly illustrated," said Andrew Rosen, chief marketing officer of Central Pacific Bank. "However, as times change, in addition to loyalty,

we'll be building more on our competitive products, exceptional service and dedicated employees."

In honor of Alex's legacy and new endeavor as a therapy dog, Central Pacific Bank will be donating 2,800 of "Alex's Helpers"—Alex plush dolls valued at \$30,000—to Kapi'olani Medical Center for Women & Children. "With \$2.6 million in annual uncompensated care, we are extremely grateful for community support," said Martha Smith, Chief Operating Officer of Kapi'olani Medical Center. "As a non-profit, and as Hawaii's only full-service children's hospital, we have unique needs. The hospital does all it can to make a family experience less stressful, and the Alex dolls are an ideal donation because they allow us to provide a sense of normalcy and comfort—and sometimes even fun."

In addition to providing comfort and to

children in the ER and during hospital stays, the Alex dolls will be used as tools to assist with the healing and recovery process of the children in pediatric speech, audiology and physical therapy treatments. Some dolls will also be retrofitted with wiring devices for Ho'omana, Kapi'olani's Assistive Technology and Augmentative Communication Program. It is the only program of its kind in Hawaii, providing services to children who need alternative methods and tools to communicate.

Susan LaFontaine, Director of Rehabilitation Services at Kap'iolani, said, "Infants and young children will learn 'cause and effect' early on with the Alex dolls since the toys will be attached to an apparatus that, when touched, will activate the toy. If a child is unable to speak because he is on a ventilator, or has a condition that impairs his ability to use words, we can utilize this technology to allow him to express his needs."

Last year, Kapi'olani's rehabilitation therapists provided support to more than 20,000 children. The cost to adapt the Alex plush toys ranges from \$5 to \$12 each, which is nominal compared to the cost of ordering ready-made therapy toys. The nonprofit Kapi'olani Medical Center for Women & Children is Hawaii's only Pediatric Specialty Hospital and High Risk Maternity Center. With 197 beds and 90 bassinets, it is a tertiary care medical teaching and research facility specializing in the care and treatment of women, infants and children. Pediatric services for children throughout the state and Pacific region include intensive care for infants and children, 24-hour emergency care and pediatric air transport. 2009 marks the Centennial Anniversary of pediatrics at Kapi'olani.

Alex the Loyalty Officer debuted in 2002 in the Central Pacific Bank commercial Mascot Casting that showed how the Shetland sheepdog was selected as Central Pacific Bank's symbol of "fiercely loyal banking" after he heroically saved someone from a falling spotlight.

Central Pacific Financial Corp. is one of the largest financial institutions in Hawaii with more than \$5.4 billion in assets. For additional information, please visit the Company's website at <http://www.centralpacificbank.com>



SBH SUNRISE

Thursday, May 28, 2009 • 7:00 – 8:30 a.m.
Pineapple Room, Ala Moana • Breakfast / Free Parking

Matt Longfellow, ValPak of Hawaii
"Effective Target Marketing in a Recession"

Reservations made in order received at SBH. No tickets mailed – pick up at registration desk May 28. Your guests welcomed at member price. Refunds until May 27.

Advanced Paid Reservations Required by May 26.

Complete Breakfast Buffet and Free Parking (Ala Moana 4th floor) included

Name _____

Firm Name _____ Phone _____

Address _____ City/Zip _____

My Guest(s) _____

(Firm) _____

Enclosed is my check for* \$ _____, for _____ (number) people
@ **\$25 per member** and their guest(s) who pay in advance.*

Clip and mail with a check to "SBH Sunrise" to:
Small Business Hawaii,
6600 Kalaniana'ole Hwy. #212
Honolulu, HI 96825

*The charge is \$35 for non-members, and at the door, provided space is available.

Lawmakers' Overt Grab for Money Could Mean Higher Costs

by **Lowell Kalapa**,
Tax Foundation of Hawaii

Lawmakers are again being asked to change the state's productive general excise tax to look more like a retail sales tax so they can collect taxes on purchases made from out-of-state vendors.

