

Joe Nicolai is SBH's Business Person of the Year

4th Annual SBH Awards Banquet to Be Held on September 16

By **Malia Zimmerman**
HawaiiReporter.com

Joseph Nicolai, founder of JNAutomotive Group, will be presented with SBH's highest award at its Friday, September 16 annual dinner 5:30 – 8:30 p.m. at the Waiialae Country Club.

Nicolai, who has operated car franchises for Chevrolet, Mazda and Audi; exotic car franchises for Maserati, Lotus, Ferrari, and Lamborghini; and motorcycle franchises for Kawasaki, Vespa, Honda, Yamaha, Aprilia, Iron Horse, and Harley-Davidson, will be presented with the SBH Lex Brodie Business Person of the Year award. (**Lex Brodie** founded SBH in 1976 and the SBH Foundation was established in 2009.)

A successful business man who has ranked 47th in Hawaii's Top 250 businesses, Nicolai has helped countless people in the community. During his many years in business, he has promoted countless military events, and made education of Hawaii's youth a major focus.



Joe Nicolai
 SBH Business Person of the Year

Other prominent members of the community also will be presented with awards during the September 16 SBH awards dinner.

Win Schoneman, owner of Bubbies Homemade Ice Cream & Desserts in Koko Marina Shopping Center in Hawaii Kai, will receive the SBH Jean Fukuda Civic Leadership Award. Schoneman is heavily involved in bettering public education in Hawaii.

Tyler Roukema, owner of the Outback Steakhouse in Hawaii Kai, will receive the SBH Young Entrepreneur of the Year. The 29-year-old operates one of the most successful restaurants in the chain. Part of his success comes from his well-established involvement in the community and his support of many good causes, including school and community fundraisers.

Continued on page 3.

Reapportionment is Topic for SBH Sunrise Breakfast

Business owner (Mac Mouse Club) and State Reapportionment Advisory Committee (Oahu Chairman) member **Michael Palcic**, will speak on "Reapportionment's Impact on Your Business" at the next SBH Sunrise Networking Breakfast forum, Thursday, September 29, 7 – 8:30 am at the Pineapple Room in Macy's Ala Moana Center.

A successful business owner, Palcic has been a small business booster and community leader for many years. This year he was appointed to the Reapportionment Advisory Committee and has spoken at many Neighborhood Boards and community associations about the importance of reapportionment

Continued on page 11.



SBH MEMBER
CALENDAR
 PHONE 396-1724 • FAX: 396-1726

Monday, September 12
SBH Board of Directors Meeting
 SBH Office in Hawaii Kai

Friday, September 16
SBH Foundation
4th Annual Awards Banquet
 Waiialae Country Club
 5:30 – 8pm

Thursday, September 29
SBH Networking Breakfast
Mike Palcic
 "Reapportionment's Impact
 on Your Business"
 Macys' Pineapple Room
 Ala Moana • 7 – 8:30 am

SmartBusiness
 HAWAII

Transportation, Jobs, Economic Growth Page 4
Details on SBH HMAA Medical PlanPage 6
Tax Holiday is Over for Hawaii Flyers... Page 7

Federal Budget 101 Page 7
Obscure Hawaii Franchise Tax..... Page 9
Loss of a Hawaii Business Leader..... Page 12

Government's Plan to Hobble America's Strength • Page 5



Smart Business Views

By Sam Slom, President – Smart Business Hawaii

SBH will remain in its Hawaii Kai Corporate Plaza HQ after 18 years. Our lease

expired August 31 but late negotiations will allow us to stay. Come visit us in Suite 212 above Roy's Restaurant.

The 4th annual Small Business Hawaii Entrepreneurial Education Foundation Awards Banquet is Friday, September 16, 5:30 – 8 pm, Waialae Country Club. The top award, the SBH **Lex Brodie** Business Person of the Year is **Joe Nicolai** of JN Automotive Group. You can call Darlyn for further information at 808-396-1724. See story on page 1 for all awardees.

Did you celebrate Statehood/Admission Day Friday August 19? (Actual Statehood day was August 21, 1959.) Or just take a government day off? Some people are afraid to celebrate lest they upset some of our more vocal anti-American activists. SBH proudly celebrates the many blessings of being an American.

SBH/HMAA new medical plan became effective September 1. It's especially tailored for sole proprietors and independent contractors. More information on page 6.

Republican **Charles Djou** announced for Congress in August. It will set up a rematch with **Colleen Hanabusa** who defeated Djou in November, 2010 after Djou had won a special election in May. This month, Djou will deploy to Afghanistan after being the only one in his JAG unit to be called up for active duty last month.

Former Kauai Senator **Gary Hooser**, who ran and lost for Lt. Governor last year, was rewarded with a high paying (\$88,000) State Health Department job a few months ago. Now he is telling friends he may run for the U.S. House in the 2nd Congressional District. City Councilmember **Tulsi Gabbard** has already announced for that seat. It will get crowded.

The Federal Government last month answered the rail suit complaint brought by Honolulu Traffic.com, **Cliff Slater** and 6 other plaintiffs. The City previously sent in their answer. The answers were lame. See you in court soon! The City has its hands full with two other lawsuits. The problem is the taxpayers will pay to defend the City in any lawsuit.

First direct China (Shanghai) flights to Hawaii began in August. The potential is great but visa problems still impair expansion of arrivals.

Country legend **Lee Greenwood** gave a terrific fundraising concert for the local GOP at the Ko'olau Ballroom August 16. About 500 people attended and enjoyed.

Walt Harvey, Realtor with East Oahu Realty, resigned from the SBH Board in August. His term expired this December. Thank you Walt for more than 6 years of volunteer service to the small business community.

Rush Limbaugh was in Hawaii again playing golf with local friends. No visits to Queen Medical this time. Putt straight Rush!

The US Senate Indian Affairs Committee, under Senator **Daniel Akaka**, held a boondoggle junket to Maui in August. The taxpayers paid for it all.

