



John Fund of The Wall Street Journal

Photo by Gage Skidmore

## “Climate Change for Hawaii Business”

### 36th Annual Conference on January 11

Hawaii’s first major business and investment conference of the New Year is coming January 11!

The 36th Annual SBH Business & Investment Conference will be held January 11, 2012, from 8am to 2pm at the Ala Moana Hotel, Garden Lanai and Hibiscus Ballroom. You will not want to miss this event.

The theme of the conference is: “Small Business 2012—Climate Change for Hawaii Business?”

**John Fund** of *The Wall Street Journal* will keynote the luncheon program at noon and share his insight on the importance of this year’s elections on business. **Mark Dunkerley**, CEO of Hawaiian Airlines will discuss business opportunities and challenges in Hawaii. Hawaii Supreme Court Justice **Mark E. Recktenwald** will discuss coming judicial reforms in Hawaii and computer guru, **Peter Kay** will provide you with secrets of social media for your business.

*Continued on Page 3.*

## Victoria’s Secret GM Speaks at First Sunrise

**Regina Ossey**, General Manager of the highly successful Victoria’s Secret retail stores in Hawaii will be our special guest speaker at the first monthly SBH Sunrise Networking Breakfast of the year.

She will discuss retailing challenges in the State of Hawaii.

Ms. Ossey has been with Victoria’s Secret since 2005 and has held management positions at stores in California before being promoted to Hawaii in May, 2011.

SBH Sunrise will be on **Thursday, January 26, 2012** in the Pineapple Room, Macy’s Ala Moana Center from 7 – 8:30 am. Sunrise is held the last Thursday of each month.

The public is welcome to the and advance reservations are required.

SBH members and their guests pay \$25 (in advance) for networking, the program, a complete buffet breakfast and free parking.

Participants are all introduced and may bring promotional materials. The cost is \$35 at the door if space is available.

**Phyllis and Lois Shimabukuro of Mikilua Farms**, spoke at the last (Nov. 2011) Sunrise Breakfast. They discussed the importance of Hawaii agriculture and buying local.

Call Darlyn at SBH 396-1724 for reservations or mail the reservations form on page 11 or register on line: <http://smartbusinesshawaii.com/index.php/events/rsvp>

### SBH MEMBER CALENDAR

PHONE 396-1724 • FAX: 396-1726

Monday, January 9

**SBH Board of Directors Meeting**  
SBH Office Hawaii Kai • 12 noon

Wednesday, January 11

**36th Annual SBH Conference**  
**John Fund**

Wall Street Journal  
Ala Moana Hotel • 7 am – 2 pm

Thursday, January 26

**SBH Sunrise Networking Breakfast**  
Macy’s Pineapple Room  
Ala Moana Center • 7 – 8:30 am

SmartBusiness  
HAWAII

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# Smart Business Views

By Sam Slom, President – Smart Business Hawaii

Happy New Year! I believe 2012 will be the tipping point for our Nation, Hawaii, and your business. Stay healthy and strong.

You must attend our SBH 36th annual business and investment conference, Wednesday, January 11 (8 am – 2 pm) at the Ala Moana Hotel. The *Wall Street Journal's* **John Fund**, Hawaii Supreme Court CJ **Mark Recktenwald**, climate expert, **Dr. Wendell Cox**, ALEC's **Jonathan Williams** and more. Bring a guest. See the story on page 1.

**Hawaiian Airlines** is certainly doing its part to help end unemployment by creating more jobs here. HAL is expanding its Asian and East Coast (NYC) routes next year. In December, HAL held job interviews for 275 new flight attendant positions; more than 2,000 pre-screened applicants attended. HAL currently employs 4,200 persons. Reminder that HAL CEO/President **Mark Dunkerley** will be leadoff speaker at the 36th annual SBH business conference, January 11.

Best quote of the decade came from **Jon Corzine**, former US Senator, Governor of New Jersey, and CEO of MF Global, the 8th largest investment money fund in the US, on the loss or misuse of \$1.2 billion in customers' trust funds: "I simply do not know what happened to the money." Corzine used to pass laws on business and taxpayers while in the Senate.

The big new **Safeway** at 1234 S. Beretania Street opened December 17, replacing its old store less than a block away at 1121 S. Beretania St., which will become a Walgreen's and Petco later this year.

The 2012 State Legislature opens Wednesday, January 18 (10 am) and is set to adjourn in early May. Gambling and taxes still top of mind. Hold onto your wallets!

**Alexander & Baldwin**, announced it will divide the company into two publicly traded companies, **A&B**, a Hawaii-based land company and **Matson**, a market-leading ocean transportation company. The separation is planned for the second half of 2012.

**The Tax Foundation** in Washington, D.C. turned 74 years old last month and the respected trade journal *State Tax Notes*, named the Tax Foundation as the 2011 Organization of the Year.

**Tom Griffin**, President of Honolulu Ford has been selected as a finalist for the prestigious Time Quality Dealer of the Year Award. Griffin is one of only 50 finalists

nominated from among the 17,000 automobile dealers across the nation. Selected on the basis of their successful dealerships, dedication to community service and other accomplishments, Griffin will be honored at the upcoming National Automobile Dealers Association (NADA) convention in Las Vegas. The Time Quality Dealer of the Year Award is sponsored by *Time Magazine* partnership with Ally Financial and the NADA.

The new luxury Hawaii Kai condo project, **Hale Ka Lae**, announced the project will be temporarily suspended. The release came from COO **Mike Grecco**. An elaborate ground breaking ceremony was held last November. The project backer, Hanwha E&C of Korea, said the suspension is a result of the global economic and financial turmoil.