The Streamlined Sales Tax Project's Model Agreement and Act (SSTP) is a project undertaken with other states that is intended to simplify sales and use tax administration as it relates to multiple sales and use tax rates, definitions, and taxing jurisdictions. Goals of the project include the establishment of a single sales tax rate, uniform definitions of sales and use tax terms, requiring states to administer any sales and use taxes, and a central electronic registration system to allow a seller to register to collect and remit sales and use taxes for all states.

However, at the national level there appears to be a number of difficulties in the negotiations and unanimous agreement is far from reality. Before jumping on the bandwagon, lawmakers should exercise care, as it should be remembered that Hawaii does not have a sales tax as found in other states. To the contrary, the general excise tax, while viewed as a sales tax, is a far cry from the retail sales tax structures found on the mainland.

What is not evident in the proposal under consideration is that by participating in the consortium known as the SSTP, Hawaii businesses will be required to collect the sales taxes of other states when purchases are made by residents of that state. The cost of collecting, accounting, and remitting those taxes will add even more overhead costs to operating a business in Hawaii.

So why is there such enthusiasm on the part of the legislature to participate in the SSTP? Lawmakers have been promised hundreds of millions of dollars that could be had if the state would just participate in the project. The suggestion came to the 2001-2003 Tax Review Commission on the recommendation of their consultant who was already an advocate of the project.

Of course, no thought was given to how this would affect Hawaii businesses and what additional costs there would be. Given the fact that Hawaii businesses will now have to operate in a different mode insofar as the general excise/SSTP sales tax, will lawmakers compensate businesses for undertaking



the collection of other states' retail sales taxes?

Indeed, the law being proposed in this measure is a hybrid of the current general excise tax law and a retail sales tax. It retains the two-tiered wholesale/retail system and keeps the tax imposed on services as well as on business-to-business transactions.

So the measure attempts to have the best of both worlds - to force other states to collect our general excise tax while retaining the pyramiding features of the general excise tax.

This is a major change in the state's largest source of general fund revenues. The changes that the SSTP would require would alter not only the past interpretation of the general excise tax, but it may also have a major impact on the revenue producing capacity of the tax.

One of the key issues still under discussion amongst the members who have already signed on is "where" does the sale occur. For a number of the larger states like California, Illinois, and Texas which have much at stake since they are states that manufacture goods shipped to other states, the sourcing rules they adopted use "origin"

based rules, that is the tax that is imposed at the place from which the goods are shipped and not where the purchaser takes possession.

The proposal is ambiguous at best as in some cases being origin based as long as the purchaser takes possession of the goods at the place of the business, but provides, on the other hand, for the taxation at the address to which the goods are delivered. It is this destination rule that causes the most problems for businesses, as they must now deal with a plethora of rates depending on the number of states from which they receive orders for their goods. While some states may elect destination, there is no doubt that the larger states will elect origin sourcing as they are probably net exporters of goods. That being the case, Hawaii residents could end up paying the Illinois or California sales tax on their purchases from out-of-state vendors and in the long run, the purported windfall will turn into a disaster for Hawaii.

Under current law the Hawaii use tax would have been due on those purchases. While difficult to enforce, the mechanism to collect on those purchases already exists. So why hang another cost on business?

Lowell L. Kalapa is the president of the Tax Foundation of Hawaii, a private, non-profit educational organization. For more information, please call 536-4587 or log on to <http://www.tfhawaii.org>



Hot Garage
REVOLUTIONIZING THE GARAGE

1738 Silva Street
Honolulu, Hawaii 96819
Ph. (808) 843-8011
Fax (808) 848-2784
www.1hotgarage.com



Flooring • Wall Systems • Overhead Storage • Cabinets • Organizers • Hangers • Accessories

Unfair Taxes to Cort: SBH, GRIH Support Amicus Brief

By Pete Sepp

Suppose executives from Company A, an over-the-counter medicine manufacturer, are told by their marketing team that their product, which they claim will relieve the common cold, is losing consumer appeal as well as money. Meanwhile, Company B, another firm in a similar line of business that has developed a different remedy, is winning over new customers and reaping additional profits as a result.