Sunny Joe Dacey died last month ending an outstanding business and leadership career. See page 12. Also passing away was longtime SBH member and Honolulu businesswoman, **Esther Smith**. Esther was the former publisher of the Hawaii Beverage Guide.

Outrigger Enterprises Group COB Dr. **Richard Kelley** became an active Chairman Emeritus after 25 years at the helm. Dr. **Chuck Kelley** will keep leadership of the fine local company in the family.

The 2010 edition of the State of Hawaii Data Book was released by the State Department of Business, Economic Development & Tourism. You can find the book on www.hawaii.gov/dbedt.

Ho'opili at Kapolei and D.R. Horton developer, is spending big bucks on PR and advertising to sell the public on the 12,000 unit housing development sitting on prime Oahu agricultural land

Kona coffee farmers in Hawaii, mostly the Big Island, announced a boycott against Safeway. They allege Safeway is violating (at least the spirit) of the local coffee labeling law. Safeway expressed surprised at the protest, stating the grocery giant had been meeting with local farmers.

Business owner (Mac Mouse Club) and State Reapportionment Advisory Committee (Oahu Chairman) member **Big Mike Palcic**, will speak on "Reapportionment's Impact on Your Business" at the next SBH Sunrise Networking Breakfast on **Thursday, September 28** at the Pineapple Room in Ala Moana Macy's. Call Darlyn at SBH 396-1724 for reservations or send in the form on page 11.

Updated information and a PDF copy of this newsletter are online at our website at www.smartbusinesshawaii.com.

Deputy Public Defender Appointed to the First Circuit Court

Governor **Neil Abercrombie** announced Deputy Public Defender **Karen Tooko Nakasone** as his nomination to the judicial seat on the First Circuit Court.



Ms. Nakasone, 41, has been a Deputy Public Defender in Honolulu since 1996. She has a record of achievement and excellence as both a trial and appellate lawyer in criminal defense. Prior to serving in the Office of the Public Defender, Ms. Nakasone served as a law clerk to the Honorable **Simeon Acoba, Jr.** in the Intermediate Court of Appeals. She earned her law degree from Boston University School of Law, and holds a B.A. in Political Science from Bryn Mawr College. Ms. Nakasone also studied at the University of Ryukyus in Okinawa, Japan, and the University of Hawai'i at Manoa.

The State Senate convened a special session on August 31 and September 1 to confirm the judicial appointee.

SMALL BUSINESS NEWS

Volume 36, No. 9 • September 2011

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>

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

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

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

LAYOUT & GRAPHICS: 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 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 office stays put at Suite 212.

SBH to Stay at Hawaii Kai Towne Centre

Smart Business Hawaii (then Small Business Hawaii) moved into its Hawaii Kai offices from Kaka'ako in 1992. Earlier this year it appeared SBH would have to leave its Hawaii Kai Towne Centre offices, next to Roy's Restaurant, because of ever-increasing rent and CAM costs.

However, continuing negotiations, and cooperation by landlord Kamehameha Schools/Bishop Estate, resulted in a last minute agreement prior to the August 31 lease expiration.

SBH will remain in its Hawaii Kai Corporate Plaza headquarters. Come visit us in Suite 212 above Roy's Restaurant.

WSJ's John Fund to Headline Conference

Wall Street Journal columnist, author and frequent Fox News commentator **John Fund** has been tapped to headline the 2012 Smart Business Hawaii Annual Business and Investment Conference on January 11, 2012. The annual conference will be held at the Ala Moana Hotel.



Fund is the author of *Stealing Elections: How Voter Fraud Threatens Our Democracy*, in which he strongly criticizes the American election system, describing it as "befitting an emerging Third World country rather than the world's leading democracy".

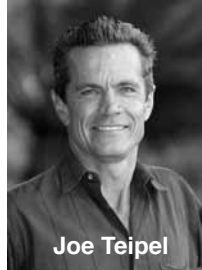
He is working on 2 new books that are set to be published next year.

The annual conference is an all day event that focuses on business investment, practices, goals and challenges for the new year. It features speakers from business, industry and government sectors.

Honorees Named for SBH Awards Banquet

Continued from page 1.

Hawaii Reporter's chief investigative reporter **Jim Dooley** will receive the SBH George Mason Outstanding Reporting award. Earlier this year, he received Society of Professional Journalism Awards for his business and government reporting.



Joe Teipel

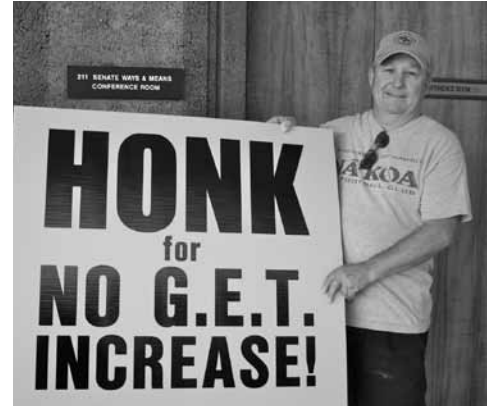
Glenn Muranaka of Meadow Gold Dairies will be presented with the SBH Business Booster award. Muranaka and Meadow Gold Dairies have been a major supporter of countless community and educational activities and events in Hawaii.

Other SBH members will be recognized for their accomplishments by being named "SBH Success All Stars:"

They include **Marissa Capelouto** of Oahu Express, Inc., **Phyllis Shimabukuro-Geiser** of Mikilua Poultry Farm and **Joe Teipel** of Auction Action.

All three of the SBH all stars are active in bettering the business community and climate in Hawaii, whether through testifying at the legislature, participating in business activities and events, and volunteering in their communities.

The awards dinner will be held on Friday September 16 at the newly renovated Waialae Country Clubhouse from 5:30 to 8:30 pm. Reservations are being taken at 808 396-1724. Ask for Darlyn. You can also send in the reservation form that appears below.



