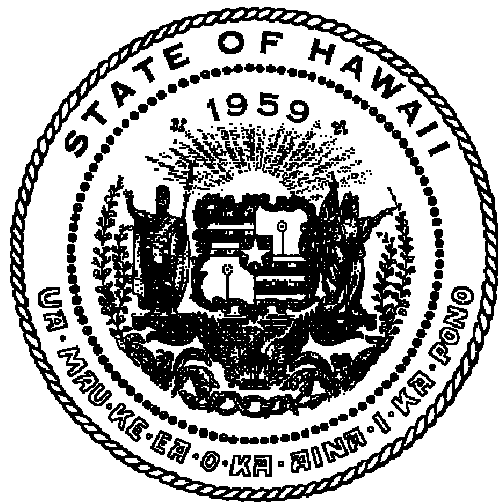


**Descriptive Statistics on the Operations of  
Qualified High Technology Businesses  
From 2002 Through 2007**



**Department of Taxation  
State of Hawaii  
September 2008**

STATE OF HAWAII

Linda Lingle, Governor

James R. Aiona, Jr., Lt. Governor

DEPARTMENT OF TAXATION

Kurt Kawafuchi, Director

Sandra Yahiro, Deputy Director

Titin Sakata, Special Assistant

TAX RESEARCH & PLANNING OFFICE

Tu Duc Pham, Tax Research & Planning Officer

RULES OFFICE

Johnnel Nakamura, Rules Officer

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**Descriptive Statistics on the Operations of  
Qualified High Technology Businesses  
From 2002 Through 2007**

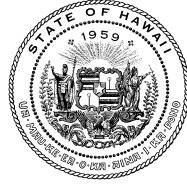
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**Department of Taxation  
State of Hawaii  
September 2008**

Web Site: [www.hawaii.gov/tax](http://www.hawaii.gov/tax)

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



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**DEPARTMENT OF TAXATION**  
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KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA YAHIRO  
DEPUTY DIRECTOR

August 27, 2008

The Honorable Linda Lingle  
Governor  
State of Hawaii

Dear Governor Lingle:

I am pleased to present you with this report **Descriptive Statistics on the Operations of Qualified High Technology Businesses From 2002 Through 2007** as required by Act 206, Session Laws of Hawaii 2007.

On June 21, 2007, House Bill 1631 HD2, SD2, CD1 was signed into law as Act 206. The purpose of the Act is to measure the effectiveness of the high technology business investment tax credit provided by section 235-110.9 of the Hawaii Revised Statutes. The Act requires any qualified high technology business (QHTB) that accepts an investment for which the technology credit may be claimed to complete and file with the Director of Taxation an annual survey on electronic forms prepared by the Department of Taxation. The survey must be filed before June 30 each year for the five years following the year of the investment.

The Act requires the Department to report the information obtained from the survey and through other reporting requirements to prepare summary descriptive statistical information. The report is due by September 1 of each year. The Department is also required to use the information collected under Act 206 to study the effectiveness of the technology credit and to report the results to the Legislature by December 1 of each year. The Act also required the Department to submit a report to the Legislature by October 31, 2007, summarizing data submitted by QHTBs on Form N-317 for all years available. That report was completed and submitted as required.


In accordance with the requirements of the Act, the Department prepared Form N-317 for calendar year 2007 and made it available for electronic filing. The Department used data provided by the Form and from other reporting requirements, such as Form N-318 (High Technology Business Investment Tax Credit) and Form N-318A (Certified Statement of Investment in a QHTB) to prepare the present report in accordance with the requirement made by Act 206 for the annual report due to the Legislature on September 1. Following are certain highlights of the report:

- A total of 177 QHTBs filed the electronic version of Form N-317 for calendar year 2007 by the filing deadline. Eighty-four of these QHTBs (48%) had filed Form N-317 in prior years. The Department estimates that as many as one-third of the QHTBs required to file the Form for 2007 failed to do so by the filing deadline. The Department has sent letters to potential non-filers.
- The QHTBs who reported on the Form N-317 received \$307.1 million in cash investments in 2007. From 2002 through 2007, they received a cumulative total of \$1.2 billion in cash investments.
- Investors claimed (subtracted from their Hawaii tax liabilities) a total of \$100.0 million in high technology business investment tax credits in 2006, up from \$69.8 million in 2005. The cumulative total of the credits claimed from 1999 through 2006 was \$295.6 million.
- The QHTBs incurred overall expenses in Hawaii of \$384.5 million in 2007. From 2002 through 2007, they incurred a cumulative total of \$1.4 billion in expenses in Hawaii.
- In 2007, these QHTBs incurred \$127.0 million in Hawaii payroll expenses and \$161.7 million in worldwide payroll expenses. From 2002 through 2007, they incurred a cumulative total of \$667.5 million in worldwide payroll expenses.
- The QHTBs employed a total of 1,450 full-time employees in Hawaii in 2007, up from 1,363 in 2006. They also employed 154 part-time employees in Hawaii in 2007 (up from 127 in 2006) and 641 temporary or seasonal workers in Hawaii. They also hired 2,118 independent contractors in Hawaii in 2007. (A single independent contractor could involve more than one individual).
- In 2007, Hawaii expenses accounted for 87% of their worldwide expenses, Hawaii revenue accounted for 90% of their worldwide revenue, and Hawaii payroll expenses accounted for 79% of their worldwide payroll expenses.
- Most of these QHTBs (73%) owned at least one intellectual property right or had a patent pending.
- Most of them (92%) had fewer than 25 full-time employees in Hawaii in 2007 and 40% of them had no full-time employees that year.
- QHTBs in the industry "Film and digital media" received more investment than any other major industry sector in 2007 (\$100.6 million) and accounted for 33% of the total for 2007.
- QHTBs in the industry "Information and communication technology" had 250 full time employees in 2007, more than any other major industry sector. They also accounted for the largest share (27%) of total QHTB Hawaii payroll expenses in 2007.

The report was prepared under the direction of Dr. Tu Duc Pham, Tax Research and Planning Officer, with the assistance of the Tax Research and Planning staff: Glenn Ifuku, High Technology Study Technical Coordinator; Yvonne Chow, Economist; Davis Kawamoto, Research Statistician – who compiled the tables for the report; Lisa Bravender, Research Statistician; Cathleen Tokishi, Tax Information Specialist; the Rules Office staff: Johnnel Nakamura, Rules Officer; Donald Rousslang, Income Tax Specialist – who drafted the initial report; and Titin Sakata, Special Assistant to the Director.

Finally, I wish to acknowledge the valuable assistance of the following people, who helped the redesign the survey (Form N-317) that provided much of the data contained in our report: Jeffrey K. D. Au, Managing Director, PacifiCap Group, LLC; Alfred B. Fernandes, Partner, KMH LLP; Lisa H. Gibson, President, Hawaii Science and Technology Council; Jason Healy, Administrative Rules Specialist; and David G. Watumull, President and CEO, Cardax Pharmaceuticals, Inc.

Respectfully submitted,



KURT KAWAFUCHI  
Director of Taxation

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# *Descriptive Statistics on the Operations of Qualified High Technology Businesses From 2002 Through 2007*

## *I. Introduction*

This report was prepared pursuant to Act 206, Session Laws of Hawaii (SLH) 2007. The Act directs the Department of Taxation (DOTax) to conduct an annual survey, using electronic forms, to gather information on the operations of qualified high technology businesses (QHTBs) and to report the information to the Legislature by September 1 of each year, beginning with 2008. The Act specified that the survey should provide information sufficient to measure the effectiveness of the high technology business investment tax credit provided by section 235-110.9 of the Hawaii Revised Statutes (HRS), and should identify the industry sectors in which the QHTBs conduct their business, the amount of investments they received in the calendar year, their revenues and expenses, and the numbers and types of their Hawaii employees (full-time, part-time or temporary).

To comply with the Act, DOTax redesigned Form N-317 ("Statement of a Qualified High Technology Business"), with substantial contributions from industry representatives, and made the Form available for electronic filing.<sup>1</sup> The new Form provides better data on the operations of the QHTBs, including data on the workers they employed, on the wages they paid, and on the expenses they incurred. Response to the survey is mandatory for QHTBs that accepted investments in calendar years 2003 through 2007 that were eligible for the high technology investment tax credit. DOTax

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<sup>1</sup> Form N-317 requests information on the operation of the QHTBs on a calendar year basis. The Form was first issued for calendar year 2002.

estimates, however that as many as one-third of the QHTBs required to file the Form failed to do so by the filing deadline of June 30, 2008. To improve compliance, DOTAX has sent letters to businesses that may be required to file the Form, reminding them of their filing obligation and of the penalties for noncompliance.<sup>2</sup>

The next section (Section II) summarizes the main findings on the operations of the QHTBs and on the high technology business investment tax credit (henceforth the "investment credit") claimed by investors. Section III presents more detailed data on the QHTB operations and on the technology credits claimed. Appendices IA and IB contain tables with the data on QHTB by the qualifying activity of QHTB (as defined in HRS Section 235-7.3) and by the industry group of QHTB. Appendix II provides the list of QHTBs that have accepted investments eligible for the investment credit after June 30, 2007 and that filed Form N-317 for 2007. Appendix III contains a summary of Form N-317 as it was constituted for calendar year 2007, along with a paper representation of the electronic version of the Form and the instructions to the Form.

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<sup>2</sup> Data from Forms N-317 filed for years prior to 2007 were utilized to promote the comprehensiveness and integrity of the data in this report. However, the reader must bear in mind the limitations imposed by the failure of some QHTBs to file Form N-317 when interpreting the survey results. The data were compiled and disclosed in aggregate form in order to prevent the release of confidential taxpayer information of any specific QHTB.

## ***II. Highlights From the Data on QHTB Operations and on Investment Credits Claimed***

Figures 1A, 1B, 2, 3A, 3B, 4 and 5 present the main highlights from the data on the operations of the QHTBs and on the investment credits that have been claimed.

Figure 1A shows the investments received by QHTBs that filed Form N-317 for 2007, by activity category, from 2000 through 2007.<sup>3</sup> As shown in the Figure, the activity category "Performing Arts" accounted for more than one-third of all the investments received by QHTBs over the period. These QHTBs received \$307.1 million in investments in 2007 and \$1.13 billion from 2000 through 2007. Figure 1B shows the number of QHTBs that filed Form N-317 in the years 2002 through 2007 (Figure 1B, right side) as well as the amount of investments received by the QHTBs that filed the Form in 2007 and those that filed the Form in earlier years but failed to file for 2007 (Figure 1B, left side).<sup>4</sup> The QHTBs that filed for earlier years but failed to file for 2007 received about \$101 million in investments for the period 2002 through 2006.

Figure 2 (left side) shows the investment credits claimed by those who invested in the QHTBs from 1999 through 2006, by type of investor (individuals, corporations, financial corporations, insurance underwriters, fiduciaries and exempt organizations<sup>5</sup>).<sup>6</sup> The total credits claimed in 2006 amounted to \$100.0 million and the total credits

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<sup>3</sup> The sources of the data on QHTB operations are described in Section III. The activity categories are defined in Appendix III.

<sup>4</sup> The QHTBs that failed to file for 2007 may have ceased operations, or they may still be operating and either did not file for 2007 or missed the filing deadline for 2007. Data for the investments received by this latter group of QHTBs begin in 2002, the first year in which Form N-317 was issued.

<sup>5</sup> Exempt organizations may claim the investment credit that is part of its taxable activity, known as, Unrelated Business Income Tax ("UBIT").

<sup>6</sup> The sources for the data on the technology credits claimed are described in Section III.

claimed from 1999 to 2006 amounted to \$295.6 million.<sup>7</sup> Individuals accounted for the largest share of the credits claimed, followed by insurance underwriters. The number of tax returns on which the credit was claimed grew from 23 in 1999 to 493 in 2002 and to 1,838 in 2006 (Figure 2, right side).<sup>8</sup>

Figure 3A shows the workers and independent contractors hired by the QHTBs in 2007. As shown in the figure, the QHTBs employed 1,450 full-time workers, 154 part-time workers and 641 temporary or seasonal workers, and they employed services of 2,118 independent contractors.<sup>9</sup> Figure 3B shows the salary ranges for the full-time workers and the activity categories in which they were employed. According to the figure, most of the employees earned from \$30,000 to \$99,999 per year and were employed in the activity categories "Computer Software" or "Multiple Activities and Others."

Figure 4 shows Hawaii expenses incurred by the QHTBs from 2002 through 2007, by activity category, including QHTBs that filed Form N-317 for years 2002 through 2006 but failed to file for 2007. Since 2004, QHTBs in the activity categories "Performing Arts" and "Multiple Activities and Others" incurred the largest expenses.

---

<sup>7</sup> It should be noted that the amount of credits claimed is substantially smaller than the potential amount that could be claimed based on the investment amounts shown in Figure 1. There are several reasons for this. For example, out-of-state investors may not have sufficient tax liability to claim the credits. DOTax estimates that investors may fail to claim as much as 50% of the potential credits created by their investments in a given year.

<sup>8</sup> See Table 9 in Appendix IA.

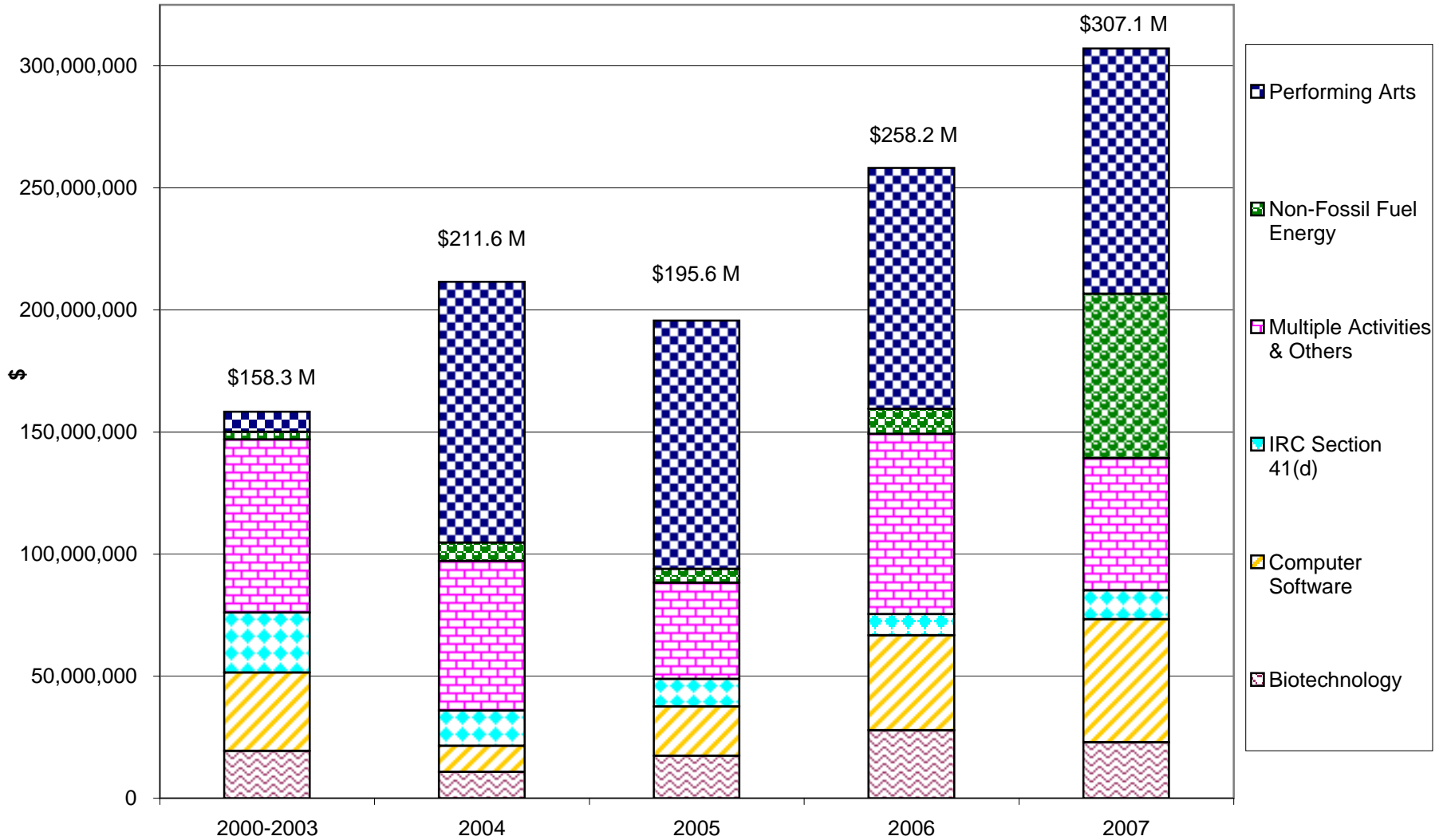
<sup>9</sup> Independent contractors include all individuals or entities to which the QHTB issued federal Form 1099 for services rendered. An independent contractor that is a business can create a part-time job for one individual, or full-time jobs for two or more individuals.

Figure 5 shows cumulative investments received, cumulative Hawaii expenses, and cumulative salaries paid by QHTBs from 2002 through 2007<sup>10</sup>. As shown in the Figure, the cumulative salaries have grown to more than \$600 million in 2007, whereas cumulative investments received have grown to over \$1.2 billion and cumulative Hawaii expenses have grown to over \$1.4 billion.

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<sup>10</sup> For 2007, Hawaii expenses are costs for property or services consumed or for use in Hawaii. Prior to 2007, the amounts represent "Amount of costs incurred in Hawaii (including employee costs)." Data on salaries paid for each year are taken from the N-317 for that year. Salaries paid refers to "Total Payroll Expenses" in 2007, but to "Total Salaries Paid" in prior years.