In a market-based economy where the laws of supply and demand rule, company A's executives would tell their marketing team to come up with a better ad campaign, or tell their researchers to come up with a new and improved product that will recapture their market share from Company B.

But suppose instead that Company A and Company B operate in a market where powerful politicians rule. Company A throws its dwindling supply of cash into lobbying public officials rather than competing honestly against Company B. Through pressure tactics, wining and dining "the right people," promises of electoral support, and campaign contributions, the lobbyists succeed in getting a new tax enacted on Company B whose revenues are transferred directly to Company A.

Most citizens who believe in the principles of fair play and limited government would find that scenario outrageous, almost impossible to believe. Well, prepare to be outraged.

In 2006, the Illinois Legislature invoked a 3 percent surcharge on Illinois' top-performing casinos. Those revenues, as directed by the statute, were to be transferred in whole to Illinois racetracks with no funds being contributed to state programs. That law sunsetted, but was strong-armed once again through the Illinois Legislature in November 2008.

The second bill earned notoriety after transcripts were released by the U.S. Attorney's office late last year. The 2008 legislation is alleged to be one of the pay-to-play schemes constructed by Rod Blagojevich, the scandalized former governor. He has been accused of trading his support for the bill for campaign donations from the racetrack industry.

However they feel about the gambling industry, each and every taxpayer ought to

be concerned over this kind of arbitrary and politically tainted policymaking. If taxes can be used simply as transfer mechanisms from unpopular industries or companies to popular ones, there is no limit to the economic mischief that public officials could make. America's tax system is already complex enough, much of it due to laws enacted out of political rather than fiscal or economic considerations.

According to a National Taxpayers Union study conducted last year, the cost for compliance with the federal tax system by corporations is \$156.5 billion. To put that figure into perspective, it represents 44 percent of the \$353.9 billion of corporate income taxes collected in FY 2006. Small business owners, meanwhile, face huge compliance burdens of their own. An IRS estimate published last year determined that self-employed taxpayers who file Form 1040 and associated schedules toil the equivalent of a two-week paid vacation – over 80 hours in all – working for the IRS to satisfy the requirements of the tax laws.

As Smart Business Hawaii We're Now on Twitter

One of the new things we're doing as **Smart Business Hawaii** is taking the first baby steps into the world of social networking. Our marketing partners The Brand Strategy Group has set up our Twitter page at the following URL:

<http://twitter.com/SBH808>

You can subscribe to our Twitter stream by going to the above URL and adding us as your friend. We will be updating the stream on a regular basis when we have breaking news and announcements to make.

Twitter is a personal micro-blogging application and online tool that is accessible from computers and mobile devices such as smart cell phones. Many firms have adopted Twitter as a cheap online marketing tool.

Our new website is also in the works and will be coming online soon.

Imagine how much worse this problem would be if the kind of blatant tax favor-trading embodied in the Illinois statute were allowed to take root across the country. Fortunately, taxpayer advocates are fighting back. After see-sawing back and forth through the Illinois judiciary system, a lawsuit against the tax by the casinos against the State Treasurer (Empress Casino Joliet Corp. v Giannoulas) may reach the door of the U.S. Supreme Court. Should the nation's highest court decide to hear the case, Illinois' odious tax and the flawed motivation behind it could be stopped dead in its tracks.

That's where National Taxpayers Union, Grassroot Institute of Hawaii, Hawaiian Values, and Small Business Hawaii come in. These four organizations have joined with six other citizen groups and think tanks from across the country in filing a Friend of the Court, or amicus, brief urging the nine Justices to take up *Empress v. Giannoulas*.

The amici assert that a law forcing one segment of an industry to directly support another industry imposes a taking without just compensation in contravention to the Fifth Amendment of the U.S. Constitution. Furthermore, the brief argues, if the law at issue is not subjected to scrutiny under Amendment V's "Takings Clause," states everywhere (including Hawaii) may be inclined to enact similar subsidies – and with them a corrupt, undemocratic process that the Framers of the Constitution would have abhorred.

NTU's collaborative amicus brief is just one of at least six being filed in *Empress v. Giannoulas*, meaning the case may have a better chance of attracting the Court's attention and making it through a normally difficult docket process.