Win Schoneman, owner of Bubbies Homemade Ice Cream & Desserts will receive the Jean Fukuda Award Civic Leadership Award. He actively campaigned against the raising of the GE tax earlier this year.



Phyllis Shimabukuro-Geiser



Glenn Muranaka



**The 2011 Hawaii All Star
Small Business Awards**
Friday, September 16, 2011 - Waialae Country Club

Name: _____

Firm: _____ Phone: _____

Cost: \$100 per person
Table Sponsor: \$1,000 (8 - 12 seats per table)
Please reserve _____ (# of seats)

Enclosed is my payment for \$_____.

Please make checks payable to SBH Foundation, a 501(c)3 Hawai'i Non Profit Corporation, and mail to SBH, 6600 Kalaniana'ole Highway, Suite 212, Honolulu, Hawai'i 96825. Or call SBH at 396-1724 to charge by phone. All major credits cards accepted.

UCLA/RAND Expert on Transportation, Jobs and Economic Growth

By Panos Prevedouros PhD

Dr. Martin Wachs [1] recently wrote important article on public investment in transportation, and jobs. It dispels the sweet sounding myths promoted by politicians, contractors and unions. The full article can be found here [2]. Key excerpts are given below.

Democrats and Republicans, liberals and conservatives, rural and urban elected officials—all seek funding for roads and transit projects in their districts, asserting repeatedly that these expenditures will create jobs. President Obama vigorously sought to create jobs through transportation spending in the recent economic stimulus package. This seemed familiar: in 1991, when signing the historic Intermodal Surface Transportation Efficiency Act (ISTEA), President George H.W. Bush stated that the value of the bill “is summed up by three words: jobs, jobs, jobs.”

Transportation projects are not all equally effective at creating jobs or stimulating economic growth. Sound transportation investments lower the costs of moving people and goods. Short-term job creation, while vitally important to economic recovery, should not cause us to ignore the longer-term view.

Transportation dollars should be spent on programs that most enhance long-term economic productivity. ... For example, building an ill-advised rail line might give a local economy a short-term boost in employment, only to saddle taxpayers with large operating deficits in the future.

Building the Interstate Highway System created many construction jobs, but it would be a huge mistake to interpret that employment as the system’s contribution to the economy. Workers who drew salaries from the construction program benefitted, but far less than the travelers

and shippers of goods who have used those facilities every day for six decades.

By building an effective transportation network, government transportation spending draws jobs to those industries that benefit from the investment. At the same time, this moves jobs away from activities that would have been financed in the absence of the transportation investment. So while transportation investment can “create jobs,” it can also destroy them.

Public officials often mention that each billion dollars of transportation infrastructure investment will create over 30,000 new jobs. This estimate relies on what is called the “multiplier effect.” Construction workers spend their income to buy hamburgers, television sets, and automobile insurance, so a given dollar of construction expenditure ends up having more than a dollar’s worth of impact, thus “multiplying” the effect of the expenditure. Unfortunately, asserting that any expenditure will create a specific number of jobs is not well supported by evidence. Actually, in the short term, construction jobs and expenditures on steel and concrete are economic costs [that weigh heavily on the budget.]

To create or preserve jobs in the short term, it might be more effective to use federal dollars to subsidize the operations and maintenance of transportation systems. Dollars spent on operating bus lines, for example, are spent largely on labor and thus quickly recirculate in the local economy. By contrast, dollars spent on capital or construction projects may include costly expenditures on concrete and steel imported from outside the US. Construction jobs do not inherently have higher multipliers than jobs driving buses.

Identifying a project as shovel-ready in no way assures that it will produce long-term net economic benefits. Simply equating any transportation investment with jobs and gains for the economy cannot remain a sound basis for public policy. America needs to do a better job of systematically evaluating alternative investments.

One way to judge a public investment is to determine whether or not it generates a rate of return to society that exceeds the return earned on other investments in the private or public sectors.

NOTES

[1] Martin Wachs is Professor Emeritus of Civil and Environmental Engineering and City and Regional Planning at the University of California, Berkeley, and former Director of the Institute of Transportation Studies and of the University of California Transportation Center. He is also former Chair of the Department of Urban Planning at UCLA. He is currently a Senior Research Associate at the RAND Corporation (wachs@rand.org).

[2] http://www.uctc.net/access/38/access38_transportation_growth.pdf

Originally published in HawaiiReporter.com

SYSTEMCENTER®

The Systemcenter, Inc.
Showroom/Office
1738 Silva Street | Honolulu, Hawaii 96819-3137
p: 808.847.0911 | f: 808.848.2784
www.systemcenter.com



Maximize Space
Reduce Waste
Improve Productivity

WE BRING ORDER TO BUSINESS™

The Systemcenter designs and installs Spacesaver compact storage systems and commercial furniture for the healthcare, education, government, business and museum markets.

License# C 18046

Tax Burden Pushing Firms Out of Country

“60 Minutes” last month reported on major U.S. Corporations establishing residence in other countries (Ireland notably) because of favorable corporate tax rates. The exodus of Houston companies and California tech companies was detailed. Thousands of jobs were lost. The reason was simple and simply stated: the U.S. has the 2nd highest punishing world corporate tax rates (behind Japan). Are the businesses to blame for paying confiscatory tax rates? Politicians interviewed had one solution: tax and penalize these companies even more rather than lowering or eliminating the corporate tax rate in order to retain and attract more American companies. Will bureaucrats ever get it?

The Government Plan to Hobble America's Economic Strength

By **Sam Slom**,

President & Executive Director
Smart Business Hawaii

A month ago, I wrote an editorial in *Hawaii Reporter* in opposition to raising the debt ceiling and conducting government business as usual.

Several professional people, including some friends, argued that I was wrong. If we didn't take action, we would face a lowered credit rating, a plunging stock market and higher interest rates, they said.