**Phyllis Shimabukuro** and sister Lois, Mikilua Poultry, Inc., spoke on "Buy Local: Challenges to Hawaii's Agricultural Products" at the November 17 SBH Sunrise Networking Breakfast forum, the final forum for 2011.

**SBH Sunrise** will return Thursday, January 26, 7 – 8:30 am in the Pineapple Room, Macy's Ala Moana, with **Regina Ossey** of Victoria's Secret. Seating is limited; advance reservations required. Call 396-1724 or send in the form on page 11.

On the first Sunday of every month from 10 am – 1 pm, **Maunaloa Communities Foundation** (MCF), formally the Independence Day at Maunaloa Bay, will invite local farmers, artisans, food vendors and community groups to gather at Koko Marina Center in the parking lot between First Hawaiian Bank and Chevron gas station. The new program began November 6.

The **Honolulu Authority for Rapid Transit** (HART) committee met in December and approved a \$1.4 billion contract for construction of the City Rail Transit project with the Ansaldo Corporation, despite the firm's checkered past and questionable finances. The HART members should be compelled to give their personal financial guarantee on this boondoggle. Not to worry, however, since the Italian government will back Ansaldo 100%. Yikes! Meanwhile, the court challenge continues against the \$6 billion project with SBH Foundation as one of 7 plaintiffs.

What? Not receiving your weekly electronic copy of SBH News + Views? Call Darlyn at 396-1724 to subscribe.

Let this Year of the Dragon light a fire to bring you good luck and success.

## Governor's GO Bond Sale Creates More Debt

A record breaking \$1.3 billion **Hawaii General Obligation Bond** sale was announced by Governor **Neil Abercrombie** at a press conference held at the Chamber of Commerce last month.

Unlike the Chamber, which gushed at the news, "thank you Governor for this gift to business," Smart Business Hawaii recognizes the GO sale for what it is: **more debt, more government spending** and a greater burden for small business and Hawaii's taxpayers.

Sure, the state got a good interest rate and saved some money on refinancing (remember how Linda Lingle was criticized for that?) but it is debt, not greater economic vitality, not "new" money or an improved business climate. Besides, some of the borrowed money will be used to pay back the raids on the Hurricane Fund and Rainy Day Fund; not prudent fiscal policy.

This was not a joyous event to cheer



## SMALL BUSINESS NEWS

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SMART BUSINESS HAWAII (SBH)  
6600 Kalaniana'ole Hwy., #212 • Honolulu, HI 96825  
Ph. (808) 396-1724 • FAX (808) 396-1726  
email: sbh@lava.net

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

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

DIRECTORS: Debi Halcro, Matt Longfellow, Andy Mertz, Jack Schneider, Bob Sigall, Sam Slom, Fred Smoot and Geal Talbert.

LAYOUT & GRAPHICS: Melvin Ah Ching

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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 2,000 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. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

# SBH Conference on January 11

*Continued from Page 1.*

But there's more! The American Legislative Exchange Council's (ALEC) **Jonathan Williams** will rank Hawaii among, "Rich States, Poor States," and **Dr. Wendell Cox** of Demographia, examines Hawaii's transportation and infrastructure projects by priority and the ability to pay.

Business success tips will be featured on a panel with **Marissa Capelouto** (Oahu Express), **Tyler Roukema** (Outback Steak House) and **Matt Longfellow** (Valpak of Hawaii).

Initial conference sponsors include: **McDonald's of Hawaii**; **Aston Hotels**; **Charley's Taxi**; **ClearChannel Broadcasting**; **Edward Enterprises**; **HawaiiReporter**; **Oahu Express, Ltd.**; **Peterson Sign Co.**, and **Valenti Print Group**. If your firm would like to co-sponsor the conference or a conference event such as a continental breakfast or refreshment break, please contact Malia at 808-306-3161.

For a complete program agenda and reservation form, see page 8 or sign up online at [smartbusinesshawaii.com](http://smartbusinesshawaii.com). Advance reservations required. Reserve now!



Legislative committees met during the interim leading up to the 2012 session listening to various groups including business, state departments and non-profits. Budget requests coming from all of the departments will be part of the money committees annual informational briefings leading up to opening day, which is slated to be "scaled back" on January 18.

## State Legislature Convenes January 18

The 2012 State Legislative Session convenes on Wednesday, January 18, 2012. The 60 working day session will continue until the first week in May.

**Calvin Say** continues as Speaker of the House and **Shan Tsutsui** of Maui remains Senate President. Rep. **Gene Ward** is the Minority Leader of the 8 (of 51) House members and Sen. **Sam Slom**—the only Republican of 25 Senators—heads up the Senate Minority.

Former House Majority Leader, **Blake Oshiro**, was tapped by Governor Abercrombie as his new Deputy Chief of Staff. That created a vacancy which the Governor will fill prior to the Session.

As in 2010, the Majority Leaders announced in November a curtailment of the usual celebratory tone of opening day. They want it to be more business like in light of Hawaii's continuing economic problems. No flowers, friends or entertainment will mark the opening and there will be few and brief speeches. Hearings will commence immediately after the 10 am opening.

Major issues during the Session will include the economy and job creation, budget considerations—a supplemental budget will be submitted—education, judicial reform and Native Hawaiian issues involving a ceded lands settlement.

There will still be a push for tax increases,

benefits for unions and additional government regulations. Legalized gambling and physician assisted suicide will reappear as well.