Taxpayers cannot afford to take a gamble with unethical political practices such as these. Unless the Supreme Court intervenes, the trend of levying discriminatory taxes will worsen, and taxpayers everywhere will suffer. And the disease will be harder to cure than even the common cold.

Pete Sepp is Vice President for Policy and Communications for the 362,000-member National Taxpayers Union - <http://www.ntu.org> - a nonpartisan citizen organization founded in 1969 to work for lower taxes, limited government, and economic freedom at all levels. NTU has nearly 2,000 members in Hawaii.

Selling in a Down Market, Back to Basics

By **Walt Harvey** (R), East Oahu Realty



Let's face it: home prices are down in Hawaii and some experts believe they will go lower! While so called experts rarely agree, the reality is that home owners that need to sell are facing a buying public that is cautious and influenced by the negative media coverage of our market.

Interest rates are at all-time lows.

As I write this article, 30 year fixed rate mortgages are around 4.5%! That's the lowest rate I've seen in 27 years as a real estate professional! Yet many buyers are fence-sitting. Do they think rates will drop further? No, they feel that prices will drop further!

What's a homeowner to do if they need to sell in this market? Get back to basics: location, condition and price. A seller obviously cannot change the location so that leaves condition and price, both of which a homeowner can control.

Buyers have choices. They are looking for value and they want a home that's move-in ready and priced well or they want a steal. Sellers have choices. They can spruce up their home, make it sparkle, and price it at market or slightly below, or they can price it aggressively below market and attract the bargain hunters. The goal is to make the home irresistible and move the buyers off the fence. Both strategies may attract multiple offers and the home may sell quicker than competing homes.

In both cases, be realistic on selecting a price and how long you're willing to have your home on the market. Your agent should prepare a Comparative Market Analysis for your neighborhood, indicating homes that have recently sold and how long they were on the market or absorption rate as well as show homes you're competing against. Choosing the right agent in a down market is crucial because you need the truth! Choose wisely.

Walt Harvey is a real estate broker with East Oahu Realty and is Quality Service Certified®. Walt specializes in residential, commercial and investment real estate. You can reach him at this website: www.coastalhawaii.com or call 375-8959 or toll free at 866-773-3351.

Welcome New Members

These firms have been added to our online directory. Go to smallbusinesshawaii.com.

BW Management Solutions, LLC

Phone: 537-4686
Business Consultant

Custom by Chris

Phone: 792-8786
Contractors

G4S Wackenhut

Phone: 839-1185
Security Services

Hope Solutions

Phone: 343-1638
Business Services

Kevin S Kennedy Consulting, LLC

Phone: 286-5786
Environmental Consulting

Nestle Toll House

Phone: 630-9396
Dessert Retail

Wealth Strategy Partners, LLC

Phone: 457-7409
Financial Planning

Mail with check to: **SMALL BUSINESS HAWAII • Hawaii Kai Corporate Plaza
6600 Kalaniana'ole Hwy., #212 • Honolulu, HI 96825 • Phone (808) 396-1724 • FAX (808) 396-1726**

Attached is my check for \$_____ (regular annual membership dues are \$200; \$350 for 2 years). Annual membership dues may be tax deductible to your organization under IRS Code Section 501(c) (6). Please check with your tax advisor. Billing is annual on the anniversary of my last payment. Ten dollars of my annual membership is allocated for a subscription to the monthly *Small Business News*. I am applying for membership and understand SBH does not sign up anyone for medical or benefits only; I agree to actively support the goals of SBH and actively participate in SBH activities. I certify that all information on this form is current and accurate.

PLEASE TYPE OR PRINT Current Hawaii GET# (required) _____

Name: _____ Date: _____

Firm: _____ Title: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ FAX: _____

Optional: Home Page URL <http://> _____ E-Mail: _____

Membership Category: Regular Voting Member Retired member **Friend of SBH** (No G.E.T. # required).