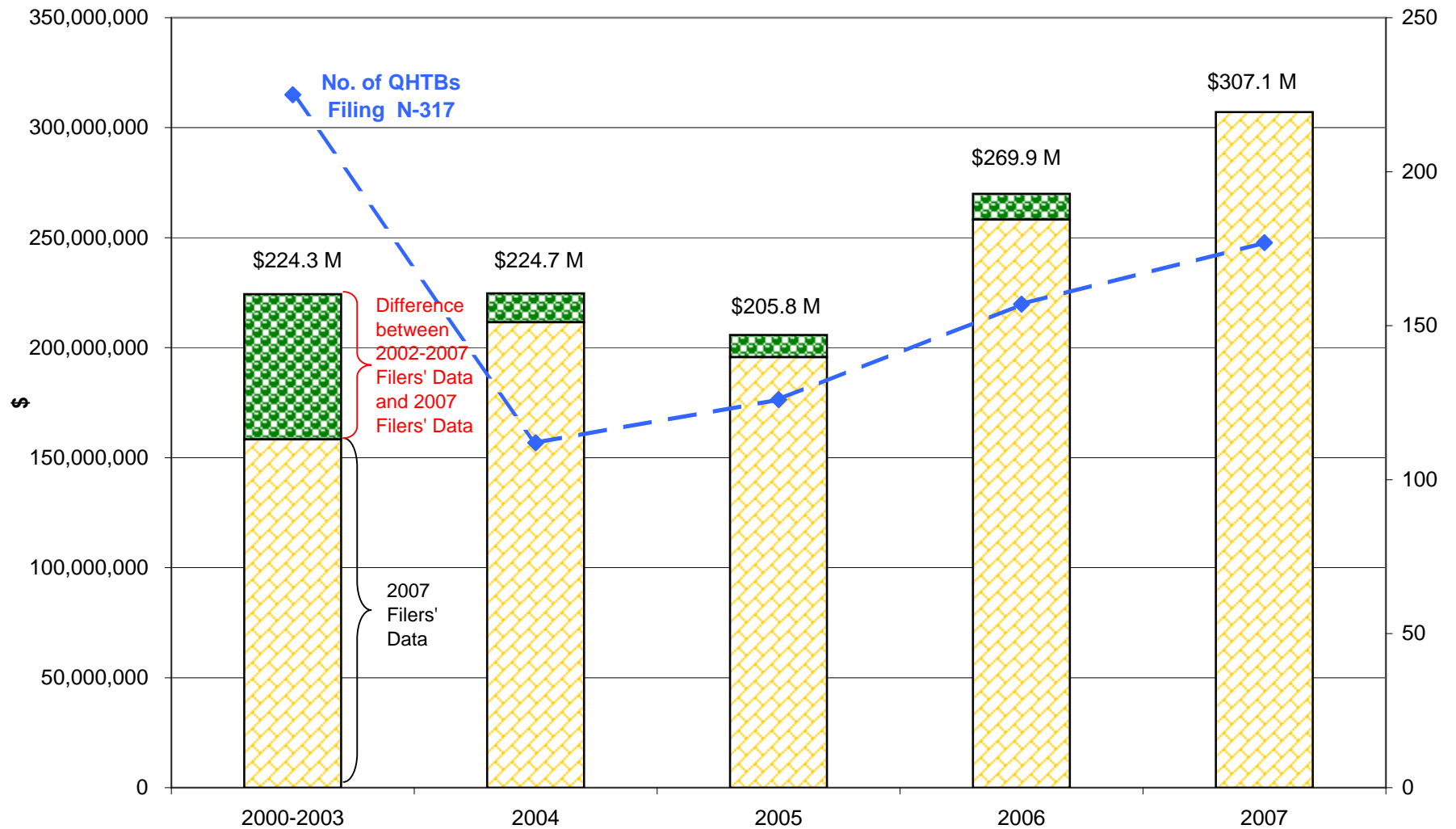
**Figure 1A. Cash Investment Received by QHTBs\* (2000 - 2007)  
(2007 Filers)**



\*Source: Data reported on Form N-317 for calendar year 2007

**Figure 1B. Number of QHTBs Filing Form N-317 and Cash Investment Received by QHTBs  
(Data from 2007 Filers vs. 2002 - 2007 Filers)**

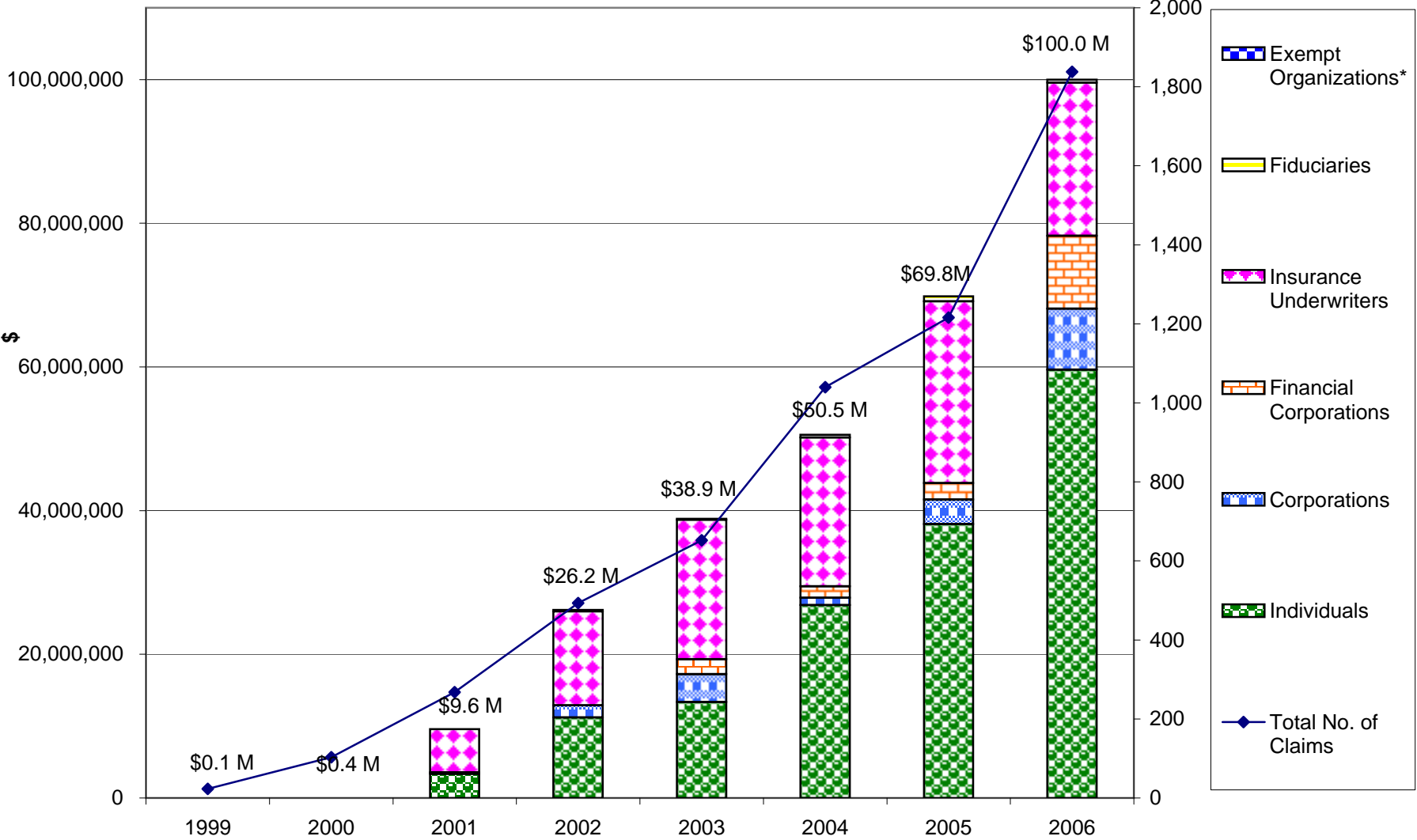
**No. of  
QHTBs  
Filing  
N-317**





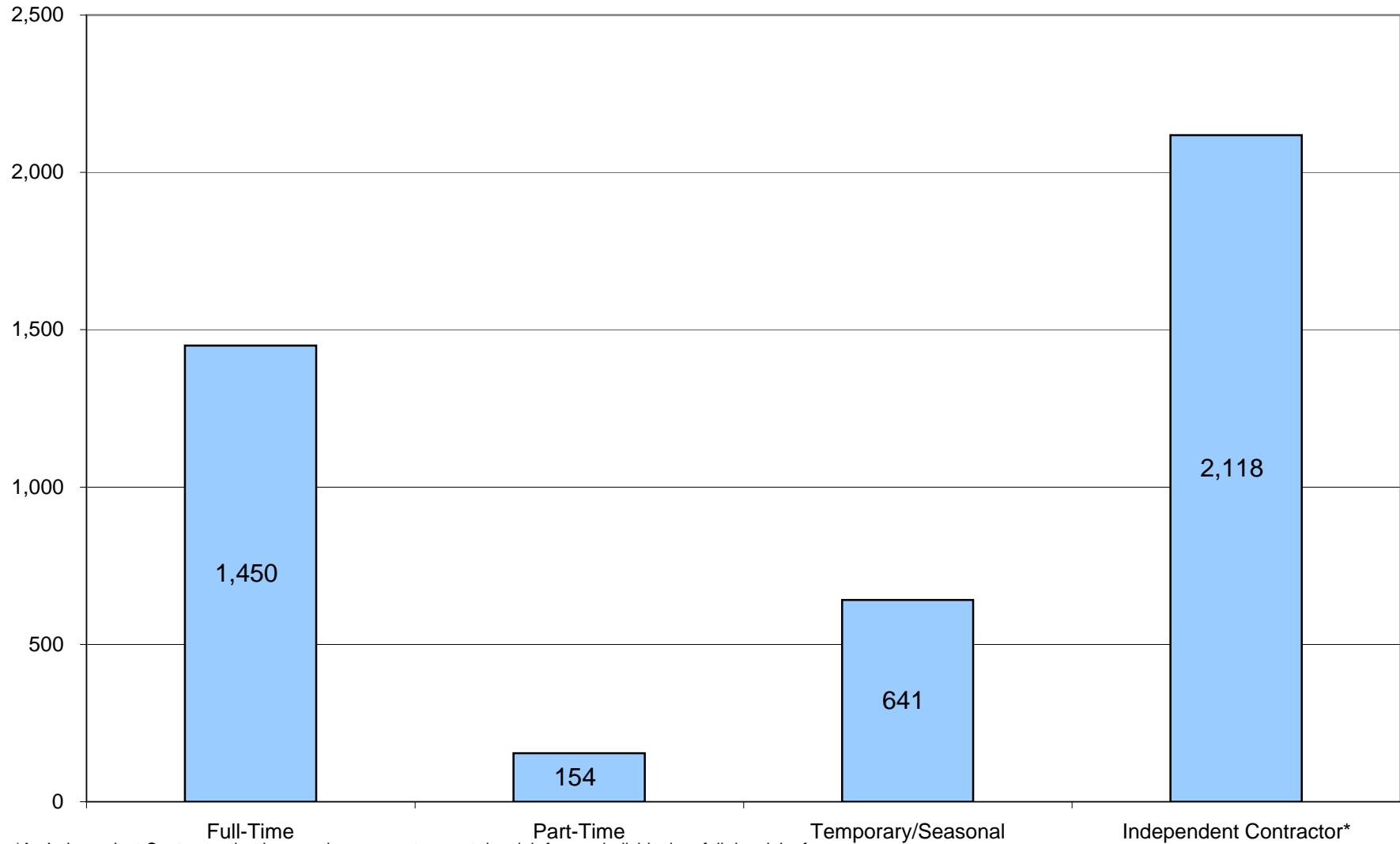
**Figure 2. High Technology Business Investment Tax Credits Claimed  
(Tax Years 1999 - 2006)**

**No. of  
Claims**



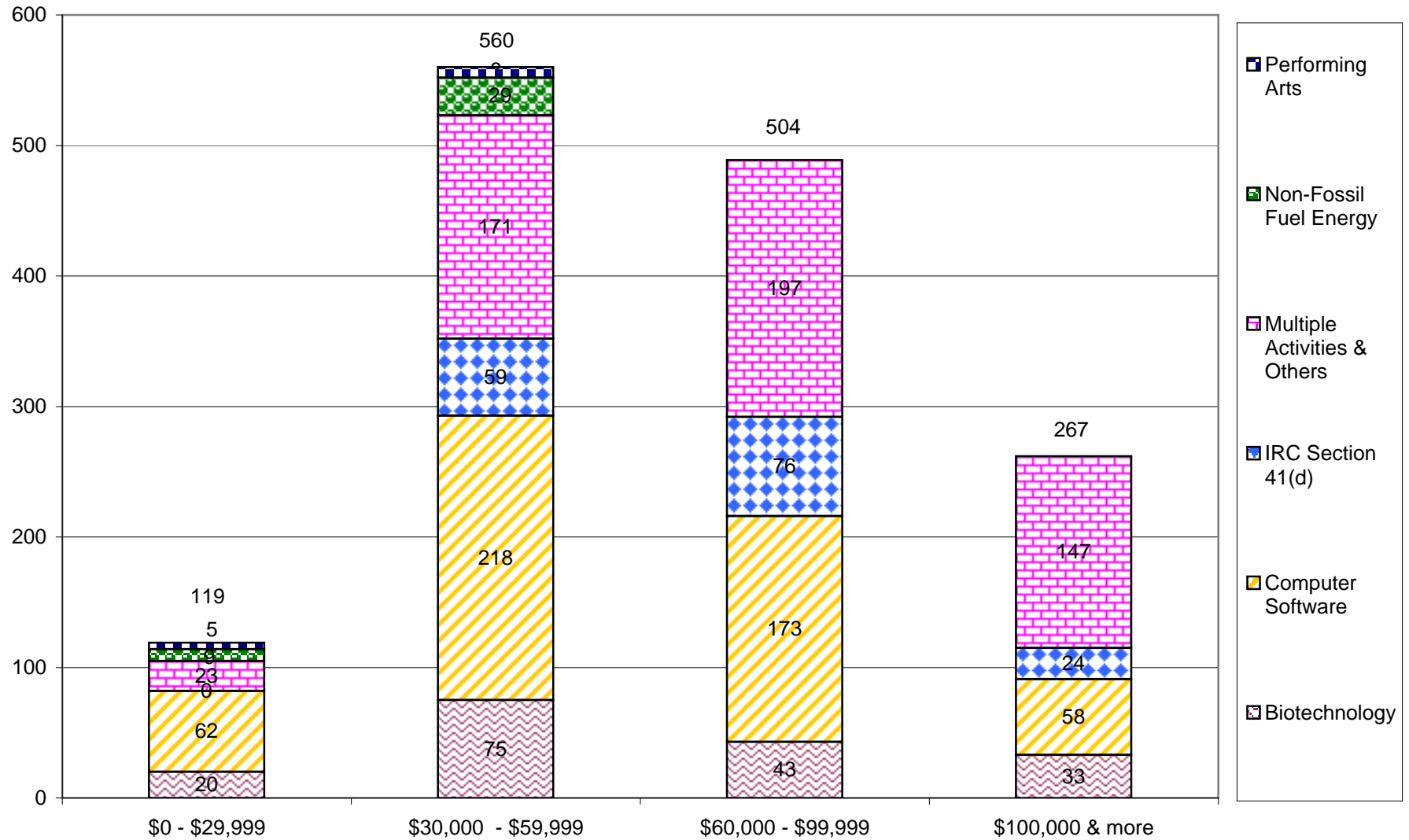
\*Exempt organizations may claim the investment credit that is part of its taxable activity, known as, Unrelated Business Income Tax ("UBIT").

**Figure 3A. Number of Workers and Independent Contractors Hired by QHTB in 2007**

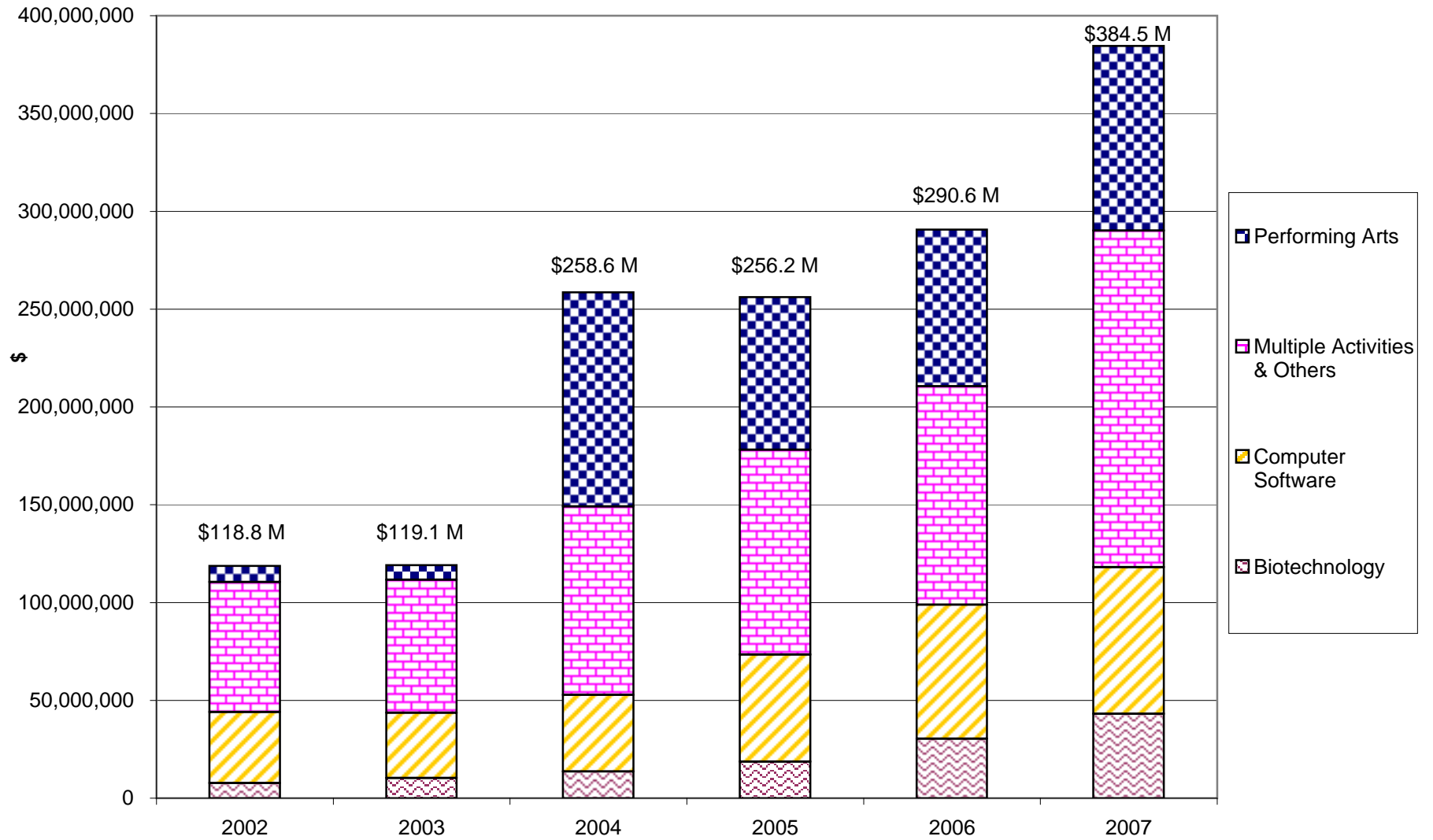


\*An Independent Contractor that is an entity can create a part-time job for one individual, or full-time jobs for two or more

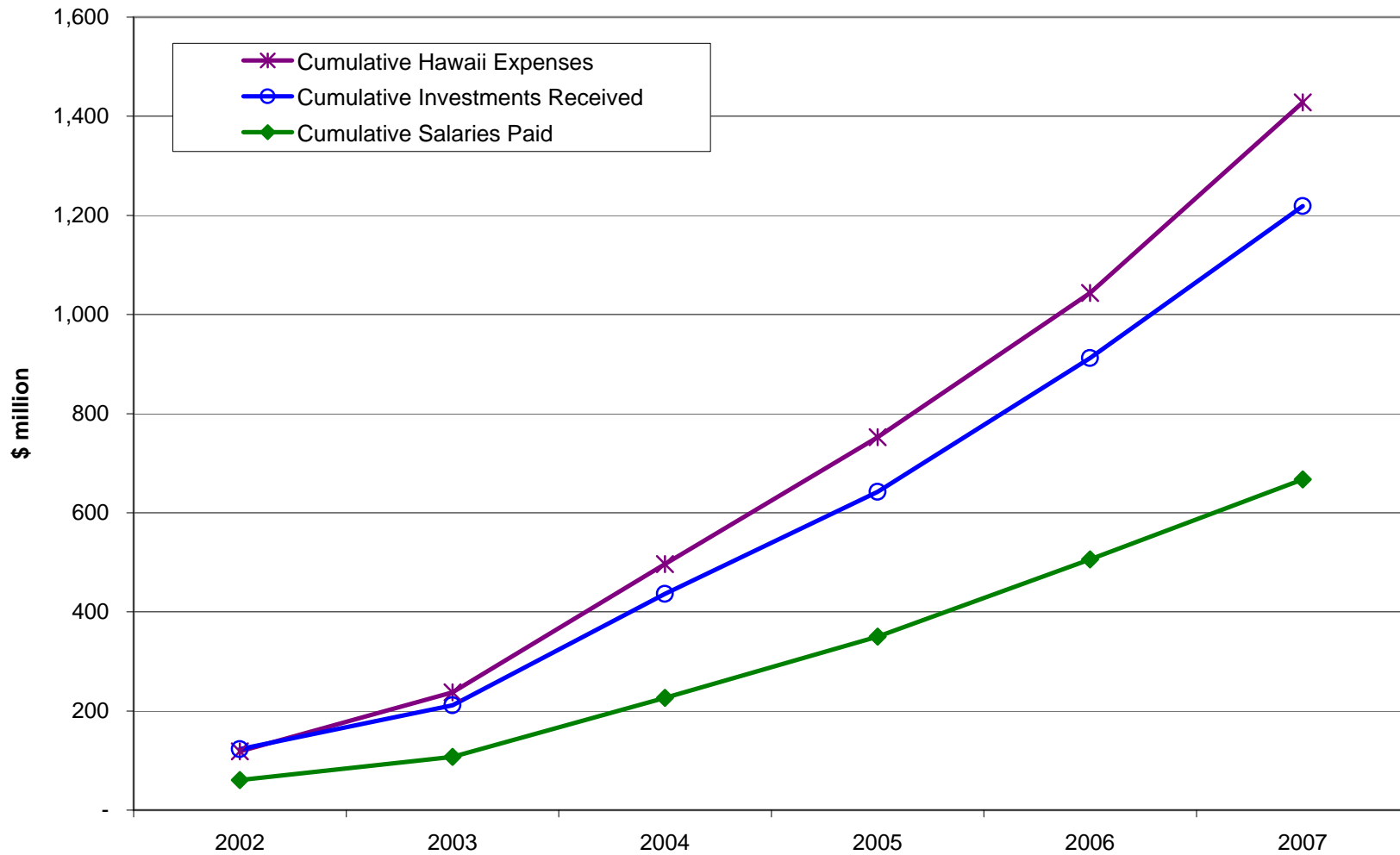
**Figure 3B. Salaries of Full-Time Hawaii Employees of QHTBs in 2007**



**Figure 4. Hawaii Expenses of QHTBs (2002 - 2007)**



**Figure 5. Cumulative Investments Received, Hawaii Expenses, and Salaries Paid by QHTBs (2002 to 2007)**



\*For 2007, Hawaii expenses = costs for property or services consumed or for use in Hawaii. Prior to 2007, the amounts represent Amount of costs incurred in Hawaii (including employee costs). Salaries paid = Total Payroll Expenses in 2007, but to Total Salaries Paid in years prior to 2007.