For up to date information, go to the newly designed state website at <http://capitol.hawaii.gov> and the Senate Minority websites <http://senateminority.wordpress.com/>

Senator Slom, following his tradition, will still provide a modest refreshment and non-alcoholic beverage meet and greet in his Capitol Office, Room 214, with local entertainment. None of the cost is at taxpayer expense. Please come by!

### JRI to Meet

The state **Judicial Reinvestment Initiative**, whose objective is to reform Hawaii's judicial system, meets for its final time on January 17 when model legislation will be submitted.

#### LEGISLATIVE FACTOID

Total number of legislators.....	76
Senators .....	25
Representatives.....	51
Democrats: 67 – Republicans: 9	
One Republican in the Senate: Slom	



**Peter Kay**



**Mark Recktenwald**



**Tyler Roukema**



**Marissa Capelouto**

#### The First SBH Conference (Factoid)

First Conference ..... Jan. 14, 1976  
 Keynote Speaker 1976 .... Mayor Frank Fasi  
 Location 1976 ..... Ala Moana Hotel  
 SBH President 1976 ..... Lex Brodie

# Legislative Push for Electric Deregulation

By **Ed Wagner**

To all Hawaii Residents With High Electric Bills, A request has been made of the Hawaii State Legislature to introduce and pass legislation in 2012 to deregulate our electric utility and bring an end to its monopolistic stranglehold on our electric rates and our energy future.

<http://ecoeffecttv.org/radio-guests/769-residents-push-legislators-to-deregulate-hawaiian-electric-utility.html>

You can call or email your senator and representative to support this long overdue and landmark legislation.

<http://www.capitol.hawaii.gov/members/legislators.aspx?chamber=all>

This is the first of two messages to all Hawaii Residents about ending our utility monopoly and freeing ourselves from our dependence on oil and high electric rates.

These actions are necessary because Gov. Neil Abercrombie has failed to follow through on his energy plan so we the people must take action just as Occupy Wall Street is taking action because our Federal Government has failed us just like our Hawaii State Government has failed us.

The second message on December 15 was a request for an online petition of signatures with a goal of 1,000 signatures from Hawaii residents by Jan 31, 2012.

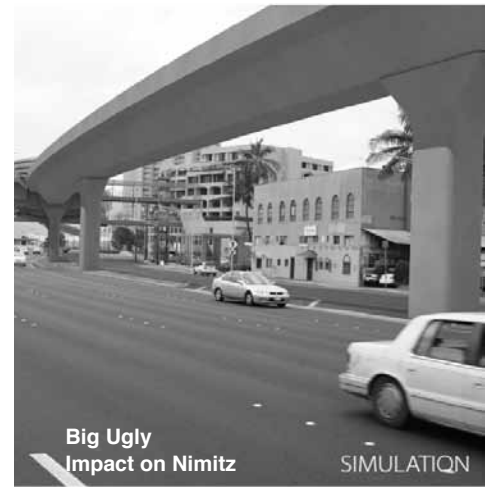
Gov. Abercrombie calls out our Utility monopoly in his Energy Plan but has failed to follow through on the plan, which states in part: "We have a regulatory system and a utility monopoly that were built for a time and



**It's time to deregulate HECO.**

public purpose that are in the past. If we do not fundamentally change our approach, we will not reach our goals. Hawaii's boundless renewable energy potential is bottlenecked in our archaic utility structure. Their monopolistic control is often at odds with the public interest in the world beyond fossil fuels. Democratizing energy requires the creation of a free market in energy so that we can deploy clean energy sources and our entrepreneurs can create new jobs. To reach our goals we must consider an integrated approach, which means working closely with communities and ensuring that their interests in affordable and environmentally sustainable energy production are honored. We will look at sound practices and science, hold open discussions where all views are taken into consideration, and make firm decisions."

Call or email your senator and representative to support this long overdue and landmark legislation if you want 20 cents a KWh electric rates instead of 30 to 45 and climbing.



## Environmental Impact Statements For Sale?

By Dr. **Panos Prevedouros**

If you let them, Parsons Brinkerhoff will recommend the right solution ... for both transportation and the local economy.

A quote from a *Washington Post* article titled "Busway — not light rail — would bring more jobs, money to upper Montgomery", analysis finds: A \$772 million light-rail line would generate a total "economic impact" of \$1.3 billion between 2014 and 2050, while a \$491 million bus rapid transit line would spur \$2.2 billion, according to the study by consultant Parsons Brinckerhoff.

Notice that Parsons Brinckerhoff is the current consultant for Honolulu's rail project. In 2005, Parsons Brinckerhoff officials were asked by Mayor Mufi Hannemann to prove rail is right. Six years earlier the same consultant under much less pressure from Mayor Jeremy Harris had recommenced Bus Rapid Transit for Honolulu.

Recall that all along I have been saying that HOT Lanes for express buses would solve Honolulu's traffic congestion and construction jobs issues for 1/4 the cost of rail and less than 1/4 the permanent cost later on for operation and maintenance.

Panos Prevedouros, Ph.D., is a professor of civil engineering at the University of Hawaii and past candidate for Honolulu mayor. He can be reached at [Panos.Prevedouros@gmail.com](mailto:Panos.Prevedouros@gmail.com)

## "Tough Love" Helps Hawaii Homeless

By **Malia Zimmerman**, HawaiiReporter.com

Have you ever wondered what you should do if homeless people ask you for money? Hawaii's state homeless coordinator, **Mark Alexander**, said in a recent television appearance on Hawaii Reporter television that you should not give these solicitors any money.

Those with time to spare can take a homeless person to eat or talk about services available through places like the Institute for Human Services. But cash could go to the wrong places, including feeding drug and alcohol addictions.