It was the same argument that was used to force passage of the failed TARP bailout in the last days of the Bush Administration and TARP 2 and stimulus subsidies and grants subsequently.

So, at the last minute, a bi-partisan political agreement on our debt was cobbled together. It pleased neither the right nor the left. In my humble opinion, it was a phony agreement with more promises and no meaningful reform. A "super" Congressional Committee? Really?

The ink wasn't even dry on the new law when the President, true to his beliefs, authorized billions in new spending and more debt. I said publicly that our credit rating would decrease and there would be huge losses in the markets because we did not address the cause of our fiscal problems: excessive government taxation, spending and debt.

In spite of that "grand" debt agreement, or because of it, Standard & Poor's downgraded the U.S. credit rating last Friday, from AAA to AA+, the stock market plummeted (again), and interest rates will increase.

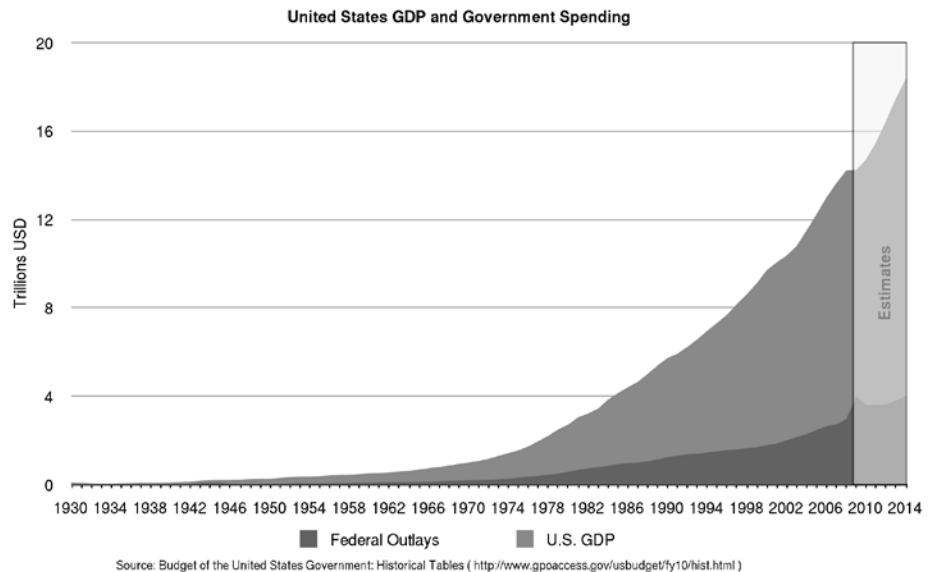
Billionaire Warren Buffet responded to S&P's action, saying the US credit rating should be upgraded to "AAAA."

Over the weekend, the President's men were quick to blame S&P, the Tea Party, Republicans in Congress and yes, President Bush. Today, President Obama added to the criticism of the messenger, S&P, quoted Buffet, and again called for raising taxes.

The gist of the attacks was that S&P didn't know what they were doing, their accounting procedures are wrong, and besides, neither Moody's nor Fitch downgraded the US credit.

I agree that ratings services are just that: ratings services. They don't know everything. They do make mistakes. Why didn't all of them downgrade Fannie Mae and Freddie Mac years ago? Their comments are subject to debate. Kind of like consumer magazine ratings and movie reviews.

But S&P happens to be right at this time.



They see no willingness to change government fiscal policies or to improve the investment climate.

In April, Treasury Secretary Timothy Geitner was asked if the US credit rating would be lowered and his emphatic answer on FOX Business Network was, "There is no chance of that." This knowledgeable member of the President's Cabinet, who previously "forgot" to pay his own taxes, also announced he was leaving his position, but luckily (?), this past week, he was persuaded to stay.

Who are all these economic and business geniuses on the White House payroll? And the Federal Reserve? They are all in sync with President Obama's view of the American economy and his absolute desire to redistribute wealth rather than maintaining or creating new American wealth. Most have never met a private payroll.

Everything Mr. Obama has said since ascending the Presidency was aimed at leveling Americans, dethroning America as the world's number one economy, and a not-so-subtle attack on free market capitalism. The plan seems to be working.

A case can be made that the President has succeeded and that recent actions are neither a surprise nor disappointment to his world view.

During the past week alone, more than \$2 trillion in assets have been lost in the market. Gold has surpassed \$1,700 an ounce. Interest rates are likely to rise.

In Hawaii, while some argue we are exempt from major economic waves, we are particularly vulnerable to higher costs and government mistakes. More than most other states, we have been dependent on Wash-

ington, and affixed to the government trough.

But short term, there probably will not be a major interest impact on Hawaii or its government bond managers. Notably, the underfunded Employees Retirement System, has flexibility to deal with a credit downgrade of this magnitude.

Our number 2 industry, behind tourism, is Senator Daniel Inouye. But even Inouye can't deliver pork if there is no sow. We have overtaxed, over spent and under funded elements of our local economy. The current State Administration is attempting to deal with spiraling costs but they too come from a culture of government spending.

We are not creating private jobs nor improving our business and investment climate. But we can. The futurist and author Joel Kotkin addressed the Council of State Governments—West Conference in Hawaii last week. His admonition was to talk to the private job creators—not government—about adding needed income producing jobs. We need to incentivise private employers to spend more, invest more and add jobs thus creating a bigger wealth and tax pool.

There is nothing wrong with the economy. The problems stem from political mismanagement.

As I remind people, no single Mom, no family, or small business has the luxury of continuing to spend beyond its means; none has the ability to borrow beyond its credit capability, or to impose taxes on their neighbor. And few have begged the government to keep on spending and borrowing.

All economics is cyclical. The markets can rise again. Our problem is with the political leadership in this Nation. It must be changed.