### ***III. Detailed Data on QHTB Operations and on the Investment Credits Claimed***

#### ***The Data on the Operations of the QHTBs***

The data on operations of the QHTBs were extracted from Forms N-317 filed for calendar year 2007 by the June 30, 2008 filing deadline and from Forms N-317 that were filed for calendar years 2002 through 2006. The data are presented by the activity category that qualified the entity as a QHTB (hereafter, "activity category")<sup>11</sup> and, for data from Form N-317 filed for 2007, by the major industry sector in which the QHTB conducted its operations. Tables in which the QHTBs are classified by activity category are in Appendix IA and tables in which the QHTBs are classified by major industry sector are in Appendix IB. The data for the classifications are aggregated as follows: When creating the activity categories, QHTBs that listed the activity "Same as IRC Section 41(d)" and one other activity were classified in the other activity. Otherwise, QHTBs that listed two or more activities were classified in the category "Multiple activities."

If presenting the aggregate data for an activity risked disclosing operations of any single QHTB, then the activity was merged with the category "Multiple activities" to create the category "Multiple activities and others." Same method is done with the major industry sector classifications.

#### **The Number of QHTBs**

Tables 1a and 1b show that 177 QHTBs filed Form N-317 for calendar year 2007 (henceforth "2007 filers"). Of these, 125 had revenue in 2007 and 172 incurred expenses

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<sup>11</sup> As defined in HRS Section 235-7.3 ("Qualified Research").

in 2007. Table 11a also shows that 333 QHTBs have filed Form N-317 at least once for calendar years 2002 through 2007 (henceforth "all filers").<sup>12</sup>

### Intellectual Property Rights Owned by QHTBs

Tables 2a and 2b summarize the data on intellectual property owned by the 2007 filers. Fifty-five (55) of them collectively owned a total of 204 patents and had 610 patents pending, 74 of them owned copyrights, 65 owned trade secrets, 64 owned licenses, and 58 owned trademarks. In all, 130 of them (or 73%) owned at least one intellectual property right or had a patent pending.

### When the QHTBs Were Created

Tables 3.1a and 3.1b show the number of QHTBs established, by year established, for the group of 2007 filers. Of the 177 QHTBs in the group, 30 (or 17%) were established prior to 2001.<sup>13</sup> The number of 2007 filers that were established in each year since 2001 has varied from a low of 9 QHTBs established in 2003 to a high of 32 QHTBs established in 2004. Table 3.2a shows the number of QHTBs established, by year established, for the group of all filers. Of the 333 QHTBs in this group, 81 (or 24%) were established prior to 2001 and the number established in each year since 2001 varied from a low of 19 QHTBs established in 2003 to a high of 61 QHTBs established in 2002.

Tables 3.3a and 3.3b show the first year that Form N-317 was filed by each of the 2007 filers. Eighty-four (84) of them (or 48%) had filed prior to 2006. Tables 3.4a and 3.4b show the length of time the 2007 filers performed a qualifying activity. Most of

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<sup>12</sup> Form N-317 was first issued for calendar year 2002.

<sup>13</sup> Statistics for the number of 2007 filers established prior to 2002 are not presented in the Table.

them (92 QHTBs or 52%) had performed a qualifying activity for 3 years or less by the end of calendar year 2007.

### Cash Investments in QHTBs

Tables 3.5a and 3.5b show the cash investments received by the group of 2007 filers. The group received \$307.1 million in cash investments in 2007, up 19% from \$258.2 million in 2006. The annual growth rate for the investments they received has varied widely since 2002, from a low of negative 8% (from 2003 to 2004) to a high of 173% (from 2002 to 2003). The average annual growth rate for the investments received by the 2007 filers was 35% over the period from 2002 to 2007, but it was only 19% from 2006 to 2007.<sup>14</sup> Of the major industry sectors, "Film and digital media" received the most investment in 2007: \$100.6 million, or 33% of the 2007 total for all of the 2007 filers.

Table 3.6a shows the cash investments received by all filers (2007 filers and previous years' filers). The average annual growth rate for the investments received by this group was 20% over the period from 2002 to 2007, but it was only 14% from 2006 to 2007.<sup>15</sup> Table 3.7a shows the quarterly investments received by the 2007 filers from the first quarter of 2000 to the last quarter of 2007. As shown in the Table, the investments received are greatest in the last quarter of the year.

---

<sup>14</sup> The data for cash investments received in 2002 are not shown separately in Tables 3.5a or 3.5b. The average annual growth rate represents a compounded growth rate, i.e. for each year, the base for the compound growth rate includes the growth over the prior year's base.

<sup>15</sup> The data for cash investments received in 2002 are not shown separately in Table 3.6. The average annual growth rate represents a compounded growth rate, i.e. for each year, the base for the compound growth rate includes the growth over the prior year's base.



## Worldwide Revenue, Expenses and Distributions of Earnings of the QHTBs

Tables 4.1a and 4.1b show the worldwide revenue, expenses, and earnings distributions of the 2007 filers for calendar year 2007. Collectively, the 2007 worldwide expenses totaled \$440.9 million and exceeded their worldwide revenue by \$212.5 million. The biggest expense item was payroll expenses, which accounted for 37% of the worldwide expenses. The second biggest expense item was for independent contractors, which accounted for 25% of the worldwide expenses. Eighteen (18) of the 2007 filers distributed earnings to partners or shareholders and the distributed earnings were equal to 8% of the worldwide revenue of the 2007 filers. Table 4.1a also shows that none of the individual activity categories had overall worldwide revenue greater than worldwide expenses. Among the activity categories, the net of revenue and expenses ranged from a loss equal to 37% of worldwide revenue for the category "Multiple activities and others" to a loss that was more than 13 times as great as worldwide revenue for the activity category "Performing arts." As shown in Table 4.1b, none of the major industry sectors had worldwide revenue greater than worldwide expenses. Among the individual major industry sectors, the net of revenue and expenses ranged from a loss equal to 23% of worldwide revenue for the category "Multiple industries and others" to a loss that was more than 13 times as great as worldwide revenue for the industry "Film and digital media."

Tables 4.2a and 4.2b show the worldwide revenue, expenses, and distributions of earnings for the QHTBs with worldwide revenue equal to, or greater than worldwide

expenses<sup>16</sup> and Tables 4.3a and 4.3b show these items for the QHTBs with worldwide revenue less than worldwide expenses. According to the figures in Tables 4.2a, 4.2b, 4.3a and 4.3b, 38 of the QHTBs had revenue at least as great as expenses and 139 had revenue less than expenses for calendar year 2007. For those with revenue at least as great as expenses, the gain was 22% as great as their worldwide revenue, whereas for those with revenue less than expenses, the loss was 194% as great as their worldwide revenue. According to data in Tables 4.4a, 4.4b, 4.5a and 4.5b, QHTBs with revenue less than expenses received 95% of the total cash investments received by the 2007 filers.

#### Hawaii Revenue, Expenses and Distributions of Earnings of the QHTBs

Table 5.1a through Table 5.3b show the Hawaii revenue, expenses, and distributions of the 2007 filers for calendar year 2007. A comparison of the figures in Tables 5.1a and 5.1b with those in Tables 4.1a and 4.1b reveals that Hawaii expenses accounted for 87% of the worldwide expenses of the 2007 filers, Hawaii revenue accounted for 90% of their worldwide revenue, and Hawaii payroll expenses accounted for 79% of their worldwide payroll expenses. However, Hawaii residents received only 42% of the total distributions of earnings made by the QHTBs. In other words, 58% of the total distributions of earnings was paid to non-Hawaii residents. According to the figures in Table 5.4, Hawaii expenses of all filers grew from \$118.8 million in 2002 to \$384.5 million in 2007, or at an average annual compound growth rate of 26% over this period. The biggest Hawaii expense was for payroll, which was \$127.0 million in 2007.

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<sup>16</sup> Four of the QHTBs had zero revenue and expenses for 2007, or had revenue exactly equal to expenses that year. These QHTBs accounted for only one-tenth of one percent (0.1%) of the total investments received by the 2007 filers from 2000 through 2007.

Table 5.5a shows the sum of Hawaii expenses and Hawaii capital expenditures, as well as the Hawaii payroll expenses incurred by the 2007 filers by major industry sector. The industry detail for the sum of Hawaii expenses and Hawaii capital expenditures, and for the Hawaii payroll expenses shown in Table 5.5a differs from that shown in Table 5.1b. The reason is that in Table 5.5a the data are tabulated by the industry in which the expenditures were made, whereas in Table 5.1b (and in all of the other tables presented so far) the data are tabulated by the industry in which the QHTB was classified.<sup>17</sup> For example, in Table 5.1b, 40 QHTBs reported Hawaii payroll expenses of \$20.4 million in the industry sector "Information and communication technology," whereas in Table 5.5a, 50 QHTBs reported \$34.0 million in Hawaii payrolls in that industry sector. In general, the number of QHTBs reporting an item (such as payroll expenses) in an industry in Table 5.5a generally is greater than the corresponding number in Table 5.1b. In Table 5.1b (and in the other tables) QHTBs that operate in more than one industry are classified in the category "Multiple industries and others," which lacks industry detail.

Certain industry detail is also missing in Table 5.5a. For example, the industry breakdown for the payroll amounts for employees who were not employed in any of the top three industries in which the QHTB incurred the greatest payroll expenses is not known. (These employees are assigned to the catchall category "Unknown industry and others" in Table 5.5a.) Nevertheless, the figures in Table 5.5a provide a more accurate industry breakdown than those in Table 5.1b. That is, more of the total amount for the

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<sup>17</sup> The industry tabulation was made possible by questions 5i and 5j on Form N-317 for 2007. Question 5i asks the QHTB to report the top three industries in which the sum of Hawaii expenses and Hawaii capital expenditures were greatest in 2007, along with the percentage of the total that of the Hawaii expenses and capital expenditures that was incurred in each of the three industries. Question 5j asks the QHTB to report the three industries in which it incurred the greatest Hawaii payroll expenses and the percentage of the total for each industry.

items presented in Table 5.5a can be assigned to a particular industry rather than to a catchall category. For example, the share of total Hawaii payroll expenses for employees working in the industry "Biotechnology and life sciences" is 19% in Table 5.5a, whereas it is only 14% in Table 5.1b. Similarly, the share of the total Hawaii payroll expenses for employees working in the industry "Information and communication technology" rises from 16% in Table 5.1b to 27% in Table 5.5, whereas the share in the catchall category is 59% in Table 5.1b but it is only 42% in Table 5.5a.<sup>18</sup>

#### Employment and Independent Contractor Expenses of the QHTBs

Tables 6.1a through 6.3b show the number of Hawaii employees by type of employee (full time or part time) and their annual salaries for the 2007 filers.<sup>19</sup> Tables 6.1a and 6.1b show that these QHTBs had 1,450 full-time employees in Hawaii as of the week of December 12, 2007, up by 6% from 1,363 for the week of December 12, 2006. The Table also shows that the bulk of the full-time Hawaii employees in 2007 (73%) earned a salary in the range from \$30,000 to \$99,999, with 39% (560) of the employees

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<sup>18</sup> The lack of industry detail is considerably smaller than indicated by the size of the catchall category in Table 5.5a, because part of the category's size is caused by aggregation done to prevent disclosing taxpayer confidential information. For example, without this aggregation, the component for which no industry detail is available for Hawaii payroll expenses is only 8%, whereas it would be 48% for the catchall category "Multiple industries" in Table 5.1b. (These statistics cannot be calculated from the tables.)

<sup>19</sup> The average salaries of the Hawaii full-time employees cannot be calculated, because separate figures are not available for payroll expenses of full-time employees. The previous report by the DOTax ("Report on the Operations of Qualified High Technology Businesses From 2002 Through 2006," Department of Taxation, State of Hawaii, October 2007), provides figures for average salaries. These averages were calculated from the responses to the questions in D. 1. (c) on earlier versions of Form N-317. Namely, the average salaries were calculated by dividing the response to the question "Total salaries paid in [calendar year]" by the response to question "Number of employees paid in [calendar year]." The result of the calculations can be misleading, because it does not distinguish between full-time employees and part-time employees. Forms N-317 for calendar years prior to 2007 did not ask the QHTBs to break out Hawaii employees from worldwide employees; hence, the average salaries calculated in the previous report are for worldwide employees of the QHTBs. Median salaries were also not calculated for the present report, because the practice of combining full-time and part-time employees could lead to misleading calculations for the medians. Average and median salary calculations were provided in the previous DOTax report (*ibid*), because better data on wages were not available. However, Form N-317 for 2007 provides data on salary ranges.

earning a salary in the range from \$30,000 to \$59,999 and 35% (504) of the employees earning a salary in the range from \$60,000 to \$99,999. Tables 6.2a and 6.2b show that most of these QHTBs (92%) had fewer than 25 full-time employees in Hawaii in 2007 and that 40% of them had no full-time employees in Hawaii that year.

Tables 6.3a and 6.3b show that the 2007 filers had 154 part-time employees in Hawaii as of the week of December 12, 2007, up by 21% from 127 for the week of December 12, 2006. Most of the part-time employees in 2007 (69%) earned an annualized salary of \$30,000 or less. Tables 6.4a and 6.4b show that 52 of these QHTBs (or 29%) had part-time employees in Hawaii. The bulk of the QHTBs (95%) had four or fewer part-time employees and none had more than 24.

Tables 6.5a and 6.5b show that 34 (or 19%) of the 2007 filers hired temporary or seasonal workers in Hawaii in 2007 and that most of them (90%) were hired for a period of 90 days or less.<sup>20</sup> Table 6.5a shows that among the activity categories, most of the temporary workers (78%) were employed by QHTBs in the activity sector "Performing arts," whereas Table 6.5b shows that among the major industry sectors, "Film and digital media" accounted for the bulk (81%) of the temporary workers. Table 6.6a shows that none of the QHTBs in any activity category other than "Performing arts" had more than 24 temporary workers in Hawaii in 2007 and most of them had fewer than 5 such workers, whereas only QHTBs in the activity category "Performing arts" hired more than 50 such workers. Table 6.6b shows that none of the QHTBs in any major industry sector other than "Film and digital media" hired more than 24 temporary workers in Hawaii in

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<sup>20</sup> Temporary workers include only workers who received a federal Form W-2 for wage withholding from the QHTB or who were paid according to a contract with a temporary hire agency.

2007, whereas only QHTBs in the industry sector "Film and digital media" hired more than 50 such workers.

Tables 6.7a and 6.7b show that the 2007 filers hired a total of 2,118 independent contractors in 2007.<sup>21</sup> Most of the 2007 filers (74%) used at least one independent contractor. The average amount spent per contract in 2007 was \$51,078.<sup>22</sup>

#### Research Credits Claimed by The QHTBs

According to the figures in the Tables 7.1a and 7.1b, 86 of the 2007 filers (or 49%) claimed the refundable research credit<sup>23</sup> provided by section 235-110.91, HRS. These QHTBs had \$74.2 million in qualified research expenditures and claimed total research credits of \$14.9 million in 2007. The catchall category "Multiple activities and others" accounted for 45% of the total qualified expenditures and research credits claimed. Table 7.2a provides research expenditures by industry in which the expenditures were incurred. The tabulation is made possible by question 7c on Form N-317 for 2007, which asks the QHTB to report the three industries in which it incurred the largest qualified expenses and the percentage of the total such expenses incurred in each industry. This tabulation shows a different industry mix of the qualified research expenditures than those in Table 7.1b. For example, a QHTB that makes research expenditures in both the industry sectors "Biotechnology and life sciences" and "Information and communication technology" would report the expenditures separately for each of these industries in Table 7.2a, whereas the QHTB and all of its research

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<sup>21</sup> Independent contractors include all individuals or entities to which the QHTB issued federal Form 1099 for services rendered. An independent contractor that is an entity can create a part-time job for one individual, or full-time jobs for two or more individuals.

<sup>22</sup> The expense for independent contractors used to calculate the average is from Table 4.1b.

<sup>23</sup> Because the tax credit is refundable, it can be claimed by QHTBs that have no Hawaii tax liability.

expenditures would be classified in the catchall category "Multiple industries and others" in Table 7.1b. The figures in Table 7.2a thus show a different industry mix of the qualified research expenditures than those in Table 7.1b. Most notably, the share of the total such expenditures incurred in the industry "Information and communication technology" rises from 18% in Table 7.1b to 28% in Table 7.2a, whereas the share of the catchall category "Multiple industries and others" falls from 57% to 44%.

#### Comparisons with Data from Forms N-317 Filed for Earlier Years

Table 8a summarizes statistics on salaries paid, expenses incurred, and investments received from Forms N-317 filed for 2007 and those filed for previous years.<sup>24</sup> The data allow only very rough comparisons, because the definitions of some terms have been clarified or changed for the 2007 version of Form N-317. For example, Form N-317 for years prior to calendar year 2007 asked only for the item "salaries paid," whereas the Form for 2007 asked for "payroll expenses" with instructions specifying that these expenses include the aggregate amount of all wages and all other expenses traditionally paid from a payroll account, such as employment taxes, health insurance, life insurance and retirement benefits, among others, and that they do not include expenses attributable to non-employees. All the figures for the item "salaries paid" presented in Table 8 are for worldwide operations, because Forms N-317 filed for years prior to 2007 did not ask for Hawaii payroll expenses. Instructions to Form N-317 for 2007 also made clear that the item "expenses incurred in Hawaii" includes all expenses except for foreign income taxes and domestic income taxes, including expenses associated with advertising, promotion, sales, marketing, warehousing and distribution,

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<sup>24</sup> The investment amounts reported in Table 8 are the same as those in the last column of Table 3.6a.

administration, interest expenses, and reasonable allowances for depreciation and amortization. No such instructions accompanied the earlier versions of Form N-317.

With these caveats in mind, comparing the total for worldwide salaries paid by the QHTBs in 2007 (Table 4.1a) with the corresponding figure for 2002 that was published in the earlier report by DOTax<sup>25</sup> reveals that that worldwide payroll expenses of the QHTBs have been growing at an annual rate of 22% over the period from 2002 to 2007. Similarly, comparing the total for Hawaii expenses of the QHTBs in 2007 (Table 5.1a), with the corresponding figure for 2002 from the earlier report reveals that the Hawaii expenses have grown at an average annual rate of 27%. The data in Table 8.1a show that the QHTBs in the activity category "Performing arts" have received 37% of the total investments received by all of the 2007 filers from 2002 through 2007, whereas QHTBs in the activity category "Biotechnology" received 9%, QHTBs in the activity category "Computer software" received 14%, and QHTBs in the catchall category "Multiple activities and others" received 40%.<sup>26</sup>

Table 8.2a shows that over the period from 2002 through 2007, the group of all filers paid a cumulative total of \$667.5 million in salaries (including salaries of non-Hawaii employees), incurred a cumulative total of \$1.4 billion in Hawaii expenses, and received a cumulative total of \$1.2 billion in cash investments.

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<sup>25</sup> *Ibid.*

<sup>26</sup> These percentages do not consider QHTBs that did not file Form N-317 in either or both of calendar years 2002 and 2007.



### *The Data on Investment Credits Claimed*

To claim the investment credit, the eligible investor files Form N-318 ("High Technology Business Investment Tax Credit") and includes it with a tax return. The investment credit is used (applied against Hawaii tax liability) on a variety of forms. Individuals and non-financial corporations apply the investment credit by filing Schedule CR ("Schedule of Tax Credits") with their net income tax return. Financial corporations, fiduciaries and tax-exempt organizations apply the investment credit using lines or schedules embedded in their net income tax returns.<sup>27</sup>

Insurance companies apply the technology credit against the tax on insurance premiums using Form 314 ("Annual Premium Tax Statement") or Form 323 ("Quarterly Premium Tax Statements"). The insurance companies use calendar year accounting periods. The Insurance Division in the Department of Commerce and Consumer Affairs administers the tax on insurance premiums. The Division calculates the amounts of the technology credit that were applied against the tax on insurance premiums and provides the results to DOTax.