I Do **DO NOT** wish to be listed in the annual SBH Referral Directory. Category: _____

Medical Desired: Kaiser Summerlin Referred By: _____

SIGNATURE: _____

**IF YOU MEAN BUSINESS...
PLEASE JOIN SMALL BUSINESS HAWAII**



SMALL BUSINESS NEWS

May 2009

6600 Kalanianaʻole Hwy., Suite 212
Honolulu, Hawaii 96825
Phone 396-1SBH (1724)
www.smallbusinesshawaii.com

Pacific Basin Communications Acquires Lei Chic

PacificBasin Communications, publishers of eight local magazines including Honolulu and Hawaii Business, has added Lei Chic, a local e-mail magazine covering fashion, shopping, eating out and other topics, to its family of publications.

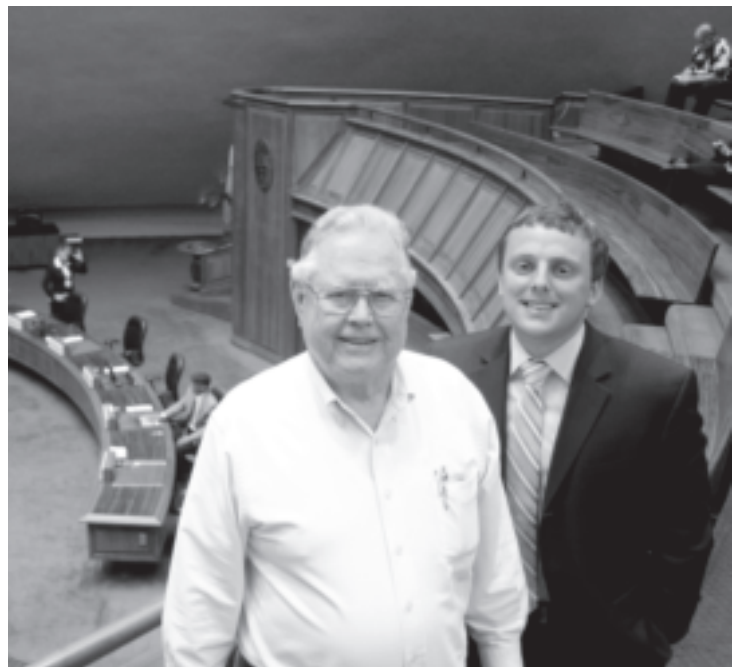
Lei Chic founder **Alyson Helwagen** will join PacificBasin and continue in the role of publisher. In addition, Helwagen has been named Editor for PacificBasin's custom publishing division, and will oversee Ala Moana Magazine, Ward Centers Magazine and Whalers Village Magazine.

Lei Chic was launched in November 2007 and delivers one article per day via email. Each story gives readers the inside scoop on topics like new local designers, innovative spa treatments, or new restaurants. The editorial focus is to highlight undiscovered or under-the-radar news about local fashion, shopping, beauty, home, eating out and personal services. Because the magazine is supported by advertising, it's free to subscribe as well as access the complete story archives on the site.

"PacificBasin is the perfect home for Lei Chic," said Helwagen. "I am excited to be a part of such an established and respected media company, and look forward to growing the Lei Chic brand."

Reading Lei Chic's daily email is like having a well-connected, very plugged-in girlfriend who sends you a quick email each morning about something you'd want to know. Stories are emailed Monday through Friday to the magazine's nearly 4,000 subscribers and posted online at www.leichic.com.

Helwagen also appears every Thursday on KGMB 9's Sunrise morning program in a segment called Living Lei Chic, where she and anchor Grace Lee do more in-depth reporting on a story that has appeared on Lei Chic.



Joshua Culling, State Government Affairs Manager of the National Taxpayers Union was recognized by SBH President and State Senator Sam Slom in the Senate chamber during a regular session of the legislature on April 28. Culling who is shown with Grassroot Institute of Hawaii's Richard Rowland (left) was on a short speaking tour in Hawaii that week which also included an appearance at SBH's Sunrise Breakfast on April 30. He spoke on "President Obama's Stimulus Package & Its Impact on Hawaii." See page 1 for details on this month's SBH Sunrise Breakfast which features Matt Longfellow.

SmartBusiness
HAWAII