HMAA, SBH New Sole Proprietor Benefit Medical Plan Detailed

HMAA, the Hawaii Medical Assurance Association, one of Hawaii's leading health care providers, and Smart Business Hawaii, announced a new expanded benefit comprehensive medical plan last month that includes medical, drug, dental and vision tailored especially for small businesses.

The plan is available only to current members of SBH. It is exclusive to SBH.

The new plan, called **HMAA/SBH Comprehensive Plus**, announced at the SBH Sunrise on July 28, becomes effective September 1, 2011. In particular, it provides advantages to sole proprietors and independent contractors who have had major difficulty in the past in gaining a group plan with expanded benefits at an affordable price. This plan will do that.

HMAA and SBH have been working on the details of the new plan for several months. Much of the credit goes to Larry Santiago of HMAA. He will be the exclusive agent for this new program. Call Larry at 791-7563 or Darlyn at SBH, 396-1724.



You can get a benefit-by-benefit comparison to see if this plan is right for you. There are several new additions, a few exclusions and co-pay considerations. The details are all transparent to help you.

This is yet another benefit of membership in SBH, Hawaii's most effective business advocacy organization.

During the '80s and '90s, SBH was the state leader and pioneer in providing several medical plans and multiple choices for small businesses.

great quotations

"To succeed in business, to reach the top, an individual must know all it is possible to know about that business."

"The employer generally gets the employees he deserves."

"The man who comes up with a means for doing or producing almost anything better, faster or more economically has his future and his fortune at his fingertips."

— **J. Paul Getty**, Industrialist



HMAA SBH Comprehensive Medical Plan for Sole Proprietors and Independent Contractors

HMAA is committed to serving the small business community and is proud to present an exclusive benefit package for the Sole Proprietors and Independent Contractors of SBH. This plan will be available September 1, 2011.

Plan Highlights:

- Comprehensive medical plan with dental, vision, and rx coverage
- Exclusive to SBH members only, must be in business for 3 months
- Member coverage up to age 65
- Dependent coverage up to age 26
- Rates based on age and health status
- Covers chiropractic and acupuncture care
- 80/20 plan with \$2,000 annual out of pocket max
- \$15 co-pay for office visit
- Physical exams \$10 co-pay
- Well baby care and immunization (through age 5) covered at 100%
- Mammograms \$10 copy
- Pap Smears 100%
- Prostate Specific Antigen \$10 co-pay
- Employee Assistance Program (EAP) – 6 visits, no charge
- 100% coverage for oral exams, bite wing and full mouth x-rays
- Frames or contact lenses 100% up to \$105, spectacle lenses 100%
- \$12 co-pay for generic drugs

For more information, contact Larry Santiago at 791-7563 or at lsantiago@hmaa.com

Link to benefit details:

http://smartbusinesshawaii.com/images/uploads/SBH_Plan_Sch_of_Benefits.pdf

Going Out of Business: Big Box Stores and Congress Collude to Secure a Monopoly

By **Bartlett D. Cleland**, Policy Counsel with the Institute for Policy Innovation

For more than 45 years the states have fought in the courts or on Capitol Hill for the power to force merchants to collect tax for them when the merchant sells something out of state. Back in the day those were catalogue sales, but today those sales are increasingly via the Internet.

The states have been given the same message by Congress, the lower courts and the Supreme Court – twice. That message has been clear – simplify the mess you made of your state tax systems FIRST, and then the power you seek can be considered.

What did they need to do? End the menagerie of different sales tax rates around a state, set one place for sales taxes to be collected, simplify the list of various rates on similar items, and most of all develop some definitions of items that are translatable from state to state. For example, some states define a candy bar based on the percentage of sugar and tax candy bars at a rate different than a granola bar, and state-to-state that percentage is different.

Continued on page 10.

Flying In Hawaii: The Tax Holiday Is Over

By **Mark Dunkerley**,
President & CEO, Hawaiian Airlines

Last month, the Federal Government resumed charging federal taxes on airline tickets after a two week 'tax holiday'.

During this hiatus, our customers were able to make substantial savings in the cost of flying. The tax holiday, short-lived though it was, has highlighted just how burdensome are the taxes and fees charged by the federal, state and local governments on air travel. Flying is among the heavily taxed of all goods and services. Over 20%, or more than \$35, of the cost of a typical interisland ticket is paid over by Hawaiian Airlines to government entities.

The taxes not collected during the last two weeks were just two of six federal levies, and they alone accounted for \$18.65 on the cost of a typical ticket. [Footnote: based on a \$150 interisland round trip fare].

The deadweight of fees and taxes is information that taxing authorities would seemingly rather not be widely known to air travelers. Federal regulations inhibit airlines from prominently displaying taxes and fees in fare advertising. Astonishingly, these regulations are set to become even more restrictive in the new year. Air travelers are being systematically denied the opportunity to understand just how heavily taxed air travel has become while taxing authorities enjoy ample cover to increase these levies.

And increase they have. In the last decade, the burden of federal and local government taxes, fees and charges on a typical interisland ticket, for example, has



A Hawaiian Airlines Boeing 717-200 jet comes in for a landing in Hilo, Hawaii.

more than doubled. The inflation in taxes and fees paid to government and in the price of oil means that today, much less than half of the price of a ticket on Hawaiian goes to actually operating the airline. Ticket prices have gone up while profit margins have come down.

The accompanying pie chart illustrates the breakdown in costs of a Hawaiian Airlines' ticket system-wide.

It is unfathomable that air travel is taxed at rates similar to products, like firearms and alcohol, that governments are trying to dissuade us from consuming. This makes little sense in any context but especially so when seen through the lens of our needs in

Hawaii. There are no alternatives to air travel for moving in and around and to and from the State. Flying is inseparable from our way of life.

Individually and corporately, these taxes and fees influence our actions. People decide to fly less frequently; airlines consequently offer fewer flights. That's why it is so important that the burden of taxes not be hidden from view.