The net income tax returns are filed for the taxpayer's fiscal year and DOTax tabulates the data by tax year. The tax year includes returns filed by taxpayers with fiscal years ending within the calendar year. For example, for a taxpayer with a fiscal year ending June 30, the return for tax year 2006 represents data for the period from July 1, 2006 through June 30, 2007. Taxpayers may extend the filing deadline for their net income tax return by as much as six months and there are additional processing lags

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<sup>27</sup> Financial corporations apply the tax credit on Schedule H of Form F-1 ("Franchise Tax Return"), fiduciaries use Schedule E of Form N-40 ("Fiduciary Income Tax Return"). Tax-exempt organizations may claim the credit against Hawaii unrelated business income taxes using the appropriate line on Form N-70NP ("Exempt Organizations Business Income Tax Return").

before data from the returns are available for tabulation. Consequently, at time of writing, 2006 was the latest tax year that could be compiled.<sup>28</sup>

Table 9a summarizes the data on the investment credits claimed for tax years 1999 through 2006. Act 178, SLH 1999 established the tax credit and set it at 10 percent of the investment amount for investments made on or after July 1, 1999. Act 221, SLH 2001, increased the tax credit to 100 percent of the investment amount (to be claimed over five years) for investments received after July 1, 2001.<sup>29</sup> Thus, the data reported for tax years 1999 and 2000 reflect tax credits taken under the original modest program, the data for tax years 2001 and 2002 reflect tax credits taken under either the original program or the expanded program, and the data for tax years 2003 through 2006 reflect tax credits taken under the expanded program. The cumulative total of investment credits claimed and utilized (subtracted from Hawaii tax liabilities) for the period from 1999 through 2006 was \$295.6 million. The average annual rate of growth of credits claimed and utilized from 2002 through 2006 is 40%. The credits claimed and utilized grew by 43% from 2005 to 2006.

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<sup>28</sup> Claims for the investment credit for the 2007 tax year must be filed by December 31, 2008.

<sup>29</sup> Act 215, SLH 2004, amended Act 221, SLH 2001 and took effect July 1, 2004. Among other things, Act 215 required DOTax to certify qualified investments and to maintain records of taxpayers claiming the tax credit. More detail on the tax credit and its history is provided in *ibid*, Appendix III.

# **APPENDIX IA**

## **TABLES BY QUALIFYING ACTIVITY OF QHTB**



**Table 1a -- Number of QHTBs Filing Form N-317**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs (2007 Filers)</b>	<b>No. of QHTBs that Have Ever Filed Form N-317 (2002-2007 Filers)</b>	<b>No. of QHTBs with Revenue in 2007</b>	<b>No. of QHTBs with Expenditures in 2007</b>
Same as IRC Section 41(d)	17	26	12	17
Biotechnology	22	36	16	19
Computer Software	48	113	37	48
Non-Fossil Fuel Energy	20	26	10	18
Performing Arts	33	69	22	33
Multiple Activities and Others	37	63	28	37
<b>Grand Total</b>	<b>177</b>	<b>333</b>	<b>125</b>	<b>172</b>

**Table 2a -- Intellectual Property Owned by QHTBs (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs Owning Patents<sup>1</sup></b>	<b>No. of Patents Owned</b>	<b>No. of Patents Pending</b>	<b>No. of QHTBs Owning Copyrights</b>	<b>No. of QHTBs Owning Trade Secrets</b>	<b>No. of QHTBs Owning Licenses</b>	<b>No. of QHTBs Owning Trademarks</b>
Same as IRC Section 41(d)	*	49	29	6	4	6	5
Biotechnology	12	98	371	*	6	12	7
Computer Software	12	*	38	24	20	19	17
Non-Fossil Fuel Energy	7	*	87	*	7	6	5
Performing Arts	*	-	10	25	8	11	9
Multiple Activities and Others	18	50	75	13	20	10	15
<b>Grand Total</b>	<b>55</b>	<b>204</b>	<b>610</b>	<b>74</b>	<b>65</b>	<b>64</b>	<b>58</b>

<sup>1</sup> Includes QHTBs with patents pending.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 3.1a -- Number of QHTBs Established, by Year Established (2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Year QHTB Established:				Total
	Prior to 2002	2002-2003	2004-2005	2006-2007	
Same as IRC Section 41(d)	4	4	5	4	17
Biotechnology	7	3	7	5	22
Computer Software	13	8	16	11	48
Non-Fossil Fuel Energy	*	*	5	8	20
Performing Arts	*	*	14	11	33
Multiple Activities and Others	12	5	10	10	37
<b>Grand Total</b>	<b>43</b>	<b>28</b>	<b>57</b>	<b>49</b>	<b>177</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 3.2a -- Number of QHTBs Established, by Year Established (2002 to 2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Year QHTB Established:					Total
	Prior to 2002	2002-2003	2004-2005	2006-2007	Unknown <sup>1</sup>	
Same as IRC Section 41(d)	9	6	6	4	1	26
Biotechnology	18	4	7	7	-	36
Computer Software	51	29	20	13	-	113
Non-Fossil Fuel Energy	7	4	6	9	-	26
Performing Arts	7	24	23	12	3	69
Multiple Activities and Others	23	13	16	11	-	63
<b>Grand Total</b>	<b>115</b>	<b>80</b>	<b>78</b>	<b>56</b>	<b>4</b>	<b>333</b>

<sup>1</sup> Some QHTBs failed to provide this information on Forms N-317 filed prior to 2007.



**Table 3.3a -- Number of QHTBs Filing Form N-317, by Year of First Filing (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Year of First Filing:</b>				<b>Total</b>
	<b>Prior to 2004</b>	<b>2004-2005</b>	<b>2006-2007</b>	<b>Unknown<sup>1</sup></b>	
Same as IRC Section 41(d)	3	6	8	-	17
Biotechnology	8	5	9	-	22
Computer Software	11	14	22	1	48
Non-Fossil Fuel Energy	3	2	15	-	20
Performing Arts	5	9	19	-	33
Multiple Activities and Others	12	6	19	-	37
<b>Grand Total</b>	<b>42</b>	<b>42</b>	<b>92</b>	<b>1</b>	<b>177</b>

<sup>1</sup> One respondent failed to specify year of first filing.

**Table 3.4a -- Number of QHTBs Performing Qualifying Activities and Duration of Activity (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Number of years the QHTB Performed the Qualifying Activity:</b>				<b>Total</b>
	<b>0-1 Years</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>6 or more Years</b>	
Same as IRC Section 41(d)	3	4	3	7	17
Biotechnology	3	7	5	7	22
Computer Software	6	19	9	14	48
Non-Fossil Fuel Energy	4	9	4	3	20
Performing Arts	7	13	11	2	33
Multiple Activities and Others	7	10	6	14	37
<b>Grand Total</b>	<b>30</b>	<b>62</b>	<b>38</b>	<b>47</b>	<b>177</b>

**Table 3.5a -- Cash Investment Received by QHTBs, by Year (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Same as IRC Section 41(d)	\$ 24,640,000	\$ 14,396,598	\$ 11,327,602	\$ 8,658,641	\$ 11,850,012	\$ 70,872,853
Biotechnology	19,312,644	10,738,111	17,409,945	27,775,740	22,900,860	98,137,300
Computer Software	32,096,620	10,730,115	20,116,658	38,976,405	50,391,216	152,311,014
Non-Fossil Fuel Energy	3,140,521	7,595,868	5,695,855	10,297,338	67,250,337	93,979,919
Performing Arts	8,280,489	106,837,146	101,739,232	98,705,554	100,557,977	416,120,398
Multiple Activities and Others	70,878,185	61,254,249	39,359,939	73,762,509	54,183,826	299,438,708
<b>Grand Total</b>	<b>\$ 158,348,459</b>	<b>\$ 211,552,087</b>	<b>\$ 195,649,231</b>	<b>\$ 258,176,187</b>	<b>\$ 307,134,228</b>	<b>\$ 1,130,860,192</b>

**Table 3.6a -- Cash Investment Received by QHTBs, by Year (2002 to 2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Year Investment Received:					TOTAL
	2000-2003	2004	2005	2006	2007	
Same as IRC Section 41(d)	\$ 30,587,351	\$ 15,693,096	\$ 11,327,602	\$ 8,858,641	\$ 11,850,012	\$ 78,316,702
Biotechnology	31,688,425	10,738,111	17,809,945	28,309,955	22,900,860	111,447,296
Computer Software	47,321,077	15,000,506	21,145,800	45,893,954	50,391,216	179,752,553
Non-Fossil Fuel Energy	3,140,521	7,597,868	5,695,855	10,614,132	67,250,337	94,298,713
Performing Arts	29,525,438	107,316,564	105,398,105	102,291,910	100,557,977	445,089,994
Multiple Activities and Others	82,047,611	68,326,395	44,461,958	73,944,209	54,183,826	322,963,999
<b>Grand Total</b>	<b>\$ 224,310,423</b>	<b>\$ 224,672,540</b>	<b>\$ 205,839,265</b>	<b>\$ 269,912,801</b>	<b>\$ 307,134,228</b>	<b>\$ 1,231,869,257</b>

\* The data are from Forms N-317 filed for calendar years 2002 through 2007. If the data reported by the QHTB on the Form N-317 filed for 2007 disagreed with those the QHTB reported in a previous year, the more recent data were used.

**Table 3.7a -- Cash Investment Received by QHTBs, by Quarter (2007 Filers)**

<b>Year of Investment</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year Total</b>
2000	\$ 523,429	\$ 125,000	\$ 340,000	\$ 259,506	\$ 1,247,935
2001	379,412	155,000	1,513,129	9,530,116	11,577,657
2002	15,240,415	8,975,762	6,652,718	37,189,819	68,058,714
2003	10,410,621	5,822,173	5,453,475	55,777,884	77,464,153
2004	9,321,910	77,594,591	21,595,385	103,040,201	211,552,087
2005	23,929,018	28,412,882	26,675,052	116,632,279	195,649,231
2006	25,298,378	27,616,268	37,253,380	168,008,161	258,176,187
2007	23,666,869	29,233,321	104,250,592	149,983,446	307,134,228

**Table 4.1a -- 2007 Worldwide Revenue, Expenses, and Distributions: All QHTBs (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Total No. of QHTBs</b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>1</sup></b>	<b>Non-cash Expenses<sup>2</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Same as IRC Section 41(d)	17	\$ 33,871,468	\$ 47,832,330	\$ 1,198,118	\$ 29,757	\$ 1,963,484
Biotechnology	22	18,031,859	51,337,847	1,871,717	669,081	1,060,214
Computer Software	48	58,967,676	91,306,573	3,908,972	379,801	10,222,410
Non-Fossil Fuel Energy	20	28,584,949	39,848,501	12,019,958	4,294,081	6,287,306
Performing Arts	33	6,572,103	97,506,567	5,225,754	35,972	5,477,075
Multiple Activities and Others	37	82,316,791	113,022,473	2,282,929	605,091	5,292,093
<b>Grand Total</b>	<b>177</b>	<b>\$ 228,344,846</b>	<b>\$ 440,854,291</b>	<b>\$ 26,507,448</b>	<b>\$ 6,013,783</b>	<b>\$ 30,302,582</b>

(continued)

<b>Activity</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>No. of QHTBs With Distributions<sup>3</sup></b>	<b>Total Distributions<sup>3</sup></b>
Same as IRC Section 41(d)	\$ 21,487,174	\$ 15,849,183	*	*
Biotechnology	17,117,345	10,825,543	*	*
Computer Software	50,425,846	9,466,646	*	*
Non-Fossil Fuel Energy	5,572,949	5,910,083	*	*
Performing Arts	9,148,465	54,438,799	6	5,948,292
Multiple Activities and Others	57,913,488	11,692,324	5	755,192
<b>Grand Total</b>	<b>\$ 161,665,267</b>	<b>\$ 108,182,578</b>	<b>18</b>	<b>\$ 17,620,034</b>

<sup>1</sup>Includes all expenses except foreign and domestic income taxes.

<sup>2</sup>Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>3</sup>Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 4.2a -- 2007 Worldwide Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Total No. of QHTBs<sup>1</sup></b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>2</sup></b>	<b>Non-cash Expenses<sup>3</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Same as IRC Section 41(d)	5	\$ 27,376,889	\$ 21,715,785	\$ 564,615	\$ 29,757	\$ 695,251
Biotechnology	4	*	*	*	*	*
Computer Software	7	29,234,081	26,325,755	1,770,110	17,316	284,732
Non-Fossil Fuel Energy	4	*	*	*	*	*
Performing Arts	7	958,416	519,021	50,875	100	233,951
Multiple Activities and Others	11	39,786,538	26,080,913	1,073,030	210,505	647,453
<b>Grand Total</b>	<b>38</b>	<b>\$ 106,700,602</b>	<b>\$ 83,272,809</b>	<b>\$ 3,609,139</b>	<b>\$ 278,994</b>	<b>\$ 2,968,950</b>

(continued)

<b>Activity</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>No. of QHTBs With Distributions<sup>4</sup></b>	<b>Total Distributions<sup>4</sup></b>
Same as IRC Section 41(d)	\$ 13,809,625	\$ 1,744,745	*	*
Biotechnology	*	*	*	*
Computer Software	17,201,683	2,590,767	*	*
Non-Fossil Fuel Energy	*	*	*	*
Performing Arts	32,314	153,438	4	494,614
Multiple Activities and Others	20,268,899	2,993,030	3	739,570
<b>Grand Total</b>	<b>\$ 52,663,985</b>	<b>\$ 8,900,360</b>	<b>9</b>	<b>\$ 1,431,811</b>

<sup>1</sup> Number of QHTBs with worldwide revenue equal to or greater than worldwide expenses.

<sup>2</sup> Includes all expenses except foreign and domestic income taxes.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 4.3a -- 2007 Worldwide Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue Less Than Worldwide Expenses (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Total No. of QHTBs<sup>1</sup></b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>2</sup></b>	<b>Non-cash Expenses<sup>3</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Same as IRC Section 41(d)	12	\$ 6,494,579	\$ 26,116,545	\$ 633,503	\$ -	\$ 1,268,233
Biotechnology	18	*	*	*	*	*
Computer Software	41	29,733,595	64,980,818	2,138,862	362,485	9,937,678
Non-Fossil Fuel Energy	16	*	*	*	*	*
Performing Arts	26	5,613,687	96,987,546	5,174,879	35,872	5,243,124
Multiple Activities and Others	26	42,530,253	86,941,560	1,209,899	394,586	4,644,640
<b>Grand Total</b>	<b>139</b>	<b>\$ 121,644,244</b>	<b>\$ 357,581,482</b>	<b>\$ 22,898,309</b>	<b>\$ 5,734,789</b>	<b>\$ 27,333,632</b>

(continued)

<b>Activity</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>No. of QHTBs With Distributions<sup>4</sup></b>	<b>Total Distributions<sup>4</sup></b>
Same as IRC Section 41(d)	\$ 7,677,549	\$ 14,104,438	*	*
Biotechnology	*	*	*	*
Computer Software	33,224,163	6,875,879	*	*
Non-Fossil Fuel Energy	*	*	*	*
Performing Arts	9,116,151	54,285,361	2	5,453,678
Multiple Activities and Others	37,644,589	8,699,294	2	15,622
<b>Grand Total</b>	<b>\$ 109,001,282</b>	<b>\$ 99,282,218</b>	<b>9</b>	<b>\$ 16,188,223</b>

<sup>1</sup> Number of QHTBs with worldwide revenue less than worldwide expenses.

<sup>2</sup> Includes all expenses except foreign and domestic income taxes.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.



**Table 4.4a -- Cash Investment Received by QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses  
(2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Same as IRC Section 41(d)	\$ 300,000	\$ 946,498	\$ -	\$ 3,356,460	\$ -	\$ 4,602,958
Biotechnology	200,000	70,000	164,945	61,133	454,132	950,210
Computer Software	162,500	244,959	195,000	25,000	24,000	651,459
Non-Fossil Fuel Energy	465,521	3,246	152,339	586,247	264,653	1,472,006
Performing Arts	-	110,000	7,250,707	2,289,294	40,900	9,690,901
Multiple Activities and Others	1,773,592	27,267,261	6,650,719	1,745,768	801,195	38,238,535
<b>Grand Total</b>	<b>\$ 2,901,613</b>	<b>\$ 28,641,964</b>	<b>\$ 14,413,710</b>	<b>\$ 8,063,902</b>	<b>\$ 1,584,880</b>	<b>\$ 55,606,069</b>

**Table 4.5a -- Cash Investment Received by QHTBs with Worldwide Revenue Less Than Worldwide Expenses (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Same as IRC Section 41(d)	\$ 24,340,000	\$ 13,450,100	\$ 11,327,602	\$ 5,302,181	\$ 11,850,012	\$ 66,269,895
Biotechnology	19,112,644	10,668,111	17,245,000	27,714,607	22,446,728	97,187,090
Computer Software	31,934,120	10,485,156	19,921,658	38,951,405	50,367,216	151,659,555
Non-Fossil Fuel Energy	2,675,000	7,592,622	5,543,516	9,711,091	66,985,684	92,507,913
Performing Arts	8,280,489	106,727,146	94,488,525	96,416,260	100,517,077	406,429,497
Multiple Activities and Others	69,104,593	33,986,988	32,709,220	72,016,741	53,382,631	261,200,173
<b>Grand Total</b>	<b>\$ 155,446,846</b>	<b>\$ 182,910,123</b>	<b>\$ 181,235,521</b>	<b>\$ 250,112,285</b>	<b>\$ 305,549,348</b>	<b>\$ 1,075,254,123</b>

**Table 5.1a -- 2007 Hawaii Revenue, Expenses, and Distributions: All QHTBs (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Total No. of QHTBs</b>	<b>HI Revenue</b>	<b>HI Expenses<sup>1</sup></b>	<b>HI Non-cash Expenses<sup>2</sup></b>	<b>HI Interest Expenses</b>	<b>HI Capital Expenditures</b>
Same as IRC Section 41(d)	17	\$ 23,491,647	\$ 34,591,537	\$ 1,076,271	\$ 29,694	\$ 1,925,949
Biotechnology	22	12,509,167	43,170,002	1,615,643	261,253	1,057,488
Computer Software	48	57,029,382	74,861,826	3,806,411	312,345	9,674,668
Non-Fossil Fuel Energy	20	28,227,320	37,377,325	12,002,962	4,294,081	6,221,806
Performing Arts	33	6,184,195	94,371,385	251,944	35,972	3,355,192
Multiple Activities and Others	37	78,403,269	100,171,122	2,092,652	605,076	4,825,816
<b>Grand Total</b>	<b>177</b>	<b>\$ 205,844,980</b>	<b>\$ 384,543,197</b>	<b>\$ 20,845,883</b>	<b>\$ 5,538,421</b>	<b>\$ 27,060,919</b>

(continued)

<b>Activity</b>	<b>HI Payroll Expenses</b>	<b>HI Scientific Contractor Expenses<sup>3</sup></b>	<b>HI Performing Arts Contractor Expenses<sup>3</sup></b>	<b>HI Other Contractor Expenses<sup>3</sup></b>	<b>Distributions<sup>4</sup> to HI Residents</b>	<b>HI Expenses<sup>1</sup> as % of Worldwide Total</b>
Same as IRC Section 41(d)	\$ 14,491,828	\$ 3,284,668	\$ -	\$ 9,195,651	*	72.3%
Biotechnology	15,856,391	1,327,928	-	5,741,708	*	84.1%
Computer Software	38,921,173	3,413,145	-	2,687,838	*	82.0%
Non-Fossil Fuel Energy	4,470,695	1,411,703	-	3,433,269	*	93.8%
Performing Arts	8,420,871	500	55,205,361	322,172	5,948,292	96.8%
Multiple Activities and Others	44,841,065	5,431,727	21,796	2,510,860	755,192	88.6%
<b>Grand Total</b>	<b>\$ 127,002,023</b>	<b>\$ 14,869,671</b>	<b>\$ 55,227,157</b>	<b>\$ 23,891,498</b>	<b>\$ 7,423,489</b>	<b>87.2%</b>

<sup>1</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>2</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>3</sup> "Contractor Expenses" are expenses incurred for the services of independent contractors performed in Hawaii.