Alexander, a former Catholic priest who believes in "tough love" when it comes to helping Hawaii's homeless, takes a similar stance on groups that feed homeless in a park.

Organizing a food drive in a park doesn't help the homeless who shouldn't be in

**Continued on Page 11.**



Inquire about SBH/HMAA's new comprehensive medical plan. It is especially tailored for sole proprietors and independent contractors. Want details to see if this plan is good for you?

**Contact Darlyn at SBH, 396-1724.**

# Update on the Challenge to Honolulu's Steel-on-Steel Heavy Rail

By **HonoluluTraffic.com**

Our hearing last December in Federal Court concerned the City and the FTA's Motion to Dismiss four of our eight plaintiffs in our lawsuit that challenges the approval of the Environmental Impact Statement for the city's rail system.

The City/FTA also filed to dismiss on the grounds of our supposed insufficient detailing of historic properties and resources. Judge Tashima will rule on these two issues soon.

As far as dismissing plaintiffs, it accomplishes nothing as Judge Tashima noted on Thursday. Even were he to dismiss the four, the remaining four would still continue on with the Complaint.

Nor did the other filing concerning historic properties stop the suit from continuing. In the unlikely event he were to rule against us, the suit still goes on.

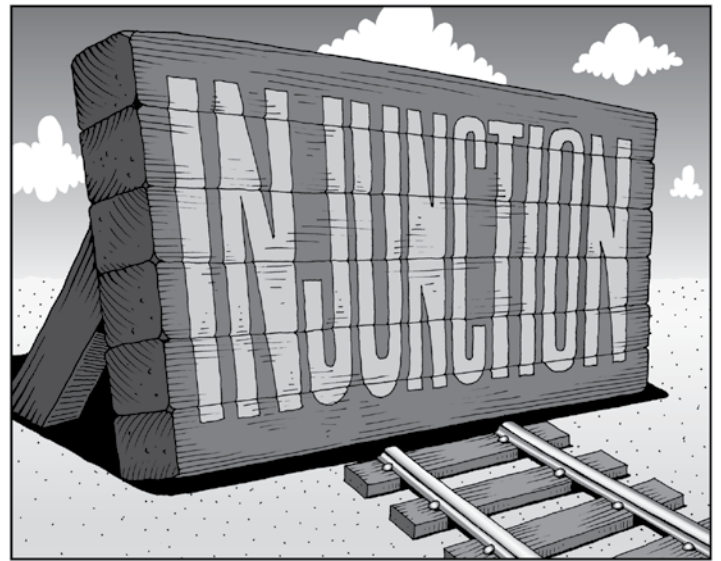
What has become clear is that the City/FTA is fighting not to get clarification on the legal issues, but rather to obstruct and delay in any way they can. The advantage gained by the government is solely to run up the legal expenses in an attempt to freeze us out. We plaintiffs have to raise money from volunteers whereas a majority of the City Council continues to give the City Administration unlimited legal funds to fight us.

The big issue in the delay is that the FTA and the City have refused to produce the Administrative Record despite a nearly seven month lag from the filing of our complaint. The record of emails and phone calls between our attorneys and theirs clearly indicate a sudden foot dragging starting last July.

**Nicholas Yost**, arguably the nation's leading environmental lawyer, who has been practicing such law for 40 years, told the media, "Back in September they said there were 500,000 documents, which are the universe from which the administrative record would be

selected, that they had isolated them, and they were ready. So why haven't they come up with it?"

He said that in all his years he has never seen such a delay in the production of an Administrative Record. For example, the Record of Decision was researched on the basis of the Administrative Record so they have no excuse in not providing it. Judge Tashima one ruling on Thursday was to order the City/FTA to produce it by January 13, 2012. Our attorneys will be conferring with their attorneys shortly and the result of these discussions will determine our future moves.



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Cartoon by John Pritchett  
as published in HawaiiReporter.com and also on  
his website at pritchettcartoons.com



## Rail Foes & Supporters Meet at Forum

City Councilman **Tom Berg** sponsored a public forum on the status of Honolulu's rail project on December 6 at the Mission Memorial Auditorium. Six panelists including rail opponents **Sam Slom**, **Dr. Panos Prevedouros** and **Dennis Callan**, supporters **Frank Genadio**, **Scott Foster** and **Gig Greenwood** who support other rail options such as mag lev over steel on steel. About 60 people attended.

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# IRS Hostile Take Over Moving Forward

By Tracy Ryan, CPA

The US Treasury's plans to have all financial transactions and tax filings controlled through IRS computers are moving ahead briskly. Only the most onerous new informational filing requirements (which had been snuck in among hundreds of pages of the Obamacare bill) have been overturned by Congress.

Their attack on personal liberty and subversion of the Constitution incorporates several initiatives. The most glaring is the open attempt to deputize any and all persons who prepare income tax returns for a fee. The income tax preparation business has been a thorn in the sides of the tax collectors for years. CPA's, tax attorneys, and others have long helped clients prepare tax forms in the understanding that they were working in the best interest of the client. No more.

Tough new rules, reporting requirements, licensing, and more, have been put into place to ensure that anyone who prepares taxes will act as a tax collector and enforcer or risk severe retaliation.

The keys to this control come in the form of registration and licensing of all paid tax preparers. All sorts of personal information, including finger printing, background checks, etc, and payment of fees to the IRS for the "benefit" of being allowed to work in this industry are part of the picture. Each preparer must have an IRS issued ID# which can be cross checked to ensure the tax returns filed agree with the way the IRS wants them filed. The mandating of electronic filing makes this easy. Many of the tax preparation professionals are not CPA's or attorneys. These people may no longer be allowed to give any tax planning

advice or answer even simple tax questions that are not directly related to gathering the information for the current tax forms and ensuring the client pays up under the most pro-IRS interpretation. The IRS agents can request virtually any financial records whether relating or not to the tax return being examined without a subpoena. Failure to promptly turn these over can cost a tax preparer their license.