The tax holiday has ended, but for a short time it allowed some light to shine on this important issue.

FEDERAL BUDGET

2011

By **David Thomas**
Chief Executive Officer
Equitas Capital Advisors LLC

The U.S. Congress sets a federal budget every year in the trillions of dollars. Few people know how much money that is so we created a breakdown of federal spending in simple terms. Let's put the 2011 federal budget into perspective:

- U.S. income: \$ 2,170,000,000,000
- Federal budget: \$ 3,820,000,000,000
- New debt: \$ 1,650,000,000,000
- National debt: \$14,271,000,000,000
- Recent budget cut: \$ 38,500,000,000 (about 1 percent of the budget)

It helps to think about these numbers in terms that we can relate to. Let's remove eight zeros from these numbers and pretend this is the household budget for the fictitious Jones family.

- Total annual income for the Jones family: \$21,700
- Amount of money the Jones family spent: \$38,200
- Amount of new debt added to the credit card: \$16,500
- Outstanding balance on the credit card: \$142,710
- Amount cut from the budget: \$385

Continued on page 8.

What Kind of Coverage Do I Need?

When the rubber meets the road, it's serious business. Vehicles put your employees in front of existing and prospective customers and get your products to where they need to go. But unlike the insight you have on your business operations, road conditions, weather and other drivers are out of your control. Any bodily injury – including injury sustained by other drivers, passengers and pedestrians - for which you are responsible, or damage caused to other vehicles or property, could put your business in financial jeopardy.

Just like your personal auto insurance, business auto insurance is there to keep you, your employees and your business on the road to success. Customizable to your individual business needs, insurance companies have different options for the vehicles you own, lease or rent for business use.

Whether you manage just a few cars or a full truck fleet, these are some of the basic insurance options you should consider to help ensure you and your business is safeguarded:

- **Bodily Injury Liability:** for other drivers' and passengers' injuries or death for which you are responsible.
- **Property Damage Liability:** for damages to someone else's property for which you are responsible.
- **Comprehensive Coverage:** for your vehicle in case of losses resulting from an event other than an accident, such as theft or a tree branch falling on your vehicle.
- **Collision Coverage:** for your vehicle when your car hits, or is hit by, another vehicle.
- **Uninsured/Underinsured Motorist Coverage:** for your injuries, damages or death caused by an at-fault driver without insurance or without enough insurance to cover all costs.
- **Personal Injury Protection (PIP) Coverage:** pays medical and some expenses incurred by you and passengers in your vehicle.

Review your business auto policy and ensure that you have the proper amounts of coverage you need to protect your business.

For more information about business auto insurance, visit www.hawaiianinsuranceconsultants.com or phone HIC at 543-9789 (Oahu) or 1-877-543-9789 on the Neighbor Islands.

Federal Budget 101 Continued from page 7.

So in effect last month Congress, or in this example the Jones family, sat down at the kitchen table and agreed to cut \$385 from its annual budget. What family would cut \$385 of spending in order to solve \$16,500 in deficit spending? It is a start, although hardly a solution.

Now after years of this, the Jones family has \$142,710 of debt on its credit card (which is the equivalent of the national debt).

You would think the Jones family would recognize and address this situation, but it does not. Neither does Congress.

The root of the debt problem is that the voters typically do not send people to Congress to save money. They are sent there to bring home the bacon to their own home state.

To effect budget change, we need to change the job description and give Congress new marching orders.

It is awfully hard (but not impossible) to reverse course and tell the government to stop borrowing money from our children and spending it now.

In effect, what we have is a reverse mortgage on the country. The problem is that the voters have become addicted to the money. Moreover, the American voters are still in the denial stage, and do not want to face the possibility of going into rehab.



Social Media and Tech were the topics at the interactive Q & A session that was SBH Sunrise for August 25. Burt Lum and Ryan Ozawa from HPR's "Bytemarks Café" radio show answered questions regarding the use and issues regarding social media platforms such as Twitter, Facebook and Linked-In and how they apply to a business setting.

Talk to Job Creators — Say No to Fixed Rail

Joel Kotkin – Author of several books including *The Next Hundred Million: America in 2050* — keynoted the final luncheon at the Council of State Governments—West conference in Honolulu in August.

The United States is growing at a record rate and will boom by 100 million Americans by 2050, he said, making America "more diverse and more competitive than any nation on earth."

The majority of these people won't move to large cities, but instead will live in suburbia. He said our societies will be different in the future. Race won't be an issue but class will be. The divide between rich and poor will be greater. The workforce will change with up to 30 percent of people working from home.

Kotkin said if you want to grow the economy and add jobs, talk to the private, independent job creators, not the government and not regulated or global businesses.

The U.S. Navy will become more important in our military defense as other countries such as China could be more of a threat by sea. He said that means Hawaii, including Pearl Harbor, and Alaska, will become all the more important to our nation's security.

The government will need to make decisions locally instead of centrally with states being "laboratory of democracy." He recommended that state governments pursue more flexible transit options such as the BRTs, jitneys or buses over light rail.

Of course Honolulu's City & County is moving the other way, planning to build a \$5.3 billion heavy steel on steel rail system from West Oahu to Honolulu. Local lawmakers are pushing residents to live in major cities instead of what creating they term "urban sprawl." They are want what is termed "transit oriented development" or development along the proposed rail line on Oahu and so called "smart growth."



Obscure Franchise Tax Hurts Hawaii Businesses & Consumers

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

While most folks know about the general excise tax that they pay at the checkout counter at the grocery or department store and resent the annual rite of filing their personal income taxes every April, there are a number of taxes which all taxpayers pay, albeit indirectly, in the goods and services we consume each day.



Probably the most pervasive are the taxes levied on the utilities that serve us each day, be it electricity, telephone service or gas energy. Because families and businesses could not survive without power or communications, the cost of these goods and services is embedded in everything we consume or do in this state. Remember how important energy and communications were to the community during the last earthquake a couple of years ago? Luckily, that glitch in our island way of life occurred on a Sunday so the loss of power and communications was not as critically apparent as it would have been had it been a work day.