<sup>4</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 5.2a -- 2007 Hawaii Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses (2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Total No. of QHTBs <sup>1</sup>	HI Revenue	HI Expenses <sup>2</sup>	HI Non-cash Expenses <sup>3</sup>	HI Interest Expenses	HI Capital Expenditures
Same as IRC Section 41(d)	5	\$ 16,997,666	\$ 11,965,948	\$ 442,768	\$ 29,694	\$ 657,716
Biotechnology	4	*	*	*	*	*
Computer Software	7	27,904,045	25,013,324	1,737,487	16,316	274,051
Non-Fossil Fuel Energy	4	*	*	*	*	*
Performing Arts	7	958,203	519,021	50,875	*	225,240
Multiple Activities and Others	11	37,279,729	25,237,225	1,047,401	210,505	638,631
<b>Grand Total</b>	<b>38</b>	<b>\$ 92,484,321</b>	<b>\$ 71,174,853</b>	<b>\$ 3,429,040</b>	<b>\$ 277,931</b>	<b>\$ 2,650,735</b>

(continued)

Activity	HI Payroll Expenses	HI Scientific Contractor Expenses <sup>4</sup>	HI Performing Arts Contractor Expenses <sup>4</sup>	HI Other Contractor Expenses <sup>4</sup>	Distributions <sup>5</sup> to HI Residents	HI Expenses <sup>2</sup> as % of Worldwide Total
Same as IRC Section 41(d)	\$ 6,814,279	\$ 1,209,843	\$ -	\$ 13,500	*	55.1%
Biotechnology	*	*	*	*	*	*
Computer Software	14,573,559	2,126,644	-	134,249	*	95.0%
Non-Fossil Fuel Energy	*	*	*	*	*	*
Performing Arts	34,033	*	121,956	32,084	494,614	100.0%
Multiple Activities and Others	18,287,615	609,778	-	1,443,410	739,570	96.8%
<b>Grand Total</b>	<b>\$ 41,060,950</b>	<b>\$ 4,451,199</b>	<b>\$ 121,956</b>	<b>\$ 2,252,537</b>	<b>\$ 1,431,811</b>	<b>85.5%</b>

<sup>1</sup> Number of QHTBs with worldwide revenue greater than or equal to worldwide expenses.

<sup>2</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> "Contractor Expenses" are expenses incurred for the services of independent contractors performed in Hawaii.

<sup>5</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 5.3a -- 2007 Hawaii Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue Less than Worldwide Expenses (2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Total No. of QHTBs <sup>1</sup>	HI Revenue	HI Expenses <sup>2</sup>	HI Non-cash Expenses <sup>3</sup>	HI Interest Expenses	HI Capital Expenditures
Same as IRC Section 41(d)	12	\$ 6,493,981	\$ 22,625,589	\$ 633,503	\$ -	\$ 1,268,233
Biotechnology	18	*	*	*	*	*
Computer Software	41	29,125,337	49,848,502	2,068,924	296,029	9,400,617
Non-Fossil Fuel Energy	16	*	*	*	*	*
Performing Arts	26	5,225,992	93,852,364	201,069	35,872	3,129,952
Multiple Activities and Others	26	41,123,540	74,933,897	1,045,251	394,571	4,187,185
<b>Grand Total</b>	<b>139</b>	<b>\$ 113,360,659</b>	<b>\$ 313,368,344</b>	<b>\$ 17,416,843</b>	<b>\$ 5,260,490</b>	<b>\$ 24,160,444</b>

(continued)

Activity	HI Payroll Expenses	HI Scientific Contractor Expenses <sup>4</sup>	HI Performing Arts Contractor Expenses <sup>4</sup>	HI Other Contractor Expenses <sup>4</sup>	Distributions <sup>5</sup> to HI Residents	HI Expenses <sup>2</sup> as % of Worldwide Total
Same as IRC Section 41(d)	\$ 7,677,549	\$ 2,074,825	\$ -	\$ 9,182,151	*	86.6%
Biotechnology	*	*	*	*	*	*
Computer Software	24,347,614	1,286,501	-	2,553,589	*	76.7%
Non-Fossil Fuel Energy	*	*	*	*	*	*
Performing Arts	8,386,838	-	55,083,405	290,088	5,453,678	96.8%
Multiple Activities and Others	26,553,450	4,821,949	21,796	1,067,450	15,622	86.2%
<b>Grand Total</b>	<b>\$ 85,941,073</b>	<b>\$ 10,168,732</b>	<b>\$ 55,105,201</b>	<b>\$ 21,604,538</b>	<b>\$ 5,991,678</b>	<b>87.6%</b>

<sup>1</sup> Number of QHTBs with worldwide revenue less than worldwide expenses.

<sup>2</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> "Contractor Expenses" are expenses incurred for the services of independent contractors performed in Hawaii.

<sup>5</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 5.4a -- Hawaii Expenses of QHTBs by Year, (2002 to 2007 Filers)**

(By Qualifying Activity of the QHTB)

Activity	Year			
	2002	2003	2004	2005
Biotechnology	\$ 7,692,126	\$ 10,287,195	\$ 13,636,101	\$ 18,704,207
Computer Software	36,387,016	33,410,717	39,126,298	54,723,770
Performing Arts	8,230,697	7,474,340	109,401,021	78,125,197
Multiple Activities and Others	66,449,708	67,928,427	96,424,950	104,659,483
<b>Grand Total</b>	<b>\$ 118,759,547</b>	<b>\$ 119,100,679</b>	<b>\$ 258,588,370</b>	<b>\$ 256,212,657</b>

(continued)

Activity	Year		
	2006	2007 <sup>1</sup>	Total
Biotechnology	\$ 30,452,054	\$ 43,170,002	\$ 123,941,685
Computer Software	68,478,671	74,861,826	306,988,298
Performing Arts	80,083,484	94,371,385	377,686,124
Multiple Activities and Others	111,623,113	172,139,984	619,225,665
<b>Grand Total</b>	<b>\$ 290,637,322</b>	<b>\$ 384,543,197</b>	<b>\$ 1,427,841,772</b>

<sup>1</sup> For 2007, Hawaii expenses are costs for property or services consumed or for use in Hawaii.

Prior to 2007, the amounts represent the response to the question "Amount of costs incurred in Hawaii (during the calendar year, including employee costs)."

**Table 5.5a -- Total Hawaii Expenses and Expenditures, 2007**

<b>Industry<sup>1</sup></b>	<b>No. of QHTBs with Expenses or Capital Expenditures in Each Industry Sector</b>	<b>Hawaii Expenses and Expenditures Incurred in Each Industry Sector</b>	<b>No. of QHTBs with Payroll Expenses in Each Industry Sector</b>	<b>Hawaii Payroll Expenses Incurred in Each Industry Sector</b>
Biotechnology / Life Sciences	31	\$ 62,213,780	26	\$ 24,660,551
Energy	24	44,405,052	13	4,793,611
Film / Digital Media	47	100,683,039	21	9,933,389
Information / Communication Technology	57	84,299,045	50	34,012,684
Others and Unknown <sup>2</sup>	61	120,003,200	55	53,601,788
<b>Grand Total</b>	<b>n/a<sup>3</sup></b>	<b>\$ 411,604,116</b>	<b>n/a<sup>2</sup></b>	<b>\$ 127,002,023</b>

<sup>1</sup> Industry in which the expenditures are made.

<sup>2</sup> Includes expenditures for which no industry was specified.

<sup>3</sup> Total statistics not meaningful.

**Table 6.1a -- Salaries of Full-Time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of FT Employees Earning a Salary of \$0 - \$29,999</b>	<b>No. of FT Employees Earning a Salary of \$30,000 - \$59,999</b>	<b>No. of FT Employees Earning a Salary of \$60,000 - \$99,999</b>	<b>No. of FT Employees Earning a Salary of \$100,000 or more</b>	<b>Total FT Employees as of the week of 12/12/07</b>	<b>Total FT Employees as of the week of 12/12/06</b>
Same as IRC Section 41(d)	-	59	76	24	159	150
Biotechnology	20	75	43	33	171	169
Computer Software	62	218	173	58	511	477
Non-Fossil Fuel Energy	9	29	*	*	55	41
Performing Arts	5	8	*	*	16	12
Multiple Activities and Others	23	171	197	147	538	514
<b>Grand Total</b>	<b>119</b>	<b>560</b>	<b>504</b>	<b>267</b>	<b>1,450</b>	<b>1,363</b>

\*Suppressed to prevent disclosure of confidential taxpayer information.



**Table 6.2a -- Full-Time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs with 0 FT Employees</b>	<b>No. of QHTBs with 1 FT Employee</b>	<b>No. of QHTBs with 2-4 FT Employees</b>	<b>No. of QHTBs with 5-9 FT Employees</b>
Same as IRC Section 41(d)	4	*	4	4
Biotechnology	6	4	2	3
Computer Software	16	3	8	7
Non-Fossil Fuel Energy	13	*	-	3
Performing Arts	24	5	4	-
Multiple Activities and Others	7	*	8	5
<b>Grand Total</b>	<b>70</b>	<b>18</b>	<b>26</b>	<b>22</b>

<b>Activity</b>	<b>No. of QHTBs with 10-24 FT Employees</b>	<b>No. of QHTBs with 25-49 FT Employees</b>	<b>No. of QHTBs with 50-99 FT Employees</b>	<b>No. of QHTBs with 100 or more FT Employees</b>
Same as IRC Section 41(d)	*	*	*	*
Biotechnology	5	2	-	-
Computer Software	9	*	*	*
Non-Fossil Fuel Energy	*	-	-	-
Performing Arts	-	-	-	-
Multiple Activities and Others	8	4	*	*
<b>Grand Total</b>	<b>26</b>	<b>9</b>	<b>4</b>	<b>2</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.3a -- Annualized Salaries of Part-Time Hawaii Employees of QHTBs in 2007 (2007 Filers)**  
(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$0 - \$29,999</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$30,000 - \$59,999</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$60,000 - \$99,999</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$100,000 or more</b>	<b>Total PT Employees as of the week of 12/12/07</b>	<b>Total PT Employees as of the week of 12/12/06</b>
Same as IRC Section 41(d)	11	2	-	-	13	7
Biotechnology	15	*	2	*	21	23
Computer Software	38	*	3	*	60	45
Non-Fossil Fuel Energy	*	-	-	*	12	13
Performing Arts	*	*	-	-	12	8
Multiple Activities and Others	21	10	3	2	36	31
<b>Grand Total</b>	<b>107</b>	<b>33</b>	<b>8</b>	<b>6</b>	<b>154</b>	<b>127</b>

<sup>1</sup> Annualized Salary.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.4a -- Part-Time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs with 1 PT Employee</b>	<b>No. of QHTBs with 2-4 PT Employees</b>	<b>No. of QHTBs with 5-9 PT Employees</b>	<b>No. of QHTBs with 10-24 PT Employees</b>	<b>No. of QHTBs with 25-49 PT Employees</b>	<b>No. of QHTBs with 50 or more PT Employees</b>
Same as IRC Section 41(d)	*	3	*	*	-	-
Biotechnology	4	4	*	*	-	-
Computer Software	4	8	*	*	-	-
Non-Fossil Fuel Energy	*	3	-	-	-	-
Performing Arts	3	3	-	-	-	-
Multiple Activities and Others	*	8	*	*	-	-
<b>Grand Total</b>	<b>15</b>	<b>29</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>-</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.5a -- Number and Duration of Temporary or Seasonal Hawaii Workers Hired by QHTBs in 2007 (2007 Filers)**  
 (By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs Hiring Temps</b>	<b>No. of Temp. Workers hired for 0-30 days</b>	<b>No. of Temp. Workers hired for 31-60 days</b>	<b>No. of Temp. Workers hired for 61-90 days</b>	<b>No. of Temp. Workers hired for 91-365 days</b>	<b>Total No. of Temp. Workers Hired</b>
Same as IRC Section 41(d)	3	*	*	-	7	9
Biotechnology	3	*	*	4	-	7
Computer Software	9	*	*	27	22	54
Non-Fossil Fuel Energy	-	-	-	-	-	-
Performing Arts	5	20	305	154	22	501
Multiple Activities and Others	14	16	20	20	14	70
<b>Grand Total</b>	<b>34</b>	<b>40</b>	<b>331</b>	<b>205</b>	<b>65</b>	<b>641</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.6a -- Temporary or Seasonal Hawaii Workers of QHTBs in 2007 (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs Hiring 1 Temporary Worker</b>	<b>No. of QHTBs Hiring 2-4 Temporary Workers</b>	<b>No. of QHTBs Hiring 5-9 Temporary Workers</b>	<b>No. of QHTBs Hiring 10-24 Temporary Workers</b>	<b>No. of QHTBs Hiring 25-49 Temporary Workers</b>	<b>No. of QHTBs Hiring more than 50 Temporary Workers</b>
Same as IRC Section 41(d)	*	*	*	-	-	-
Biotechnology	-	3	-	-	-	-
Computer Software	*	4	*	2	-	-
Non-Fossil Fuel Energy	-	-	-	-	-	-
Performing Arts	-	*	-	-	-	4
Multiple Activities and Others	2	8	*	2	-	-
<b>Grand Total</b>	<b>5</b>	<b>17</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>4</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.7a -- Number of Independent Contractors Hired by  
QHTBs in 2007 (2007 Filers)**  
(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTB's Utilizing Independent Contractors</b>	<b>No. of Independent Contractors Hired</b>
Same as IRC Section 41(d)	12	75
Biotechnology	17	175
Computer Software	35	229
Non-Fossil Fuel Energy	13	152
Performing Arts	26	1,240
Multiple Activities and Others	28	247
<b>Grand Total</b>	<b>131</b>	<b>2,118</b>

**Table 7.1a -- Research Credits Claimed by QHTBs in 2007 (2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>No. of QHTBs Claiming the Research Credit</b>	<b>Research Credit Claimed</b>	<b>Qualified Research Expenditures</b>	<b>Hawaii Revenue</b>	<b>Hawaii Expenses<sup>1</sup></b>	<b>Research Expenses as a Percentage of Hawaii Expenses<sup>1</sup></b>
Same as IRC Section 41(d)	10	\$ 1,990,349	\$ 9,951,745	\$ 16,474,333	\$ 30,655,089	32.5%
Biotechnology	16	3,075,364	15,376,820	10,580,332	42,695,595	36.0%
Computer Software	27	2,673,761	13,368,805	44,538,316	54,005,513	24.8%
Non-Fossil Fuel Energy	6	491,458	2,457,290	13,390,297	14,273,934	17.2%
Performing Arts	-	-	-	-	-	0.0%
Multiple Activities and Others	27	6,618,587	33,092,935	73,694,287	90,183,978	36.7%
<b>Grand Total</b>	<b>86</b>	<b>\$ 14,849,519</b>	<b>\$ 74,247,595</b>	<b>\$ 158,677,565</b>	<b>\$ 231,814,109</b>	<b>32.0%</b>

<sup>1</sup>Hawaii expenses are expenses incurred for services or property consumed or for use in Hawaii.

**Table 8.1a -- Summary of Statistics from Forms N-317 Filed For 2002 through 2007 (2002 to 2007 Filers)**

(By Qualifying Activity of the QHTB)

<b>Activity</b>	<b>Sum of Salaries Paid by the QHTBs in Calendar Years 2002 Through 2007<sup>1</sup></b>	<b>Sum of Expenses Incurred by the QHTBs in Hawaii in Calendar Years 2002 Through 2007</b>	<b>Sum of Investment Received by QHTBs in Calendar Years 2002 Through 2007<sup>2</sup></b>
Biotechnology	\$ 66,552,773	\$ 123,941,685	\$ 109,306,446
Computer Software	167,797,975	306,988,298	174,083,537
Performing Arts	164,410,207	377,686,124	445,069,994
Multiple Activities and Others	268,739,292	619,225,665	490,583,688
<b>Grand Total</b>	<b>\$ 667,500,247</b>	<b>\$ 1,427,841,772</b>	<b>\$ 1,219,043,665</b>

<sup>1</sup> Includes salaries paid to workers outside of the State of Hawaii.

<sup>2</sup> The data are from Forms N-317 filed for calendar years 2002 to 2007. If the data reported by the QHTB on the Form N-317 filed for 2007 disagreed with those the QHTB reported in a previous year, the more recent data were used.



**Table 8.2a -- Cumulative Investments Received, Hawaii Expenditures, and Salaries  
Paid by QHTBS (2002 to 2007 Filers)**  
(By Qualifying Activity of the QHTB)

<b>Year</b>	<b>Cumulative Investments Received<sup>1</sup></b>	<b>Cumulative Hawaii Expenditures</b>	<b>Cumulative Salaries Paid<sup>2</sup></b>
2002	\$ 123,134,061	\$ 118,759,547	\$ 60,535,057
2003	211,484,831	237,860,226	107,521,985
2004	436,157,371	496,448,596	226,619,529
2005	641,996,636	752,661,253	350,213,488
2006	911,909,437	1,043,298,575	505,834,980
2007	1,219,043,665	1,427,841,772	667,500,247

<sup>1</sup> The data are from Forms N-317 filed for calendar years 2002 to 2007. If the data reported by the QHTB on the Form N-317 filed for 2007 disagreed with those the QHTB reported in a previous year, the more recent data were used.

<sup>2</sup> Includes salaries paid to workers outside of the State of Hawaii.

**Table 9a -- High Technology Business Investment Tax Credits Claimed<sup>1</sup> for Tax Years 1999 through 2006**

<b>Year</b>	<b>Total No. of Claims</b>	<b>Total Credit</b>	<b>Individuals</b>	<b>Corporations</b>	<b>Financial Corporations<sup>2</sup></b>	<b>Insurance Underwriters</b>	<b>Fiduciaries</b>	<b>Exempt Organizations</b>
1999	23	\$ 162,208	N/A	N/A	N/A	N/A	N/A	N/A
2000	103	393,633	N/A	N/A	N/A	N/A	N/A	N/A
2001	268	9,579,923	\$ 3,334,260	\$ 225,205	\$ 4,209	\$ 6,013,757	\$ 2,492	N/A
2002	493	26,185,181	11,191,036	1,710,041	-	13,057,896	226,208	N/A
2003	652	38,870,301	13,360,232	3,855,197	2,100,658	19,391,764	162,450	N/A
2004	1,040	50,543,285	26,858,573	994,571	1,599,658	20,714,206	376,277	N/A
2005	1,216	69,827,709	38,111,997	3,428,405	2,286,892	25,293,046	700,845	\$ 6,524
2006	1,838	99,999,858	59,622,619	8,471,761	10,146,111	21,325,592	431,802	1,973
<b>Totals</b>	<b>5,633</b>	<b>\$ 295,562,098</b>	<b>\$ 152,478,717</b>	<b>\$ 18,685,180</b>	<b>\$ 16,137,528</b>	<b>\$ 105,796,261</b>	<b>\$ 1,900,074</b>	<b>\$ 8,497</b>

Source: Tax Research and Planning Office, *Tax Credits Claimed by Hawaii Taxpayers -- 2006*.

<sup>1</sup> Tax credits actually used (deducted from Hawaii income taxes due).

<sup>2</sup> Financial corporations are defined as corporations that file Form F-1, the Franchise Tax return.

**APPENDIX IB**  
**TABLES BY INDUSTRY OF QHTB**



**Table 1b -- Number of QHTBs Filing Form N-317 for 2007**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs</b>	<b>No. of QHTBs with Revenue in 2007</b>	<b>No. of QHTBs with Expenditures in 2007</b>
Biotechnology / Life Sciences	20	16	19
Energy	18	9	16
Film / Digital Media	38	26	38
Information / Communication Technology	40	30	40
Multiple Industries and Others	61	44	59
<b>Grand Total</b>	<b>177</b>	<b>125</b>	<b>172</b>

**Table 2b -- Intellectual Property Owned by QHTBs (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs Owning Patents<sup>1</sup></b>	<b>No. of Patents Owned</b>	<b>No. of Patents Pending</b>	<b>No. of QHTBs Owning Copyrights</b>	<b>No. of QHTBs Owning Trade Secrets</b>	<b>No. of QHTBs Owning Licenses</b>	<b>No. of QHTBs Owning Trademarks</b>
Biotechnology / Life Sciences	15	88	111	4	10	10	8
Energy	*	*	85	5	6	6	5
Film / Digital Media	*	-	10	28	10	12	10
Information / Communication Tech	-	*	-	17	14	18	12
Multiple Industries and Others	26	84	371	20	25	18	23
<b>Grand Total</b>	<b>55</b>	<b>204</b>	<b>577</b>	<b>74</b>	<b>65</b>	<b>64</b>	<b>58</b>

<sup>1</sup> Includes QHTBs with patents pending.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 3.1b -- Number of QHTBs Established, by Year Established (2007 Filers)**

(By Industry of the QHTB)

Industry	Year QHTB Established:				Total
	Prior to 2002	2002-2003	2004-2005	2006-2007	
Biotechnology / Life Sciences	6	3	6	5	20
Energy	*	*	4	8	18
Film / Digital Media	*	*	19	11	38
Information / Communication Technology	9	10	10	11	40
Multiple Industries and Others	21	8	18	14	61
<b>Grand Total</b>	<b>43</b>	<b>28</b>	<b>57</b>	<b>49</b>	<b>177</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 3.3b -- Number of QHTBs Filing Form N-317, by Year of First Filing (2007 Filers)**  
(By Industry of the QHTB)

<b>Industry</b>	<b>Year of First Filing:</b>				<b>Total</b>
	<b>Prior to 2004</b>	<b>2004-2005</b>	<b>2006-2007</b>	<b>Unknown<sup>1</sup></b>	
Biotechnology / Life Sciences	6	5	9	-	20
Energy	3	2	13	-	18
Film / Digital Media	5	10	23	-	38
Information / Communication Technology	11	10	18	1	40
Multiple Industries and Others	17	15	29	-	61
<b>Grand Total</b>	<b>42</b>	<b>42</b>	<b>92</b>	<b>1</b>	<b>177</b>

<sup>1</sup> One respondent failed to specify year of first filing.