Many other things can cost a license such as being rude to an IRS employee. The IRS can gather information at will about a clients business. Through that information they everyone they do business with and use that information to investigate a wide sweep of individuals.

In addition to the control over tax preparers the IRS will now have control over the teaching of the tax code. All courses, seminars, etc must meet their requirements. They can deny anyone they don't like the right to present a tax seminar. How this fits in with the First Amendment is unclear.

The IRS wants to be aided in this by creating more and more information filing requirements. In the Obamacare bill they inserted language that would expand the filing requirements for miscellaneous income (form 1099-Misc) to include money paid for inventory, to corporations, etc. Every retail store would be forced to send 1099's to all of their suppliers every year. Think about the extra paper work for Safeway. What about General Motors? This insane provision was thrown out by Congress. What has survived is at new form 1099-K for multi-party payers such as credit card companies and PayPal. If your business receives income from credit card sales you will now get a 1099-K. This document will include month by month totals

of your credit card income. These numbers will be separately reported on your income tax filing. If you sell on eBay you may now have to explain to the IRS what all of your transactions were including establishing the cost of what you sold. Fines for not filing these forms can add up quickly. They can be enough to put many small business out of business altogether.

The actual stated goal of the Treasury Department is to have the IRS do everyone's income tax based on computer reports. They will then send you a refund or billing notice for what you owe. You will be allowed some short period of time to "propose" changes which they can accept or not. Since everything they do will be computerized and your proposed changes may require a human being to look at them you can imagine how easy it will be to get any of your deductions accepted. This long term goal will of course do away with the pesky independent tax preparers altogether.

Courts have interpreted IRS regulations which the service writes to "clarify" the actual congressional statute to have the same force of law that an act of Congress does. This is truly dangerous.

The question is what are you willing to do about it.

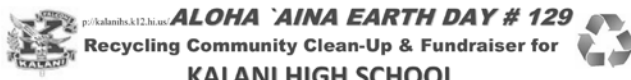
## Couple Seeks Business Opportunity

A local entrepreneur couple (SBH members) is seeking new business opportunity on Oahu. Have you been running the same business too long? Is the economy & tight margins creating undue pressure physically and/or mentally? Are there family pressures, illness, children, parents, which require more time and attention? Couple has extensive experience in Hotels, Retail, Restaurants & Service Businesses, both Management & Ownership, deep island roots with excellent credentials, very adaptable & comfortable in all island cultures.

Willing to acquire a 51% ownership & management or complete purchase. Proven success in Turnarounds, are able to work hard, bring hands-on participatory management, and can turn tired businesses into thriving businesses.

Interested? Contact Sam Slom at 808-349-5438.

East Honolulu's Kalani High School will be hosting an Aloha Aina Earth Day Community Recycling and Fundraiser on Saturday, January 14, 2012. This will be the day when you can bring recyclables for pick-up including scrap metal, beverage containers, used cooking oil, cell phones, printer cartridges, DVDs, CDs and more. Info? Call Julia at 586-8420.

  
**ALOHA AINA EARTH DAY # 129**  
Recycling Community Clean-Up & Fundraiser for  
**KALANI HIGH SCHOOL**  
**SATURDAY, January 14, 2012 8:00 AM-2:00 PM** - 4680 Kalaniana'ole Hwy.  
Please bring your recyclable waste, keep out of our landfills, and turn trash into cash for our community programs.  
The following will be accepted at the site:  
• Scrap metal, (non-freon appliance)  
• 3/5 Beverage containers  
• Used cooking oil  
• Cellular phones, printer cartridges  
• DVDs, CDs, Blue Ray, Games  
• Plastic playground sets  
• Newspaper, phone bks, magazines  
• Plastics bags / plastic bottle caps  
• Cardboard egg cartons/drink trays  
• Used eye glasses, hearing aids  
• Batteries - all kinds  
• Computers, monitors, printers  
• One TV per car  
• Career attire, prom dresses  
• Usable building materials  
• Pet food, blankets, towels, toys  
• Usable clothing /household items  
• Unwanted cars -call 306-1876  
• WILL NOT ACCEPT: Tires, Motor Oil, Air conditioners, Hazard Fluids, Microwave Ovens, Gas Tanks, Green Waste, Refriger.  
• FREE roll-off bin service for metal  
• Incandescent light bulb exchange for 2 CFLs (2 per person)  
• Golf balls-recycle doz.- \$6 coupon  
• Boogie boards, football helmets  
• Canned goods for III Food Bank  
Mahalo to: Congresswoman Colleen Hanabusa, Governor Neil Abercrombie, Senator Sam Slom, Rep. Barbara Marumoto, Rep. Mark Hashem, Rep. Scott Nishimoto, Mayor Peter Carlisle, Councilmember Stanley Chang, and our environmental partners:  
Schnitzer, Reynolds Recycling, TAN Computer Recycling Services, INTRADE Corporation, UNITED ENVIRONMENTAL SERVICES, Goodwill, DIXONgol, Dress for Success, Pacific Bioscience, RokZ Production, blue planet, ENVIRONMENTAL MANUFACTURING, PERSEUS, Habitat for Humanity, OUR TOWN 808, HAGA DENT, Call for curbside pick-up - State Senator Sam Slom @ 586-8420 | www.alohaainaday.com | Facebook: Aloha Aina Earth Day

# Is New State Borrowing a Good Idea?

By **George L. Berish**  
The American Party

Last month Governor Abercrombie said borrowing \$1.3 billion was good for us and saved us money. Really?