Nevertheless, that loss of power and communications underscored how much they are a part of our daily lives and Hawaii's tax system takes full advantage of that fact. Not only do the public utilities pay a tax that is levied in lieu of the general excise tax and the real property tax, that is imposed by the county, but they also pay another tax for those companies that run their transmission lines over public rights of way or overhead in the airspace above our heads. For that privilege, all utilities pay a franchise tax of 2.5% of the gross income, that is, all but the phone company which was granted a royal charter by King Kalakaua and thus did not have a franchise.

At the turn of the 20th century, franchises granted specific companies the exclusive right to serve a particular geographic area of the island with their type of product. For example, on the island of Maui a company known as A.F. Tavares, which later became known as Hana Electric Light and Power Company, was granted the exclusive right to serve the Hana area with electric service. Another company which was originally known as the Lahaina Ice Company was granted the exclusive right to serve the western side of Maui and later became known as the Lahaina Electric Light and Power Company.

Because these rights and privileges were often negotiated, the

rate of the franchise tax sometimes differed widely depending on when those franchises were granted. Again, for example, the Lahaina Ice Company was granted its franchise as early as 1907 and was required to pay a franchise tax rate of 1% of gross income while the A.F. Tavares franchise was granted in 1923 and that company was asked to pay at a rate of 2.5%.

As businesses evolved, many of the smaller companies were subsequently absorbed by the companies we know today that provide Hawaii's families and businesses with electric and gas power. However, it was not until 1982 that a single tax rate of 2.5% was applied to all franchises, regardless of the prior negotiated rate. This brought uniformity to all franchise holders.

Although this particular tax is imposed by state law, the proceeds of the franchise tax accrue to the county in which the public utility is located. Thus, the public utility franchise tax is actually a windfall for the counties as they benefit from a tax that is imposed by the state.

What has stuck in the craw of the counties all these years is the fact that the telephone company does not hold a "franchise" and, therefore, is not subject to the public utility franchise tax. Again, this is because King Kalakaua was one of the first customers of the phone company with a telephone in Iolani Palace from which he could call the royal boathouse. In exchange for getting one of the first telephones, the King granted the fledgling company, then known as Hawaiian Bell Telephone Company, a royal charter to operate throughout the kingdom. Whereas a "franchise" granted the right to serve a particular geographic area of the islands, the royal charter granted the phone company the exclusive right to serve all of the islands. Since it is a charter and not a "franchise," the phone company is not subject to the utility franchise tax.

Regardless, the fact that the energy utilities and, to some degree the communications utilities, have to pay these additional taxes is not very widely known. However, the fact that the cost of these taxes gets passed on to the customers of these services, albeit hidden in the cost of the services being provided, these taxes merely add to the burden that needs to be borne by families and businesses alike.

While many may not know about these taxes, they nevertheless add to our tax burden

The Tax Foundation of Hawaii is a private, nonprofit educational organization dedicated to informing the public, more specifically the taxpayer, which means all of us, about the finances of our state and local governments in Hawaii. Visit their website at <http://www.tfhawaii.org>.

IS PAYROLL A PAIN?

CALL  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

Our Goal - Increase Your Refund & Reduce Your Taxes!



Kevin K. Nitta, EA
President

Personalized Attention To Every Client!

- Individual & Business Tax Returns
- Personalized Tax Planning
- Electronic Filing—Quick Refunds
- Responsive, Timely & Affordable



Call us at
Phone: 395-5492

premierhawaii@gmail.com

Hawaii's 'Premier' Accounting Service

U.S. Government Finances Impact Molokai Residents

By **Larry Helm**

When watching today's U.S. Congress debate debt ceiling and deficit issues it is like a soap opera--"As the World Turns", "All My Children", "The Old and the Fatless", so on and so on.

America is in a financial crisis. Our kupunas (our senior citizens) on fixed income are hurting and the middle class, small businesses, and education systems are getting squeezed. We are past the point of "ching chong chinamen sitting on a fence trying to make a dollar out of 15 cents." President Obama inherited this mess. Plenty of blame to go around.

We are a human ohana (family), brown, yellow, black, or white—don't matter what your site—one size does not fit all—what happens in Congress affects the World, America, Hawaii, and Molokai.

For Molokai, where I live —less for education, less traffic controllers, funding for USDA, conservation, Medicaid, etc., etc. American Veterans and citizens--campaign now. Take back the slogan "Made in America".

My opinion the recipe to get out of the fiscal mess—5 year plan is:

- Immediately stop unnecessary spending.
- All politicians and federal employees including President Obama take 5% pay cut.
- All nonprofits, including churches, pay something in taxes.
- Draw down two wars by January 2012

Kaiser Mapunapuna Garners National Recognition

Kaiser Permanente's Mapunapuna Clinic and its primary care providers have received the National Committee for Quality Assurance's (NCQA) Physician Practice Connections™ (PPC) Patient-Centered Medical Home™ (PCMH) Recognition at Level 3, the highest level, for its integrated and coordinated care delivery system, which supports quality, access, continuity of care, and better patient involvement. Mapunapuna Clinic scored the highest points possible, 100 out of 100, for this recognition.

The PCMH is a model of care that seeks to strengthen physician-patient interaction with coordinated care and a long-term healing relationship. It is gaining acceptance nationally as a best-practice method of care delivery and is a promising tool for successful health care reform implementation.

and leave a small coalition.