**Table 3.4b -- Number of QHTBs Performing Qualifying Activities and Duration of Activity (2007 Filers)**  
(By Industry of the QHTB)

<b>Industry</b>	<b>Number of years the QHTB Performed the Qualifying Activity:</b>				<b>Total</b>
	<b>0-1 Years</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>6 or more Years</b>	
Biotechnology / Life Sciences	*	9	*	6	20
Energy	*	8	*	3	18
Film / Digital Media	8	16	12	2	38
Information / Communication Technology	7	10	9	14	40
Multiple Industries and Others	10	19	10	22	61
<b>Grand Total</b>	<b>30</b>	<b>62</b>	<b>38</b>	<b>47</b>	<b>177</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 3.5b -- Cash Investment Received by QHTBs, by Year (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Biotechnology / Life Sciences	\$ 21,974,449	\$ 16,783,939	\$ 23,494,254	\$ 55,522,626	\$ 29,133,326	\$ 146,908,594
Energy	3,140,521	6,670,868	5,545,855	10,297,338	59,500,337	85,154,919
Film / Digital Media	8,280,489	106,947,146	104,279,232	99,507,247	100,586,977	419,601,091
Information / Communication Technology	44,851,012	22,819,013	23,564,150	30,032,423	35,373,879	156,640,477
Multiple Industries and Others	80,101,988	58,331,121	38,765,740	62,816,553	82,539,709	322,555,111
<b>Grand Total</b>	<b>\$ 158,348,459</b>	<b>\$ 211,552,087</b>	<b>\$ 195,649,231</b>	<b>\$ 258,176,187</b>	<b>\$ 307,134,228</b>	<b>\$ 1,130,860,192</b>

**Table 4.1b -- 2007 Worldwide Revenue, Expenses, and Distributions: All QHTBs (2007 Filers)**  
(By Industry of the QHTB)

<b>Industry</b>	<b>Total No. of QHTBs</b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>1</sup></b>	<b>Non-cash Expenses<sup>2</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Biotechnology / Life Sciences	20	\$ 20,658,137	\$ 59,601,129	\$ 1,491,392	\$ 659,519	\$ 1,924,194
Energy	18	27,984,949	38,130,540	11,948,450	4,294,081	6,287,306
Film / Digital Media	38	6,749,470	98,278,193	5,251,427	53,459	5,482,912
Information / Communication Tech	40	-	-	-	-	-
Multiple Industries and Others	61	141,674,721	173,864,550	5,072,308	835,480	8,003,241
<b>Grand Total</b>	<b>177</b>	<b>197,067,277</b>	<b>369,874,412</b>	<b>23,763,577</b>	<b>5,842,539</b>	<b>21,697,653</b>

(continued)

<b>Industry</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>No. of QHTBs With Distributions<sup>3</sup></b>	<b>Total Distributions<sup>3</sup></b>
Biotechnology / Life Sciences	\$ 28,034,741	\$ 12,115,119	*	*
Energy	4,936,382	5,595,083	*	*
Film / Digital Media	9,163,294	54,962,074	*	*
Information / Communication Tech	-	-	*	*
Multiple Industries and Others	91,153,744	16,416,908	8	1,276,501
<b>Grand Total</b>	<b>\$ 133,288,161</b>	<b>\$ 89,089,184</b>	<b>18</b>	<b>\$ 17,620,034</b>

<sup>1</sup> Includes all expenses except for foreign and domestic income taxes.

<sup>2</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>3</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 4.2b -- 2007 Worldwide Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Total No. of QHTBs<sup>1</sup></b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>2</sup></b>	<b>Non-cash Expenses<sup>3</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Biotechnology / Life Sciences	3	*	*	*	*	*
Energy	4	*	*	*	*	*
Film / Digital Media	8	965,783	523,771	50,875	100	233,951
Information / Communication Technology	5	6,823,071	4,096,574	462,702	4,605	564,185
Multiple Industries and Others	18	87,027,471	69,030,681	2,823,206	230,871	1,054,351
<b>Grand Total</b>	<b>38</b>	<b>\$ 106,700,602</b>	<b>\$ 83,272,809</b>	<b>\$ 3,609,139</b>	<b>\$ 278,994</b>	<b>\$ 2,968,950</b>

(continued)

<b>Industry</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>No. of QHTBs With Distributions<sup>4</sup></b>	<b>Total Distributions<sup>4</sup></b>
Biotechnology / Life Sciences	*	*	*	*
Energy	*	*	*	*
Film / Digital Media	32,314	158,188	*	*
Information / Communication Technology	1,079,811	233,222	*	*
Multiple Industries and Others	49,687,345	7,051,982	4	927,197
<b>Grand Total</b>	<b>\$ 52,663,985</b>	<b>\$ 8,900,360</b>	<b>9</b>	<b>\$ 1,431,811</b>

<sup>1</sup> Number of QHTBs with worldwide revenue equal to or greater than worldwide expenses.

<sup>2</sup> Includes all expenses except foreign and domestic income taxes.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 4.3b -- 2007 Worldwide Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue Less Than Worldwide Expenses (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Total No. of QHTBs<sup>1</sup></b>	<b>Worldwide Revenue</b>	<b>Worldwide Expenses<sup>2</sup></b>	<b>Non-cash Expenses<sup>3</sup></b>	<b>Interest Expenses</b>	<b>Capital Expenditures</b>
Biotechnology / Life Sciences	17	*	*	*	*	*
Energy	14	*	*	*	*	*
Film / Digital Media	30	5,783,687	97,754,422	5,200,552	53,359	5,248,961
Information / Communication Technology	35	24,454,498	66,883,305	2,281,169	166,639	8,040,744
Multiple Industries and Others	43	54,647,250	104,833,869	2,249,102	604,609	6,948,890
<b>Grand Total</b>	<b>139</b>	<b>\$ 121,644,244</b>	<b>\$ 357,581,482</b>	<b>\$ 22,898,309</b>	<b>\$ 5,734,789</b>	<b>\$ 27,333,632</b>

(continued)

<b>Industry</b>	<b>Payroll Expenses</b>	<b>Independent Contractor Expenses</b>	<b>QHTBs With Distributions<sup>4</sup></b>	<b>Total Distributions<sup>4</sup></b>
Biotechnology / Life Sciences	*	*	*	*
Energy	*	*	*	*
Film / Digital Media	9,130,980	54,803,886	*	*
Information / Communication Technology	27,297,295	18,860,172	*	*
Multiple Industries and Others	41,466,399	9,364,926	4	349,304
<b>Grand Total</b>	<b>\$ 109,001,282</b>	<b>\$ 99,282,218</b>	<b>9</b>	<b>\$ 16,188,223</b>

<sup>1</sup> Number of QHTBs with worldwide revenue less than worldwide expenses.

<sup>2</sup> Includes all expenses except foreign and domestic income taxes.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 4.4b -- Cash Investment Received by QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses  
(2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Biotechnology / Life Sciences	\$ 200,000	\$ 70,000	\$ 30,000	\$ 1,080,460	\$ 6,000	\$ 1,386,460
Energy	465,521	3,246	152,339	586,247	264,653	1,472,006
Film / Digital Media	-	120,000	7,315,707	2,314,294	64,900	9,814,901
Information / Communication Technology	300,000	1,081,457	130,000	2,276,000	-	3,787,457
Multiple Industries and Others	1,936,092	27,367,261	6,785,664	1,806,901	1,249,327	39,145,245
<b>Grand Total</b>	<b>\$ 2,901,613</b>	<b>\$ 28,641,964</b>	<b>\$ 14,413,710</b>	<b>\$ 8,063,902</b>	<b>\$ 1,584,880</b>	<b>\$ 55,606,069</b>

**Table 4.5b -- Cash Investment Received by QHTBs with Worldwide Revenue Less Than Worldwide Expenses (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Year Investment Received:</b>					<b>TOTAL</b>
	<b>2000-2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
Biotechnology / Life Sciences	\$ 21,774,449	\$ 16,713,939	\$ 23,464,254	\$ 54,442,166	\$ 29,127,326	\$ 145,522,134
Energy	2,675,000	6,667,622	5,393,516	9,711,091	59,235,684	83,682,913
Film / Digital Media	8,280,489	106,827,146	96,963,525	97,192,953	100,522,077	409,786,190
Information / Communication Technology	44,551,012	21,737,556	23,434,150	27,756,423	35,373,879	152,853,020
Multiple Industries and Others	78,165,896	30,963,860	31,980,076	61,009,652	81,290,382	283,409,866
<b>Grand Total</b>	<b>\$ 155,446,846</b>	<b>\$ 182,910,123</b>	<b>\$ 181,235,521</b>	<b>\$ 250,112,285</b>	<b>\$ 305,549,348</b>	<b>\$ 1,075,254,123</b>

**Table 5.1b -- 2007 Hawaii Revenue, Expenses, and Distributions: All QHTBs (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>Total No. of QHTBs</b>	<b>HI Revenue</b>	<b>HI Expenses<sup>1</sup></b>	<b>HI Non-cash Expenses<sup>2</sup></b>	<b>HI Interest Expenses</b>	<b>HI Capital Expenditures</b>
Biotechnology / Life Sciences	20	\$ 15,140,294	\$ 46,189,796	\$ 1,003,993	\$ 251,636	\$ 1,679,389
Energy	18	27,627,320	36,326,364	11,931,454	4,294,081	6,221,806
Film / Digital Media	38	6,341,562	94,866,943	278,114	53,459	3,370,267
Information / Communication Technology	40	30,769,139	53,195,082	2,693,709	104,788	8,094,230
Multiple Industries and Others	61	125,966,665	153,965,012	4,938,613	834,457	7,695,227
<b>Grand Total</b>	<b>177</b>	<b>\$ 205,844,980</b>	<b>\$ 384,543,197</b>	<b>\$ 20,845,883</b>	<b>\$ 5,538,421</b>	<b>\$ 27,060,919</b>

(continued)

<b>Industry</b>	<b>HI Payroll Expenses</b>	<b>HI Scientific Contractor Expenses<sup>3</sup></b>	<b>HI Performing Arts Contractor Expenses<sup>3</sup></b>	<b>HI Other Contractor Expenses<sup>3</sup></b>	<b>Distributions<sup>4</sup> to HI Residents</b>	<b>HI Expenses<sup>1</sup> as % of Worldwide Total</b>
Biotechnology / Life Sciences	\$ 18,343,918	\$ 1,372,220	\$ -	\$ 5,950,782	\$ 23,030	77.5%
Energy	4,441,128	1,411,703	-	3,138,269	102,347	95.3%
Film / Digital Media	8,435,700	250,532	55,205,361	594,955	5,948,292	96.5%
Information / Communication Technology	20,454,360	2,915,692	-	10,811,656	78,291	74.9%
Multiple Industries and Others	75,326,917	8,919,524	21,796	3,395,836	1,271,529	88.6%
<b>Grand Total</b>	<b>\$ 127,002,023</b>	<b>\$ 14,869,671</b>	<b>\$ 55,227,157</b>	<b>\$ 23,891,498</b>	<b>\$ 7,423,489</b>	<b>87.2%</b>

<sup>1</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>2</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>3</sup> "Contractor Expenses" are expenses incurred for the services of independent contractors for services performed in Hawaii.

<sup>4</sup> Includes dividends and partnership distributions.



**Table 5.2b -- 2007 Hawaii Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue At Least As Great As Worldwide Expenses (2007 Filers)**  
(By Industry of the QHTB)

<b>Industry</b>	<b>Total No. of QHTBs<sup>1</sup></b>	<b>HI Revenue</b>	<b>HI Expenses<sup>2</sup></b>	<b>HI Non-cash Expenses<sup>3</sup></b>	<b>HI Interest Expenses</b>	<b>HI Capital Expenditures</b>
Biotechnology / Life Sciences	3	*	*	*	*	*
Energy	4	*	*	*	*	*
Film / Digital Media	8	965,570	523,771	50,875	*	225,240
Information / Communication Technology	5	6,813,175	4,010,968	462,702	4,605	564,185
Multiple Industries and Others	18	72,821,299	57,450,331	2,764,954	229,808	997,313
<b>Grand Total</b>	<b>38</b>	<b>\$ 92,484,321</b>	<b>\$ 71,174,853</b>	<b>\$ 3,429,040</b>	<b>\$ 277,931</b>	<b>\$ 2,650,735</b>

(continued)

<b>Industry</b>	<b>HI Payroll Expenses</b>	<b>HI Scientific Contractor Expenses<sup>4</sup></b>	<b>HI Performing Arts Contractor Expenses<sup>4</sup></b>	<b>HI Other Contractor Expenses<sup>4</sup></b>	<b>Distributions<sup>5</sup> to HI Residents</b>	<b>HI Expenses<sup>2</sup> as % of Worldwide Total</b>
Biotechnology / Life Sciences	*	*	*	*	*	*
Energy	*	*	*	*	*	*
Film / Digital Media	34,033	5,250	121,956	32,084	*	100.0%
Information / Communication Technology	1,079,811	109,756	-	55,561	*	97.9%
Multiple Industries and Others	38,212,642	3,829,459	-	1,556,521	927,197	83.2%
<b>Grand Total</b>	<b>\$ 41,060,950</b>	<b>\$ 4,451,199</b>	<b>\$ 121,956</b>	<b>\$ 2,252,537</b>	<b>\$ 1,431,811</b>	<b>85.5%</b>

<sup>1</sup> Number of QHTBs with worldwide revenue greater than or equal to worldwide expenses.

<sup>2</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> "Contractor Expenses" refers to expenses incurred for the services of independent contractors for services performed in Hawaii

<sup>5</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 5.3b -- 2007 Hawaii Revenue, Expenses, and Distributions: QHTBs with Worldwide Revenue Less Than Worldwide Expenses (2007 Filers)**  
(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs<sup>1</sup></b>	<b>HI Revenue</b>	<b>HI Total Expenses<sup>2</sup></b>	<b>HI Non-cash Expenses<sup>3</sup></b>	<b>HI Interest Expenses</b>	<b>HI Capital Expenditures</b>
Biotechnology / Life Sciences	17	*	*	*	*	*
Energy	14	*	*	*	*	*
Film / Digital Media	30	5,375,992	94,343,172	227,239	53,359	3,145,027
Information / Communication Technology	35	23,955,964	49,184,114	2,231,007	100,183	7,530,045
Multiple Industries and Others	43	53,145,366	96,514,681	2,173,659	604,649	6,697,914
<b>Grand Total</b>	<b>139</b>	<b>\$ 113,360,659</b>	<b>\$ 313,368,344</b>	<b>\$ 17,416,843</b>	<b>\$ 5,260,490</b>	<b>\$ 24,160,444</b>

(continued)

<b>Industry</b>	<b>HI Payroll Expenses</b>	<b>HI Scientific Contractor Expenses<sup>4</sup></b>	<b>HI Performing Arts Contractor Expenses<sup>4</sup></b>	<b>HI Other Contractor Expenses<sup>4</sup></b>	<b>Distributions<sup>5</sup> to HI Residents</b>	<b>HI Expenses<sup>2</sup> as % of Worldwide Total</b>
Biotechnology / Life Sciences	*	*	*	*	*	*
Energy	*	*	*	*	*	*
Film / Digital Media	8,401,667	245,282	55,083,405	562,871	*	96.5%
Information / Communication Technology	19,374,549	2,805,936	-	10,756,095	*	73.5%
Multiple Industries and Others	37,114,275	5,090,065	21,796	1,839,315	344,332	92.1%
<b>Grand Total</b>	<b>\$ 85,941,073</b>	<b>\$ 10,168,732</b>	<b>\$ 55,105,201</b>	<b>\$ 21,604,538</b>	<b>\$ 5,991,678</b>	<b>87.6%</b>

<sup>1</sup> Number of QHTBs with worldwide revenue less than worldwide expenses.

<sup>2</sup> Hawaii Expenses are expenses incurred for property or services consumed or for use in Hawaii.

<sup>3</sup> Non-cash expenses include the reasonable allowance for depreciation and amortization.

<sup>4</sup> "Contractor Expenses" refers to expenses incurred for the services of independent contractors for services performed in Hawaii

<sup>5</sup> Includes dividends and partnership distributions.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.1b -- Salaries of Full-time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of FT Employees a Earning Salary of \$0 - \$29,999</b>	<b>No. of FT Employees Earning a Salary of \$30,000 - \$59,999</b>	<b>No. of FT Employees Earning a Salary of \$60,000 - \$99,999</b>	<b>No. of FT Employees Earning a Salary of \$100,000 or more</b>	<b>Total FT Employees as of the week of 12/12/07</b>	<b>Total FT Employees as of the week of 12/12/06</b>
Biotechnology / Life Sciences	6	56	74	65	201	189
Energy	9	29	*	*	55	41
Film / Digital Media	5	8	*	*	16	18
Information / Communication Technology	19	112	94	25	250	276
Multiple Industries and Others	80	355	321	172	928	839
<b>Grand Total</b>	<b>119</b>	<b>560</b>	<b>504</b>	<b>267</b>	<b>1,450</b>	<b>1,363</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.2b -- Full-time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs with 0 FT Employees</b>	<b>No. of QHTBs with 1 FT Employee</b>	<b>No. of QHTBs with 2-4 FT Employees</b>	<b>No. of QHTBs with 5-9 FT Employees</b>
Biotechnology / Life Sciences	5	*	3	*
Energy	11	*	-	*
Film / Digital Media	29	5	4	-
Information / Communication Technology	11	3	7	9
Multiple Industries and Others	14	6	12	8
<b>Grand Total</b>	<b>70</b>	<b>18</b>	<b>26</b>	<b>22</b>

<b>Industry</b>	<b>No. of QHTBs with 10-24 FT Employees</b>	<b>No. of QHTBs with 25-49 FT Employees</b>	<b>No. of QHTBs with 50-99 FT Employees</b>	<b>No. of QHTBs with 100 or more FT Employees</b>
Biotechnology / Life Sciences	6	*	-	-
Energy	2	-	-	-
Film / Digital Media	-	-	-	-
Information / Communication Technology	8	*	-	-
Multiple Industries and Others	10	5	4	2
<b>Grand Total</b>	<b>26</b>	<b>9</b>	<b>4</b>	<b>2</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.3b -- Annualized Salaries of Part-Time Hawaii Employees of QHTBS in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$0 - \$30,000</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$30,000 - \$59,999</b>	<b>No. of PT Employees Earning a Salary<sup>1</sup> of \$60,000 - \$99,999</b>	<b>Number of PT Employees Earning a Salary<sup>1</sup> of \$100,000 or more</b>	<b>Total PT Employees as of the week of 12/12/07</b>	<b>Total PT Employees as of the week of 12/12/06</b>
Biotechnology / Life Sciences	18	*	2	*	26	28
Energy	7	*	-	*	8	9
Film / Digital Media	13	*	2	*	16	12
Information / Communication Technology	26	11	-	-	37	20
Multiple Industries and Others	43	18	4	2	67	58
<b>Grand Total</b>	<b>107</b>	<b>33</b>	<b>8</b>	<b>6</b>	<b>154</b>	<b>127</b>

<sup>1</sup> Annualized Salary.

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.4b -- Part-time Hawaii Employees of QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs with 1 PT Employee</b>	<b>No. of QHTBs with 2-4 PT Employees</b>	<b>No. of QHTBs with 5-9 PT Employees</b>	<b>No. of QHTBs with 10-24 PT Employees</b>	<b>No. of QHTBs with 25-49 PT Employees</b>	<b>No. of QHTBs with 50 or more PT Employees</b>
Biotechnology / Life Sciences	4	4	*	*	-	-
Energy	*	2	*	*	-	-
Film / Digital Media	*	5	*	*	-	-
Information / Communication Technology	4	5	*	*	-	-
Multiple Industries and Others	3	13	2	2	-	-
<b>Grand Total</b>	<b>15</b>	<b>29</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>-</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.