\$488 million of the new borrowing repaid the same amount of old borrowing. We weren't told the terms of the old or new borrowing, but the claim it saved taxpayers \$59 million over six years implies a 2% cut in the interest rate. Note: That's only credible if the State repaid bonds that required repayment (matured) more than six years from now and sold bonds that now mature in only six years.

The other \$800 million was new borrowing. The interest rate is 3.63% or \$174 million over six years, and it lifts the State's General Obligation Debt to a new record high level that wasn't disclosed.

Some of the \$800 "replenished" the taxpayer's Rainy Day Fund. The rest will be spent. So let's see:

- Over six years taxpayers will save \$59 million on the \$488 million and pay an additional \$174 million on the new debt. That will increase taxes \$115 million, or it will decrease the amount received by organizations that depend on government funding \$115 million.

- Swapping long term bonds for shorter term bonds is equivalent to giving up a long term fixed rate mortgage for an ARM that can be adjusted to 100% of market rates in six years. And debt-financed federal and state government spending at today's insane level has always triggered inflation. That means if in six years, interest rates only reach 1/2 the level spawned by Jimmy Carter's identically irresponsible spending, today's short term, already-spent, savings will cost us dearly when we have to sell new bonds at 100% market rates.

- Summary: **Day One:** Taxpayers had a Rainy Day Fund and our General Obligation Debt was only \$X million. **Day Two – in session:** Legislators spent the Rainy Day Fund. **Day Three – post session:** They borrow \$800 million, "replenish" the Fund and spend the rest. **Today:** Taxpayers have the same Rainy Day Fund, but our General Obligation Debt that is \$800 million higher. **Next Session:** Starts with a "budget spending baseline" that's \$800 million higher.

Good deal and smart gamble? Cunning \$800 million spending increase? I believe the latter.



PublicDomainPictures.net

## Some Considerations When Purchasing Credit Card Processing

By **Joshua Holland**, Valued Merchant Services

When the average business owner starts up a new restaurant, retail, medical or service business, setting up a system to accept their customers' credit and debit cards is usually an afterthought. Already armed with a business bank account, they think "why not use the bank's credit card-processing services, too?" Most business owners need it in a hurry at that point.

It can take a few months or a few years, but business owners eventually realize they are leaving real money on the table. Many are getting little or no service / support as well. Of all the demands of running a business, shopping for a competitive credit card processor might seem trivial. Yet a healthy dose of due diligence can go a long way.

There are a number of variables with most payment processors to consider including rates, transaction fees, monthly fees, annual fees, compliance fees, setup/application fees, equipment costs, supplies and so much more. The average business owner may feel overwhelmed and confused at amount of information and the differences between one provider and the next.

Of course, fees aren't the only consideration when choosing the right payment processor. Great service, transaction speed, equipment reliability, reputation, local support and accountability matter, too. Most payment processors terms are negotiable, so knowledge is your best weapon.

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Joshua Holland is the Regional Manager – Hawaii - for Valued Merchant Services (VMS), A registered ISO/MSP of Wells Fargo Bank, N.A. [www.valuedmerchants.com](http://www.valuedmerchants.com). Toll free: 800.531.8575 Ext.570 email: [jholland@valuedmerchants.com](mailto:jholland@valuedmerchants.com).

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## Board Changes: Edwards Retires, Smoot Elected

At the December 19, 2011 Annual Board Meeting of the Smart Business Hawaii Board of Directors, longtime Director and Corporate Secretary, **Joyce Edwards** announced her retirement from the Board. Edwards, along with husband **Bill**, owned and operated The Systemcenter, Inc., and were active in small business leadership roles in Hawaii for more than 25 years. They won numerous business awards, including "Small Business Persons of the Year," from the U.S. Small Business Administration, and several SBH awards. Joyce also served as the US SBA's Regional Advisory Council Chair for many years. Joyce (and Bill) will be missed.

The SBH Board elected **Fred Smoot**, of Phoenix Pacific to a one-year term on the volunteer SBH Board. A successful Hawaii business leader, Smoot has led the dynamic multi-faceted local firm for many years. More about Smoot next month.

The 36th Annual Smart Business Hawaii Conference  
**SMALL BUSINESS 2012:**  
**“CLIMATE CHANGE FOR HAWAII BUSINESS”**

**WEDNESDAY, JANUARY 11, 2012 • THE ALA MOANA HOTEL • HIBISCUS BALLROOM**

**CONFERENCE PROGRAM\***

7:00 am Registration and Coffee – Garden Lanai  
 Network and Visit Business Exhibit Tables – Foyer

7:45 am Aloha and Welcome –  
**Sam Slom**, President, Smart Business Hawaii (SBH)

8:00 “Hawaii’s Visitor Industry & Our Economic Prosperity”  
**Mark Dunkerley**, CEO, Hawaiian Airlines

8:30 “Social Media Secrets for Your Business”  
**Peter Kay**, President, Cybercom | Your Computer Minute

9:00 “Strategies for Hawaii’s Business Recovery”  
**Tyler Roukema**, Outback Steak House Hawaii Kai  
**Marissa Capelouto**, Oahu Express, Ltd.  
**Matthew Longfellow**, Valpak of Hawaii  
 Moderator: **Geal Talbert**, UBS Financial Services

9:45 Brief Refreshment Break  
 Visit Business Exhibits (Foyer)