- Close tax loop holes from the oil companies and big corporations.
- Millionaires and billionaires like Microsoft Bill Gates, Buffet...ask them to help.
- National lottery—5 years only.
- Health care system for seniors only like the VA system.
- Money given to other countries—cut in half.
- Countries that export products to America pay 10-20% tax.
- All products and services made elsewhere—find a way to make in U.S. Follow the "Made in American" slogan.
- We are the Saudi Arabia of natural gas—use it now.
- People are paying high gas prices now—President Obama, ask the American people for help. Show accountability for funds collected for example a monthly tote board on TV, etc.
- Veterans remember in the heat of a fire fight and when the enemy was near, the commander did not say give me Christians or Muslims, or white or black soldiers only. He said give me all soldiers.

I oneda (the whole)--if Obama follows this recipe, maybe "mo bettah" for Molokai, Hawaii, and the World Ohana.

Larry Helm is a Vietnam Combat Veteran and concerned Citizen who lives on Molokai, Hawaii.

Welcome New Members

Cyma B Wilson, Ph. D.
Clinical Psychology
256-6518

Ho'onui Publishing, LLC
Publishing
384-7800

**School Kine Cookies
(The Gold Corp)**
Fundraising
456-8577

**Thinking of joining SBH?
Membership is easy.
Just send in the form on
Page 11 or Call 396-1724.
We'll answer your questions!**



Big Box Stores

Continued from Page 6.

But for 45 years the states have refused to do the heavy lifting — choosing not to simplify definitions for the most part, but instead have used taxpayer dollars to lobby Congress to raise taxes.

And now the state's tax authorities are at it again, back on Capitol Hill with legislators who willingly ignore the US Constitution, the Supreme Court and the economy. They are looking for legislators willing to pile up yet one more burden on business, particularly small businesses, as they would be forced to bear the cost and liability of becoming conscripted tax collectors for remote states. These added costs will take a predictable toll—less hiring and less spending, all within an already disastrous economic context.

They argue that this is a fix to the states' deficit problems — shifting their responsibility to collect tax by mandating that business do it for them and without compensation for doing so --in essence an unfunded legal mandate on business. The healthy way to generate more revenue is to grow the tax base by attracting more businesses or residents—not by ignoring the Constitution and the Supreme Court, conscripting businesses in other states into the local tax collector cabal.

Big box stores could hardly have crafted a more diabolical plan to drown their smaller competitors in compliance and legal costs which are more easily born by big box stores but which may run main street businesses out of business

SBH on 2 Domains

SmartBusinessHawaii maintains 2 website domains, including our main site domain at **www.smartbusinesshawaii.com**. Our older domain, **www.smallbusinesshawaii.com** also resolves to our current website. Content from our older websites are accessed through our archive sub-domain at **archive.smartbusinesshawaii.com/**.

SBH Sunrise

Continued from Page 1.

redistricting statewide.

The public is welcome to the SBH Sunrise. 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.

Ryan Ozawa and **Burt Lum** spoke at the August SBH Sunrise Networking Breakfast. They held an interactive Q & A discussion on, "Social Media and Technology for Business," focusing on social media tools such as Twitter, Facebook, Yelp and Linked-In.

Call Darlyn at SBH 396-1724 for reservations or mail the reservations form from page 11. You may also register on line by going to:

<http://smartbusinesshawaii.com/index.php/events/rsvp>

We Still Do FAX

(808) 396-1726

24-7 - 365 Days a Year



SBH SUNRISE

Thursday, September 29, 2011 • 7:00 – 8:30 a.m.

Pineapple Room, Ala Moana • Breakfast / Free Parking

Speaker: **"Big Mike" Palcic**, Reapportionment Advisory Comm. "Reapportionment's Impact on Your Business"

Reservations made in order received at SBH. No tickets mailed – pick up at registration desk Sept. 29. Your guests welcomed at member price. Refunds until Sept. 28.

Advanced Paid Reservations Required by September 27.

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.

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 HMAA Referred By: _____

SIGNATURE: _____

IF YOU MEAN BUSINESS... PLEASE JOIN SMART BUSINESS HAWAII



SMALL BUSINESS NEWS

September 2011

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

Loss of a Hawaii Business Leader: Joe Dacey

By **Sam Slom**, President & CEO, Smart Business Hawaii

“**Sunny**” **Joe Dacey** died last month in Honolulu ending an outstanding business and leadership career. Joe, a member of Small Business Hawaii (SBH) from the outset in the mid- ‘70s, was a familiar figure at SBH business and community events, including his last monthly SBH Sunrise Networking Breakfast several months ago.

Joe was 86. He continued to be a mentor for young business men and women. He is survived by his wonderful wife Mary Ann who traveled the world with him.

Nicknamed “Sunny” by his Mother, Joe always brought positive energy and a smile into a gathering. He was Chairman Emeritus of A. H. Hansen Sales, Ltd., a major food wholesaling business in Honolulu. He along with Art Hansen, were pioneers in voluntary employee benefits and incentives, including profit sharing.

Joe served as an officer in the Navy, CEO of his own company and past president of the Pacific Club and Waialae Country Club. He always was known for his positive attitude. He was a gentleman’s gentleman.

In 2002, Joe was included in a best-selling book entitled, “Lessons in Leadership and Life: Secrets of Eleven Wise Men,” by **Dickson C. Buxton**, Managing Director of Private Capital Corporation. (Two other Honolulu business leaders were also included in the book: Robert Midkiff, Hawaii Theatre chairman, and former Honolulu Advertiser publisher, Thurston Twigg-Smith).

Buxton said, “Joe was a very special friend of mine and his spirit will stay with me. Anyone who has read Lessons in Leadership and



Life knows about this Wise Man and why he was one of the most loved men in Hawaii. “

Private Capital Corporation and Bernstein Global Wealth Management are hosting a Hawaii CEO Summit, Thursday, September 1, at the Hawaii Theatre from 4:00 – 7:00 p.m. A lot has changed since the Hawaii Theatre reception for the leaders and the book, September 10, 2002.

Joe will be there in Spirit.

Mahalo Joe, for all you have shared with us and for your ever-present smile. Your leadership lives on.