**Table 6.5b -- Number and Duration of Temporary or Seasonal Hawaii Workers Hired by QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs Hiring Temps</b>	<b>No. of Temp. Workers hired for 0-30 days</b>	<b>No. of Temp. Workers hired for 31-60 days</b>	<b>No. of Temp. Workers hired for 61-90 days</b>	<b>No. of Temp. Workers hired for 91-365 days</b>	<b>Total No. of Temp. Workers Hired</b>
Biotechnology / Life Sciences	5	3	3	5	-	11
Energy	-	-	-	-	-	-
Film / Digital Media	6	20	305	169	27	521
Information / Communication Technology	2	2	-	-	5	7
Multiple Industries and Others	21	15	23	31	33	102
<b>Grand Total</b>	<b>34</b>	<b>40</b>	<b>331</b>	<b>205</b>	<b>65</b>	<b>641</b>

**Table 6.6b -- Temporary or Seasonal Hawaii Workers of QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs Hiring 1 Temporary Worker</b>	<b>No. of QHTBs Hiring 2-4 Temporary Workers</b>	<b>No. of QHTBs Hiring 5-9 Temporary Workers</b>	<b>No. of QHTBs Hiring 10-24 Temporary Workers</b>	<b>No. of QHTBs Hiring 25-49 Temporary Workers</b>	<b>No. of QHTBs Hiring more than 50 Temporary Workers</b>
Biotechnology / Life Sciences	-	*	-	-	-	-
Energy	-	-	-	-	-	-
Film / Digital Media	-	*	-	*	-	4
Information / Communication Technology	*	-	*	-	-	-
Multiple Industries and Others	*	11	*	*	-	-
<b>Grand Total</b>	<b>5</b>	<b>17</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>4</b>

\* Suppressed to prevent disclosure of confidential taxpayer information.



**Table 6.7b -- Number of Independent Contractors Hired by QHTBs in  
2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs Utilizing Independent Contractors</b>	<b>No. of Independent Contractors Hired</b>
Biotechnology / Life Sciences	16	190
Energy	12	142
Film / Digital Media	30	1,264
Information / Communication Technology	27	160
Multiple Industries and Others	46	362
<b>Grand Total</b>	<b>131</b>	<b>2,118</b>

**Table 7.1b -- Research Credits Claimed by QHTBs in 2007 (2007 Filers)**

(By Industry of the QHTB)

<b>Industry</b>	<b>No. of QHTBs Claiming the Research Credit</b>	<b>Research Credit Claimed</b>	<b>Qualified Research Expenditures</b>	<b>Hawaii Revenue</b>	<b>Hawaii Expenses<sup>1</sup></b>	<b>Research Expenses as a Percentage of Hawaii Expenses<sup>1</sup></b>
Biotechnology / Life Sciences	14	\$ 3,108,036	\$ 15,540,180	\$ 10,634,398	\$ 44,748,681	34.7%
Energy	6	491,458	2,457,290	13,390,297	14,273,934	17.2%
Film / Digital Media	-	-	-	-	-	0.0%
Information / Communication Technology	23	2,745,393	13,726,965	23,302,487	40,708,511	33.7%
Multiple Industries and Others	43	8,504,632	42,523,160	111,350,383	132,082,983	32.2%
<b>Grand Total</b>	<b>86</b>	<b>14,849,519</b>	<b>74,247,595</b>	<b>158,677,565</b>	<b>231,814,109</b>	<b>32.0%</b>

<sup>1</sup>Hawaii expenses are expenses incurred for services or property consumed or for use in Hawaii.

**Table 7.2b -- Qualified Research Expenditures of QHTBs in 2007**  
(By Industry in which Expenditures are Made)

<b>Industry</b>	<b>No. of QHTBs with Expenditure in each Industry</b>	<b>Research Expenditures in each Industry</b>
Biotechnology / Life Sciences	23	\$ 17,193,346
Energy	10	2,648,491
Film / Digital Media	6	1,341,732
Information / Communication Technology	36	20,735,703
Others <sup>1</sup> and Unknown	46	32,328,323
<b>Grand Total</b>	<b>n/a<sup>2</sup></b>	<b>\$ 74,247,595</b>

<sup>1</sup> Includes expenditures in which no industry was specified.

<sup>2</sup> Total statistics not meaningful.

## **APPENDIX II**

### **THE 83 QHTBs RECEIVING INVESTMENTS AFTER JUNE 30, 2007**



## Appendix II -- The 83 QHTBs Receiving Investments After June 30, 2007\*

ABR, LLC	Hoku Scientific, Inc.	Pineapple Pictures, LLC
AGIS Network, Inc.	Honolulu Seawater Air Conditioning LLC	Pipeline Communications and Technology,
AIG HAWAII PACIFIC TECHNOLOGIES, INC.	Hookipa Media Productions, LLC	PIPELINEFX LLC
AIG HAWAII TECHNOLOGIES, INC.	I Am Hawaii, LLC	ProData Systems, LLC
ATCO Software LLC	IRIS WIRELESS DEVELOPMENT LLC	RSVPstyle
ATLANTIS CYBERSPACE INC	Island Productions Project II, LLC	Safe Water Systems, Inc.
Avatar Reality, Inc	Kaheawa Wind Power LLC	SDC HAWAII, LLC
BiVision Systems, Inc.	Kai Sensors, Inc.	SeeTheBook LLC
Black Ivory Biotech Corporation	KIC Technology 1, Inc.	STI Medical Systems, LLC
Blue Lava Technologies, Inc	Kuehnle Agrosystems, Inc.	Sustainable Design LLC
Cellular Bioengineering, Inc.	Lanai Sustainability Research, LLC	Talisman LBS, LLC
Charles Michael Brotman Music LLC	Makaha Studios LLC	TeamPraxis, LLC
ChipIn, Inc.	MAKILA HYDRO LLC	TeraSys Technologies LLC
Clear View Patient Safety Products, LLC	MAUI AG TECH, LLC	Tissue Genesis Institute, LLC
Convergence CT, Inc.	MAUI FRESH FISH LLC	Tissue Genesis, Inc.
DSH International, Inc.	Mauie X-Stream, Inc.	TP Research Hawaii, LLC
Edutainment Resources, Inc.	Mid Pacific Communications, Inc.	Trex Hawaii, LLC
Epicrays LLC	NANOPOINT, INC	uBoost, Inc.
Family Tree Productions, LLC	NightTime Productions LLC	Waterproof Kids, LLC
Getting That Girl LLC	Ninjai Gang, LLC	Wave Peak Energy LLC.
GRAMCAST LLC	Oahu Productions, LLC	Xenon Entertainment LLC
Grass Skirt Productions, LLC	Ocean Network LLC	
H NU PHOTONICS, LLC	Pacific Biotech LLC	
HANU SURGICAL DEVICES LLC	Pacific Films LLC	
HAWAII BIOENERGY, LLC	Pacific Network, LLC	
Hawaii Biotech, Inc.	Pacific Wave Marketing, LLC	
Hawaii Film Partners, LLC	Panthera Biopharma, LLC	
Hawaii Oceanic Technology, Inc.	Peletex, Inc.	
Hawaiian Mahogany Inc.	PEOPLE BRIDGE INC	
HOCOR Cardiovascular Technologies, LLC	Personal Health Labs, LLC	
Hoike Services Inc.	Phase 2 Software, LLC	

\*The list includes three QHTBs that filed Form N-317 for 2007 after the deadline (June 30, 2008). Data for these QHTBs are not included in the tabulations presented in this report.

# **APPENDIX III**

## **DESCRIPTION OF FORM N-317 FOR CALENDAR YEAR 2007 AND PRINT VERSION OF ONLINE FORM N-317**





## *Description of Form N-317 for Calendar Year 2007*

### Section One – QHTB Activities in Hawaii

The 2007 version of Form N-317 contains seven sections. Section One asks the respondent to identify the activities that the entity conducted in order to qualify as a QHTB. The QHTB was classified under one or more of the activity categories defined in HRS section 235-7.3: (1) "The same as section 41(d) of the Internal Revenue Code" (henceforth "Same as IRC section 41(d)); (2) "Biotechnology, as defined in section 235-1, HRS" (henceforth "Biotechnology"); (3) "Performing arts products, as defined in section 235-7.3(c), HRS" (henceforth "Performing arts"); (4) "Sensor and optic technologies;" (5) "Ocean sciences;" (6) "Astronomy;" (7) "Non-fossil fuel energy related technology" (henceforth "Non-fossil fuel energy"); and (8) "Computer software development and design, as defined in section 235-1, HRS" (henceforth "Computer software").<sup>1</sup>

While the activity categories follow the categories required by law, they do not present statistics by specific industry. In particular, the activity category "Same as IRC section 41(d)" can include any industry in which research can be conducted that qualifies for the federal income tax credit for research and development. To gain better information on the industry detail for the operations of the QHTBs, Section One also asks the respondent to identify the industry sectors in which the QHTB conducted business during calendar year 2007. The following are the major industry classifications: (1) "Agriculture biotechnology," (2) "Astronomy," (3) "Biotechnology and life sciences," (4)

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<sup>1</sup> The 2004 Legislature amended the definition of computer software.

"Defense and aerospace," (5) "Energy," (6) "Environmental," (7) "Film and digital media," (8) "Information and communication technology," and (9) "Ocean sciences."<sup>2</sup>

#### Section Two – Intellectual Property of the QHTB

Section Two asks the respondent to identify the intellectual property rights owned by the QHTB, including patents, patents pending, copyrights, trade secrets, licenses and trademarks.

#### Section Three – Investments Received by the QHTB

Section Three asks for the year the QHTB was formed, the year the QHTB first filed a Form N-317, the number of years it has performed a qualifying activity, and the cash investments it has received, by quarter, since the first quarter of 2000. It also asks if the QHTB received an investment after June 30, 2007 for which the technology credit could be claimed.

#### Section Four – Worldwide Revenues and Expenses of the QHTB

Section Four asks for the worldwide totals for capital expenditures, revenues, and expenses of the QHTB, with the expenses broken down into interest, payroll, and services provided by independent contractors. Section Four also asks for distributions of earnings to the investors in the QHTB.

#### Section Five – Hawaii Revenues and Expenses of the QHTB

Section Five asks for the Hawaii portion of the worldwide revenue and expenses reported in Section Four. The section also asks that the expenses for independent contractor services be broken down into the categories "scientific and technical services," "performing arts contract services," and "other contract services." Section Five also asks

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<sup>2</sup> Each major industry sector is broken down into minor industry sub-sectors. The 83 minor industry sub-sectors can be found in Appendix IV.

for the three industry sectors in which the QHTB incurred the most Hawaii total expenses and the most Hawaii payroll expenses in 2007.

#### Section Six – Hawaii Workforce of the QHTB

Section Six asks the respondent to break down the total Hawaii employment of the QHTB in 2007 into full-time and part-time<sup>3</sup> positions and to identify the number of temporary or seasonal workers<sup>4</sup> that the QHTB hired in 2007. It also asks the QHTB to indicate the total number of independent contractors hired to perform services in Hawaii in 2007.<sup>5</sup> In addition, it asks for the salary ranges for the Hawaii employees of the QHTB.

#### Section Seven – Research & Development (R&D) Credit Under Section 235-110.91

Finally, Section Seven asks the respondent to report the amount of the refundable tax credit for research activities allowed by section 235-110.91, HRS (henceforth the "research credit") that the QHTB plans to claim for calendar year 2007 and to report its expenditures on qualified research. The section also asks for the three industries in which the QHTB made the greatest amounts of qualified research expenditures.

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<sup>3</sup> In order for a position to be treated as full-time or part-time, the employer must intend for the position to be filled for at least 52 consecutive weeks or 12 consecutive months, excluding any leaves of absences. A full-time position is a position in which the employee works an average 40 hours per week. A part-time position is a position in which the employee may work less than the hours required for a full-time position.

<sup>4</sup> Only include individuals who received a W-2 from the business or were paid according to a contract with a temporary hire agency.

<sup>5</sup> Independent contractors refer to individuals or entities from which the business contracted services during calendar year 2007. Thus, an independent contractor can be an entity that creates a part-time job for one individual, or full-time jobs for two or more individuals.

Industry Detail on Certain Items in Sections Five (Hawaii Revenues and Expenses of the QHTB) and Seven (R&D Credit Under Section 235-110.91)

Several questions on the Form ask the QHTB to provide further industry detail on its operations. The main problem in getting the industry detail from the information supplied in Section One of the Form is that many QHTBs operate in more than one industry. For example, of the QHTBs classified in the category "Multi-industries" in Section One, 4 had operations in the industry sectors "Agriculture biotechnology" or "Astronomy," 14 had operations in the industry sector "Biotechnology and life sciences," 15 had operations in "Defense and aerospace," 9 had operations in "Energy," 5 had operations in "Environmental," 11 had operations in "Film and digital media," 27 had operations in "Information and communication technology," and 11 had operations in "Ocean sciences." Unless the QHTB reports separately on its operations in different industries, all of the data on its operations must be classified in a single industry sector.

To help overcome this limitation in the data, the version of Form N-317 introduced for 2007 asks the QHTB to provide industry detail (give separate amounts for the top three industries) for several items. More specifically, Section Five asks the respondent to provide an industry breakdown for the following: (i) the sum of Hawaii expenses and Hawaii capital expenditures for the QHTB, and (ii) the Hawaii payroll expenses of the QHTB. Section Seven asks the respondent to provide the same industry detail for expenditures of the QHTB that qualify for the research credit.<sup>6</sup>

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<sup>6</sup> See the discussion of results for Table 5.5 in Section IV.



DEPARTMENT OF  
**TAXATION**  
STATE OF HAWAII

**Any Changes to Your Name, Mailing Address or E-Mail Address?**  
If any of your registration information has changed or is no longer correct, please return to the registration screen by clicking on the "Update Profile" button below to update the information. You are not able to update the pre-filled fields on this tax form screen.

Basic Information » Section One » Section Two » Section Three » Section Four » Section Five » Section Six » Section Seven

FORM **N-317** Tax Year **2007** STATE OF HAWAII – DEPARTMENT OF TAXATION  
**STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)**  
 (Rev. 03/01/2008) (Calendar Year – Due June 30, 2008)  
[Click for instructions](#) Form changes are stored only after submitting "Next" button.

Name of QHTB <input style="width: 95%;" type="text"/>	SSN/FEIN <input style="width: 95%;" type="text"/>
Address <input style="width: 95%;" type="text"/>	
Mailing Address, if different than above <input style="width: 95%;" type="text"/>	
Website (if any) www. <input style="width: 80%;" type="text"/>	Contact Person <input style="width: 95%;" type="text"/>
Phone <input style="width: 80%;" type="text"/> ((XXX)XXX-XXXX)	Email <input style="width: 95%;" type="text"/>

**See instructions on General Instructions.**  
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4.0.0 (02/22/2002)



DEPARTMENT OF  
**TAXATION**  
STATE OF HAWAII

**Any Changes to Your Name, Mailing Address or E-Mail Address?**  
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Section Five » Section Six » Section Seven » Confirmation

FORM  
**N-317**

Tax Year  
**2007**

STATE OF HAWAII – DEPARTMENT OF TAXATION  
**STATEMENT BY QUALIFIED HIGH TECHNOLOGY  
BUSINESS (QHTB)**

(Rev.  
03/01/2008)

[Click for instructions](#)

(Calendar Year – Due June 30, 2008)

**Section One - QHTB Activities in Hawaii**

Form changes are stored only after submitting "Next" button.

**1a. Please indicate the areas in which QHTB conducted qualified activity during calendar year 2007:**

- Same as section 41(d) of the Internal Revenue Code
- Astronomy  Biotechnology, See Instructions for definition
- Computer Software, See Instructions for definition
- Non-fossil fuel energy-related technology  Performing arts products, See Instructions for definition
- Sensor and optic technology  Ocean sciences

**1b. Please indicate the industry sectors in which the QHTB conducted business during calendar year 2007:**

**Agricultural Biotechnology**

- Aquaculture
- Floriculture
- Forestry
- Plant Tissue Culture
- Seed Propagation/Seed Corn
- Tropical Fruit & Biotech Beverages
- Other

**Astronomy**

- Adaptive Optics
- Modeling & Simulation
- Photonics
- Precision Mechanics
- Remote Sensing
- Unmanned Vehicles/Robotics
- Other

**Biotechnology/Life Sciences**

- Biocomputing
- Bioinformatics/Biophotonics
- Biologics/Vaccines
- Contact Research Organization
- Diagnostics/Therapeutics
- Genomics/Proteomics
- Healthcare Facility

**Defense/Aerospace**

- Antenna Systems & Management
- Communications & Computer Systems
- Information Services
- Modeling/Simulation/Training
- Optics
- Photonics
- Remote Sensing

- Healthcare IT
- Medical Devices
- Pharmaceutical Manufacturing
- Other

**Energy**

- Distributed Generation
- Energy Efficiency
- Fuel cells
- Geothermal
- Ocean
- Renewable Fuels
- Solar
- Waste-to-Energy
- Wind
- Other

**Film/Digital Media**

- Content Development
- Delivery
- Digital Media
- Enhancer
- Gaming
- Mobile Technologies
- Post Production Services
- Production Services
- Sound/Audio/Music
- Other

**Ocean Sciences**

- Acoustics
- Fisheries
- Marine Biotechnology
- Ocean Engineering
- Oceanography
- Remote Sensing
- Surveying
- Unmanned Vehicles
- Other

- Speciality Software Development
- Testing & Evaluation
- Unmanned Vehicles/Robotics
- Other

**Environmental**

- Air technologies
- Disaster Mitigation Management
- Soil Technologies
- Water Technologies
- Other

**Information/Communication Technology**

- Antenna Systems & Management
- Information Services
- Laser
- Modeling/Simulation/Training
- Optics
- Photonics
- Remote Sensing
- Specialty Software Development
- Telecommunications/Networks
- Testing & Evaluation
- Unmanned Vehicles/Robotics
- Wireless
- Other

***See instructions on General Instructions.***

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FORM N-317

Tax Year 2007

STATE OF HAWAII - DEPARTMENT OF TAXATION STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)

(Rev. 03/01/2008)

Click for instructions

(Calendar Year - Due June 30, 2008)

Section Two - Intellectual Property of the QHTB Form changes are stored only after submitting "Next" button.

2a. Please indicate the aggregate number of patents owned by the QHTB as of 12/31/2007:

Input field for 2a

2b. Please indicate the number of patent applications filed by the QHTB that were pending as of 12/31/2007:

Input field for 2b

2c. Please indicate which of the following other intellectual property the QHTB owns, if any:

- Copyrights Trade Secrets Licenses Trademarks

See instructions on General Instructions.

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FORM  
**N-317**

Tax Year  
**2007**

STATE OF HAWAII – DEPARTMENT OF TAXATION  
**STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)**

(Rev. 03/01/2008)

[Click for instructions](#)

(Calendar Year – Due June 30, 2008)

### Section Three - Investments Received by the QHTB

Form changes are stored only after submitting "Next" button.

3a. Please indicate the year the QHTB was formed:

3b. Please indicate if this is the first time the QHTB has filed Form N-317.

Yes  No

If no, please indicate the year the business first filed a Form N-317:

3c. As of 12/31/2007, please indicate the number of years the QHTB has performed one or more of the activities listed in question 1a:

- less than one year
- one year
- two years
- three years
- four years
- five years
- six years
- seven years
- more than seven years

3d. Please list the cash investments received by the QHTB by the quarter in which they were received by the QHTB, beginning with calendar year 2000 and ending with 2007. Please provide the aggregate amount of all investments received in each quarter and provide the total for each calendar year.

2000:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2001:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2002:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2003:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2004:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2005:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2006:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00
2007:	1 <sup>st</sup> <input type="text"/>	.00	2 <sup>nd</sup> <input type="text"/>	.00	3 <sup>rd</sup> <input type="text"/>	.00	4 <sup>th</sup> <input type="text"/>	.00	Total:	<input type="text"/>	.00

3e. Did the QHTB accept an investment after June 30, 2007 for which the high technology business investment tax credit under section 235-110.9, Hawaii Revised Statutes, may be claimed?

**NOTE: if the answer to this question is "yes", the Department is required to make the name of the QHTB available to the public as a beneficiary of investments under section 235-110.9, Hawaii Revised Statutes.**

Yes  No

***See instructions on General Instructions.***

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FORM N-317 Tax Year 2007 STATE OF HAWAII - DEPARTMENT OF TAXATION STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)

(Rev. 03/01/2008)

Click for instructions

(Calendar Year - Due June 30, 2008)

Section Four - World-wide Revenues and Expenses of the QHTB

Form changes are stored only after submitting "Next" button.