10:00 “Major Honolulu Infrastructure Projects  
 – Selling Priorities and Can We Afford Them”  
**Dr. Wendell Cox**, Principal of Demographia

10:30 “Rich States, Poor States: Where Does Hawaii Stand?”  
**Jonathan Williams**, Vice-President,  
 American Legislative Exchange Council (ALEC)

11:00 “Judicial Reform and Business Impact in Hawaii”  
**Mark Recktenwald**, Chief Justice, Hawaii Supreme Court

11:30 “Hear from the 2012 Hawaii Candidates”

12 noon **Luncheon and Program**  
 Hibiscus Ballroom I & II

1:00 KEYNOTE SPEECH



**John Fund**

*The Wall Street Journal*  
 Business & Political Journalist, Author  
 Popular Fox Television Public Affairs  
 Opinion Panelist

“The 2012 Election and the Impact  
 on the Economy”

2:00 pm Adjournment • Mahalo for attending!

SBH Leadership Circle Members/Sponsors Only

Private Meeting with **John Fund**

2:15 pm, The Garden Lanai

\* Program subject to last-minute change.

**36th Annual Small Business  
 Hawaii Conference**

**Wednesday, January 11, 2012 – Ala Moana Hotel • Hibiscus Ballroom – 7 a.m. – 2 p.m.**

**SMALL BUSINESS 2012:**  
**“CLIMATE CHANGE FOR HAWAII BUSINESS”**

featuring **John Fund**, Business & Political Journalist, Wall Street Journal

**ADVANCE PAID RESERVATIONS REQUIRED** (See Below) – Parking Validated – Arrive by 6:45 am

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My Guest(s) \_\_\_\_\_ Firm \_\_\_\_\_

Luncheon Menu: Beef  or Vegetarian

Enclosed is my check for \$ \_\_\_\_\_, for \_\_\_\_\_ (# of reservations)

@\$75 for members and their guests • @\$90 for Non-Members and at the door if space is available.

Full refunds until January 10, 2012. Make check payable to Small Business Hawaii and mail to:

Small Business Hawaii, Hawaii Kai Corporate Plaza, 6600 Kalaniana'ole Hwy., Suite 212, Honolulu, Hawaii 96825.

# Residents Must Pay Their Fair Share in Taxes Without Special Exemptions

By **Lowell Kalapa**, President, Tax Foundation of Hawaii



Coming under fire in the City & County of Honolulu is the plethora of real property tax exemptions from those granted to charitable organizations to those offered to homeowners who promise to preserve their historical residences to credit unions and to churches.

Perhaps realizing that dealing with a politically sensitive issue, such as who gets a tax break from paying the real property tax, was best left to folks who didn't have to worry about being re-elected, the Honolulu City Council left

the task to a group of citizens concerned about the fairness and equity of the real property tax system. Recognizing that each of the existing exemptions from the real property tax has a vocal constituency, the Real Property Tax Review Commission examined the principles of a good tax policy as the genesis of its discussion rather than being swayed by the arguments of the various constituency groups.

One of the primary principles of a good tax policy is imbedded in equity, that is, where taxpayers are basically the same, they should be treated alike. What is likely to be a highly controversial recommendation of the Commission is the possible elimination of the home exemption. The Commission questioned why taxpayers who owned their shelter got a tax break while those who rent their shelter get none. In many cases renters do not own their own shelter but rent because home ownership can be very expensive in Hawaii. Although renting one's shelter may not be a true indicator that one is not capable of purchasing and owning one's own shelter, it is certainly a consideration.

Thus, if one were to look at providing equity between those who own and those who rent their shelter, then the home exemption tips the scale against renters who get no similar break on the property tax burden imposed on their landlords which is imbedded in their rent.

Similarly, Honolulu, as well as its Neighbor Island colleagues, provides multiple home exemptions because the homeowner happens to be older than the general population. While filial piety may dictate that one honor their elders, again, there is no economic reason why a person who happens to be over a certain age should get any greater tax relief than those in the general population.

Additional exemptions are also conferred on those who happen to be blind or disabled or for that matter are disabled veterans. Again, the tax principles breached include not only equity but also efficiency, as these disabilities must be verified.

One the other hand, commissioners questioned the exemption for public utility property and it was explained that the counties receive payments from the state's public service company tax in lieu of the real property tax. If the counties were to tax the real property of utility companies, which includes obscure rights of way and booster station boxes sitting in a forest of high-rise condominiums, the valuation of these parcels would create an administrative nightmare. Thus, the exemption from the real property tax is provided for public utilities in return for being able to tax these particular landowners on a percentage of their gross income. In this case the tax principle of efficiency is achieved.

Then there is the huge problem of what to do with all those charitable organizations that currently are exempt from the real property tax. First of all, the Commission learned that unlike federal and state income tax laws, the provision that the counties inherited from the state when the duties for the real property tax were transferred to the counties was so vague that the exemption was liberally interpreted. In an effort to give more precise direction to real property tax administrators a rewrite of the provision for charitable nonprofit organizations was undertaken to define it as for those that are recognized by the federal Code as being section 501(c)(3) organizations.

The Commission then recognized that while many of these organizations provide services or goods that government might otherwise have to provide, they, like taxable property owners, utilize many of the same county services such as police and fire protection, sewers, mass transit and so on. To that end, it was generally believed that all property owners should pay something for those very basic health and public safety services albeit at a discount in recognition of the fact that they provide services for the public good.

This recommendation recognizes the tax principle of revenue adequacy.

Lowell Kalapa is president of the Tax Foundation of Hawaii.  
More on the web: <http://www.tfhawaii.org>

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# Is The Hawaiian Home Lands Property Tax Exemption Racially Based

By Robert Thomas

At its December 9, 2011 conference, the U.S. Supreme Court will consider whether to review *Corboy v. Louie*, No. 11-336 (cert. petition filed Sep. 15, 2011). That's the case seeking review of the Hawaii Supreme Court's opinion which concluded that challengers to the property tax exemptions conferred on lessees of Hawaiian Homesteads lacked standing to bring suit.

Some background. Only "native Hawaiians" are eligible to lease homestead land, and thus only those possessing the appropriate blood quantum are entitled to the property tax exemptions. The Hawaii court dismissed the case for lack of jurisdiction, holding the petitioners lacked standing to challenge the exemption since they had not sought homestead leases (leases for which they were ineligible because they are not native Hawaiians).

The challengers filed a cert petition (posted here), asking the Court to review this Question Presented:

In *Rice v. Cayetano*, 528 U.S. 495 (2000), this Court held that a state classification of voters according to whether they are "any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands previous to 1778" was an impermissible racial classification under the Fifteenth Amendment. Respondents have employed the same classification to determine whether a taxpayer is eligible for certain long-term leases that entitle lessees to significant tax exemptions. No equivalent exemption is available to petitioners because they do not fall within that racial classification.

Petitioners paid their taxes under protest and then sought refunds from their respective counties on the ground that their tax bills resulted from a racial classification inconsistent with the Constitution. The Hawaii courts declined to apply *Rice* or subject the classification to strict scrutiny. The question presented here is:

Whether the Hawaii courts erred in failing to recognize that petitioners have standing to seek a refund of their own taxes and that the Equal Protection Clause precludes a State or municipality from creating tax exemptions that are available only to members of a certain race.

Because the petition draws into question the constitutionality of the Hawaiian Homes Commission Act and the constitutionality of a part of the Hawaii Admission Act, the U.S. Solicitor General was served a copy, but the SG has not weighed in.

Robert H. Thomas is one of the preeminent land use lawyers in Hawaii. He specializes in land use issues including regulatory takings, eminent domain, water rights, and voting rights cases. He has tried cases and appeals in Hawaii, California, and the federal courts.



"And while the law of competition may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest in every department."

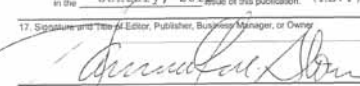
— Andrew Carnegie

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 PS Form 3526, September 2007 (Page 2 of 3)

# Homelessness

Continued from Page 4.



the park in the first place, Alexander said. He said the exception is if the shared meal is used as an opportunity to educate the homeless on services available to them, Alexander also does not believe that Hawaii's 6,200 should be allowed to sleep on public property, such as sidewalks, bus stops, and parks.

**Connie Mitchell**, head of the state's most well known homeless shelter, the Institute for Human Services, agrees. She said what is left behind from homeless camp clean ups is extremely unsanitary.

Alexander, Mitchell and other homeless advocates such as **Darryl Vincent**, who is heading up the effort to get US homeless veterans the help they need, are working to get Hawaii's homeless into shelters and affordable housing.

The goal is to end homelessness in Hawaii.



## SBH SUNRISE

Thursday, January 26, 2012 • 7:00 – 8:30 a.m.  
Pineapple Room, Ala Moana • Breakfast / Free Parking

Speaker: **Regina Ossey**, GM, Victoria's Secret — Hawaii  
"Retailing Challenges in the State of Hawaii"

Reservations made in order received at SBH. No tickets mailed – pick up at registration desk Jan. 26. Your guests welcomed at member price. Refunds until Jan. 25.

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

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

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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.

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## New 1099 Reporting Requirements

By **Natalie Iwasa**, CPA

Business owners who accept credit card, PayPal or gift card payments will soon see a new form in their mailboxes – Form 1099-K. As with many compliance laws, this requirement was embedded in a law on another issue, i.e., in the Housing Assistance Tax Act of 2008.

Under this law, banks and other third-party settlement organizations are required to report gross amounts paid to each merchant for the year. (There is no reporting requirement, however, if the gross amount does not exceed \$20,000 and the total number of transactions is less than 201.)

Charge-backs, credits and fees will not be deducted. According to the Internal Revenue Service (IRS) in its preamble to the treasury regulation that provides additional guidance on the reporting requirements, “The information reported on the return required under these regulations is not intended to be an exact match of the net, taxable, or even the gross income of a payee.”

The intention of the new requirement was to close the “tax gap,” i.e., those businesses that are not reporting all of their income from credit and gift cards. It’s worth noting that gross receipts will be reported on a monthly basis, which the IRS indicates will aid in the reconciliation of transactions for fiscal year payees.

As a result of this new requirement, payments reported on 1099-MISC should not include credit card payments.

It’s often time consuming for small businesses to determine what needs to be reported, as well as when and how to do that reporting. Given the possibility for double reporting on 1099s, it may be worth it for business owners to take the time to compare the totals reported on 1099s they receive with the company’s books.



## All About Eggs at Breakfast

SBH members and their guests not only had eggs, but learned a lot about the egg business from **Lois and Phyllis Shimabukuro** of Mikilua Poultry Farm, Inc. They spoke about their locally grown Ka Lei Eggs brand and how their firm deals with regulations, marketing and shipping in the local economy at the last monthly SBH Sunrise Breakfast of 2011 on November 17. More on Ka Lei Eggs: [www.kaleifoods.com/](http://www.kaleifoods.com/)

This year Smart Business Hawaii will once again present 11 Sunrise breakfasts from now to November 29. Go to page 1 for details on this month’s breakfast.

Photo & Text by Mel