- 4a. Please indicate total world-wide gross revenues for calendar year 2007: \$ .00
4b. Please indicate total world-wide operating expenses (excluding income taxes) for calendar year 2007: \$ .00
4c. From the operating expenses reported in question 4b, please indicate the amount of non-cash expenses: \$ .00
4d. From the operating expenses reported in question 4b, please indicate the amount of interest expenses: \$ .00
4e. Please indicate the total world-wide capital expenditures for calendar year 2007: \$ .00
4f. Please indicate the total world-wide payroll expenses (including amounts for fringe benefits and employment taxes) incurred by the QHTB in calendar year 2007: \$ .00
4g. Please indicate the total world-wide expenses incurred by the QHTB in calendar year 2007 for services provided by independent contractors: \$ .00
4h. Please indicate the aggregate amount of distribution or dividend payments made by the QHTB in calendar year 2007 to all owners, partners, or shareholders of the QHTB: \$ .00

See instructions on General Instructions.

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FORM N-317

Tax Year 2007

STATE OF HAWAII - DEPARTMENT OF TAXATION STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)

(Rev. 03/01/2008)

Click for instructions

(Calendar Year - Due June 30, 2008)

Section Five - Hawaii Revenues and Expenses of the QHTB Form changes are stored only after submitting "Next" button.

5a. Please indicate the amount of revenues for calendar year 2007 that was earned from the sale or license of property and/or services produced in Hawaii: \$ .00

5b. Please indicate the amount of operating expenses (excluding income taxes) for calendar year 2007 that were incurred for property and/or services consumed or for use in Hawaii: \$ .00

5c. From the operating expenses reported in question 5b, please indicate the amount of non-cash expenses: \$ .00

5d. From the operating expenses reported in question 5b, please indicate the amount of interest expenses: \$ .00

5e. Please indicate the amount of capital expenditures for calendar year 2007 that were incurred for goods and/or services for use in Hawaii: \$ .00

5f. Please indicate the payroll expenses (including amounts for fringe benefits and employment taxes) incurred by the QHTB in calendar year 2007 for employees that the QHTB is required to provide a Hawaii W-2 Form: \$ .00

5g. Please indicate the amount of the following independent contractor expenses incurred by the QHTB in calendar 2007 that are for services performed in Hawaii:

Scientific and Technical Contract Services \$ .00

Performing Arts Production Contract Services \$ .00

All Other Contract Services \$ .00

5h. Please estimate the share of distribution or dividend payments (indicated in question 4h) made by the QHTB during calendar year 2007 that went to Hawaii resident owners, partners, or shareholders: %

5i. Please indicate the three industry sectors (see 1b) in which the QHTB incurred the most Hawaii expenses during calendar year 2007 (the sum of 5b and 5e). For each of these sectors, estimate the percentage of total Hawaii expenses incurred as a result of the activities in each sector.

Dropdown menu and percentage input field for industry sectors.

<input type="text"/>	<input type="text"/> %
<input type="text"/>	<input type="text"/> %

5j. Please indicate the three industry sectors (see 1b) in which the QHTB incurred the most Hawaii payroll expenses during calendar year 2007 (see 5f). For each of these sectors, estimate the percentage of total Hawaii payroll expenses incurred as a result of the activities in each sector.

<input type="text"/>	<input type="text"/> %
<input type="text"/>	<input type="text"/> %
<input type="text"/>	<input type="text"/> %

**See instructions on General Instructions.**

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DEPARTMENT OF  
**TAXATION**  
STATE OF HAWAII

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FORM **N-317** Tax Year **2007** STATE OF HAWAII – DEPARTMENT OF TAXATION  
STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)

(Rev. 03/01/2008)

[Click for instructions](#)

(Calendar Year – Due June 30, 2008)

**Section Six - Hawaii Workforce of the QHTB**

Form changes are stored only after submitting "Next" button.

6a. Please indicate the total number of full and part-time permanent employees employed by the QHTB in Hawaii during the week that includes December 12<sup>th</sup> of calendar year 2006 and 2007:

# of Employees:	During the week that included 12/12/06	During the week that included 12/12/07
Full-time	<input type="text"/>	<input type="text"/>
Part-time	<input type="text"/>	<input type="text"/>

6b. Please divide the number of full-time and part-time permanent employees employed during the week that included 12/12/2007 reported in 6a into the following wage bands, as computed on an annualized basis:

Type of Position	Less than \$30,000	\$30,000 - 59,999	\$60,000 - 99,999	\$100,000 or more	Total
Full time	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Part time	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

6c. Please indicate the total number of temporary or seasonal workers used by the QHTB in Hawaii during calendar year 2007:

6d. Please divide the total number of total temporary or seasonal workers reported in question 6c into groups based upon the duration that each temporary or seasonal worker was employed by the QHTB during calendar year 2007:

Total # of Temporary/Seasonal Positions	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 Days - 1 Year
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

6e. Please indicate the total number of independent contactors hired by the QHTB to perform services in Hawaii during calendar year 2007:

**See instructions on General Instructions.**

Form changes are stored only after submitting "Next" button.



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FORM N-317

Tax Year 2007

STATE OF HAWAII - DEPARTMENT OF TAXATION STATEMENT BY QUALIFIED HIGH TECHNOLOGY BUSINESS (QHTB)

(Rev. 03/01/2008)

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(Calendar Year - Due June 30, 2008)

Section Seven - Research & Development (R&D) Credit under Section 235-110.91

Form changes are stored only after submitting "Next" button.

7a. What is the amount of R & D credit that the QHTB reported or will report on Form N-319A for calendar year 2007 or the most recent fiscal year ending in 2007? \$ .00 (if none, please enter zero)

Please check this box if you are reporting based upon a fiscal year: [ ]

7b. Of the industry sectors in which the QHTB conducted business in calendar year 2007, as reported in Section One of this survey, please indicate the industry sectors in which the QHTB conducted "qualified research," as that term is defined in section 41(d) of the Internal Revenue Code.

Agricultural Biotechnology

- Aquaculture
Floriculture
Forestry
Plant Tissue Culture
Seed Propagation/Seed Corn
Tropical Fruit & Biotech Beverages
Other

Astronomy

- Adaptive Optics
Modeling & Simulation
Photonics
Precision Mechanics
Remote Sensing
Unmanned Vehicles/Robotics
Other

Biotechnology/Life Sciences

- Biocomputing
Bioinformatics/Biophotonics
Biologics/Vaccines
Contact Research Organization
Diagnostics/Therapeutics
Genomics/Proteomics
Healthcare Facility
Healthcare IT
Medical Devices

Defense/Aerospace

- Antenna Systems & Management
Communications & Computer Systems
Information Services
Modeling/Simulation/Training
Optics
Photonics
Remote Sensing
Speciality Software Development
Testing & Evaluation

- Pharmaceutical Manufacturing
- Other

**Energy**

- Distributed Generation
- Energy Efficiency
- Fuel cells
- Geothermal
- Ocean
- Renewable Fuels
- Solar
- Waste-to-Energy
- Wind
- Other

**Film/Digital Media**

- Content Development
- Delivery
- Digital Media
- Enhancer
- Gaming
- Mobile Technologies
- Post Production Services
- Production Services
- Sound/Audio/Music
- Other

**Ocean Sciences**

- Acoustics
- Fisheries
- Marine Biotechnology
- Ocean Engineering
- Oceanography
- Remote Sensing
- Surveying
- Unmanned Vehicles
- Other

- Unmanned Vehicles/Robotics
- Other

**Environmental**

- Air technologies
- Disaster Mitigation Management
- Soil Technologies
- Water Technologies
- Other

**Information/Communication Technology**

- Antenna Systems & Management
- Information Services
- Laser
- Modeling/Simulation/Training
- Optics
- Photonics
- Remote Sensing
- Specialty Software Development
- Telecommunications/Networks
- Testing & Evaluation
- Unmanned Vehicles/Robotics
- Wireless
- Other

7c. Please indicate the three industry sectors (see 7b) in which the QHTB incurred the most "qualified research expenses" (defined in section 41(b) of the Internal Revenue Code) in Hawaii during calendar year 2007. For each of these sectors, estimate the percentage of the total Hawaii "qualified research expenses" that were incurred in each sector.

<input type="text"/>	▼	<input type="text"/>	%
<input type="text"/>	▼	<input type="text"/>	%
<input type="text"/>	▼	<input type="text"/>	%

***See instructions on General Instructions.***

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## **Instructions for Form N-317**

### **Preliminary Instructions:**

#### **Who Must File**

Form N-317 is to be filed by all qualified high technology businesses ("QHTB"), as defined in § 235-110.9(g), Hawaii Revised Statutes ("HRS"), that received a cash investment in 2007 or in any of the previous four calendar years (2003 – 2006) for which a tax credit may be claimed pursuant to § 235-110.9, HRS. A QHTB is a business that employs or owns capital or property in Hawaii, or maintains an office in Hawaii, and meets either the Activity Test or the Gross Income Test.

- To meet the Activity Test, more than 50% of the business's total business activities must be qualified research and more than 75% of the qualified research must be conducted in Hawaii.
- To meet the Gross Income Test, more than 75% of the business's gross income must be derived from qualified research and the income from this qualified research must be received from:
  - a. Products sold from, manufactured, or produced in Hawaii; or
  - b. Services performed in Hawaii.

#### **Where and How to File**

This form is to be filed exclusively by electronic means through the Department of Taxation's e-filing website: <http://ehawaii.gov/efile/>

#### **When this Form is to be Filed**

This form is to be filed no later than June 30 of each of the five calendar years following any year that a QHTB receives any investment, as that term is defined in § 235-1, HRS, for which a tax credit may be claimed pursuant to § 235-110.9, HRS.

For calendar year 2007, this form must be filed by a QHTB that accepted a cash investment in calendar year 2003, 2004, 2005, 2006 or 2007 for which a tax credit may be claimed pursuant to § 235-110.9, HRS.

#### **Penalties**

If a completed Form N-317 is not filed by June 30, 2008, the QHTB will be subject to the penalties in Sections 231-34, 231-35, and 231-36, HRS.

In addition, if the QHTB accepted a cash investment after June 30, 2007 for which a tax credit may be claimed pursuant to § 235-110.9, HRS, failure to timely file this Form N-

Draft Final  
2/25/2008

317 will result in a penalty of \$1,000 per month for each month the Form N-317 is not filed, not to exceed a total of \$6,000 for every Form N-317 not filed.

Period Covered by this Form

This Form N-317 is to be completed on a calendar year basis. Regardless of whether a QHTB uses a taxable year other than a calendar year for income tax purposes, this form is to be completed as if the QHTB is operating on a calendar year.

Questions

If you have any questions regarding completing this form, please call (808) 587-1577.

**Form Instructions:**

Basic Information.

Where indicated, please provide

1. **QHTB's full legal name**
  - For example, as it appears on the license required under the general excise tax law.
  - The name of the QHTB is automatically filled in the information from taxpayer's e-filing profile.
2. **QHTB's social security number or federal employer identification number**
  - This number is automatically filled in with the information from taxpayer's e-filing profile. This number must match the number from the e-filing profile.
3. **Physical address of the QHTB in Hawaii**
  - The address is automatically filled with the information from taxpayer's e-filing profile.
4. **Mailing address of the QHTB**
  - If the mailing address of the QHTB is different from the addresses from the taxpayer's e-filing profile, enter the mailing address here.
5. **Website address the QHTB**
  - The website the QHTB uses to provide information to the public concerning its activities.
  - Enter the portion of the website address following the "www".
6. **Contact person**
  - Name of the person responsible for providing the information requested by this form.
7. **Phone number**
  - Phone number for the QHTB.
  - This number is automatically filled in with the information from the taxpayer's e-filing profile.
8. **Email address**
  - Email address of the contact person.

Section One: Questions on the Qualification of the QHTB.

For **Question 1a**, please indicate the areas that describe the activities the QHTB performed during the calendar year 2007.

For the area Biotechnology:

"Biotechnology" means fundamental knowledge regarding the function of biological systems from the macro level to the molecular and subatomic levels that has application to development including the development of novel products, services, technologies, and subtechnologies from insights gained from research advances that add to that body of fundamental knowledge.

§ 235-1, HRS.

For the area Computer Software:

The activities performed by the QHTB must be the development and design of computer software for ultimate commercial sale, lease, license or to be otherwise marketed, for economic consideration. With respect to the software's development and design, the QHTB must have substantial control and retain substantial rights to the resulting intellectual property.

"Computer software" means computer data, a computer program, or a set of computer programs, procedures, or associated documentation concerned with the operation and function of a computer system, and includes both systems and application programs and subdivisions, such as assemblers, compilers, routines, generators, and utility programs.

§ 235-1, HRS.

"Computer data" means any representation of information, knowledge, facts, concepts, or instructions that is being prepared or has been prepared and is intended to be processed, is being processed, or has been processed in a computer or computer network.

§ 235-1, HRS.

"Computer program" means an ordered set of computer data representing coded instructions or statements, that, when executed by a computer, causes the computer to perform one or more computer operations.

§ 235-1, HRS.

For the area Performing arts products:



"Performing arts products" means: (1) Audio files, video files, audiovideo files, computer animation, and other entertainment products perceived by or through the operation of a computer; and (2) Commercial television and film products for sale or license, and reuse or residual fee payments from these products.

§ 235-7.3(c), HRS.

**For Question 1b**, please indicate all the industry sectors in which the QHTB conducted business during the calendar year. For this question, you may indicate as many industry sectors as are relevant.

These industry sectors are provided solely for information gathering purposes. The organization of the industry sectors into groups, the group titles, and the industry sectors themselves do not indicate in any way what the Department considers to be qualified research for purposes of the investment tax credit contained in section 235-110.9, HRS, or the research credit contained in section 235-110.91, HRS.

Section Two: Questions on Intellectual Property of the QHTB

**For Question 2a**, please indicate the total number of patents awarded by the United States Patent and Trademark Office that the QHTB owns as of December 31, 2007. Please indicate zero if there are none.

**For Question 2b**, please indicate the total number of patent applications filed with the United States Patent and Trademark Office by the QHTB that are still pending as of December 31, 2007. Do not include patent applications filed by anyone other than the QHTB. Please indicate zero if there are none.

**For Question 2c**, if the QHTB owns any copyrights, trade secrets, trademarks, or licenses, please check the appropriate category.

Section Three: Questions on Investments Received by the QHTB.

**For Question 3a**, please indicate the year the QHTB was legally formed. If the QHTB is a sole proprietorship, indicate the year the qualified high technology business began.

**For Question 3b**, please indicate if the QHTB has filed a Form N-317 for a previous year by checking the appropriate "yes" or "no" response. If this is not the first year the QHTB has filed Form N-317, answer "no" and enter the year that the QHTB first filed a Form N-317

**For Question 3c**, please indicate the total number of years, including calendar year 2007, that the company has been a QHTB pursuant to § 235-110.9, HRS. Please round down to the nearest whole number of years if the company has been a QHTB for more than one year. For example, if the company has been a QHTB for 2 years and 11 months as of December 31, 2007, please indicate 2 years.

**For Question 3d**, please indicate the aggregate amount of investments received during each quarter of the calendar years 2000 to 2007, as well as the total amount received during each of those years. If no investments were received during a calendar year or during the quarters of the year indicated, please indicate that fact with a zero. If the company was not in existence during a particular calendar year or quarter, please indicate that fact by leaving the space blank.

**For Question 3e**, if the QHTB accepted a cash investment on or after June 30, 2007 for which a high technology investment tax credit may be claimed pursuant to section 235-110.9, HRS, please indicate yes, otherwise indicate no.

Section Four: Questions about World-wide Revenues and Expenses

**For Question 4a**, please indicate the QHTB's worldwide gross revenues for calendar year 2007. For purposes of this form, if the QHTB is part of a consolidated group, the gross revenue indicated should only include those amounts attributable to the QHTB.

**For Question 4b**, please indicate the total amount of the QHTB's operating expenses for calendar year 2007. For purposes of this form, if the QHTB is part of a consolidated group, the operating expenses indicated should only include those amounts attributable to the QHTB.

Operating expenses include all expenses except for foreign income taxes and domestic income taxes. Operating expenses include expenses associated with advertising, promotion, sales, marketing, warehousing and distribution, administration, as well as interest expenses and a reasonable allowance for depreciation and amortization.

**For Question 4c**, please indicate the amount of non-cash expenses that was included in the answer to Question 4b. Non-cash expenses should include the reasonable allowance for depreciation and amortization.

**For Question 4d**, please indicate the amount of interest expenses that was included in the answer to Question 4b.

**For Question 4e**, please indicate the total amount of the QHTB's capital expenditures made during calendar year 2007. For purposes of this form, if the QHTB is part of a consolidated group, the capital expenditures indicated should only include those amounts attributable to the QHTB.

Capital expenditures are expenditures that, because they result in the creation, prolongation, or improvement of a capital asset, must be added to the QHTB's basis in the asset.

**For Question 4f**, total payroll means the aggregate amount of all wages and all other expenses traditionally paid from a payroll account, such as employment taxes, health insurance, life insurance and retirement benefits, among others. Payroll does not include expenses attributable to non-employees. This total includes worldwide payroll expenses and cost of labor amounts during the calendar year 2007.

**For Question 4g**, please indicated the aggregate amount of all expenses incurred by the business in calendar year 2007 for services provided by an independent contractor.

In general, an independent contractor is anyone the business provides an IRS Form 1099 form instead of a Form W-2.

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**For Question 4h**, please indicate the total amount of distributions or dividend payments made by the business in calendar year 2007 to the owners, partners, or shareholders of the business.

Section Five: Questions about Hawaii Revenues and Expenses

**For Question 5a**, please indicate the amount of revenues earned from the sale or license of property and/or services produced in Hawaii that were included in the answer to Question 4a.

**For Question 5b**, please indicate the amount of operating expenses that were incurred for property and/or services consumed or for use in Hawaii that were included in the answer to Question 4b.

**For Question 5c**, please indicate the amount of non-cash expenses that were included in the answer to Question 5b. Non-cash expenses should include the reasonable allowance for depreciation and amortization.

**For Question 5d**, please indicate the amount of interest expenses that were included in the answer to Question 5b.

**For Question 5e**, please indicate the amount of capital expenditures that were incurred for goods and/or services for use in Hawaii as included in the answer to Question 4e.

**For Question 5f**, please indicate the payroll expenses for Hawaii employees that were included in the answer to Question 4f.

**For Question 5g**, please indicate the expenses incurred for services provided by an independent contractor in Hawaii that were included in the answer to Question 4g. Further divide this amount into amounts incurred for Scientific and Technical Contract Services, Performing Arts Production Contract Services, and All Other Contract Services.

Scientific and Technical Contract Services means the aggregate amount of money paid to non-employees during calendar year 2007 for any service directly related to the research activities associated with any area of qualified research, as listed in Question 1a, except performing arts products.

Performing Arts Production Contract Services means the aggregate amount of money paid to non-employees during calendar year 2007 for any service directly related to the creation of a performing arts product.

Any expense incurred to a non-employee providing services to the business that is not a Scientific and Technical Contract Service or a Performing Arts Production Contract Service should be included in All Other Contract Services. All Other Contract Services will typically include attorney services, accountant services, janitorial services, etc.

**For Question 5h**, of the amount indicated in the answer to Question 4h, please estimate the percentage that was made to Hawaii resident owners, partners, or shareholders.

**For Question 5i**, of the industry sectors indicated in the answer to Question 1b, please indicate the three sectors in which the business incurred the most Hawaii expenses during calendar year 2007. Furthermore, estimate the percentage of the total Hawaii expenses (the sum of 5b and 5e) that were incurred in each of these sectors.

**For Question 5j**, of the industry sectors indicated in the answer to Question 1b, please indicate the three sectors in which the business incurred the most Hawaii payroll expenses during calendar year 2007. Furthermore, estimate the percentage of the total Hawaii payroll expenses (5f) that were incurred in each these sectors.

Section Six: Questions about Employment and Wages.

**For Question 6a**, please indicate the total number of employees the QHTB employed in full-time and part-time positions during the weeks that included 12/12/2006 and 12/12/2007. In order for a position to be treated as full-time or part-time, the employer must intend for the position to be filled for at least 52 consecutive weeks or 12 consecutive months, excluding any leaves of absence. A part-time position is a position in which the employee may work less than the hours required for a full-time position. A full-time position is a position in which the employee works an average 40 hours per week. Only include individuals who received a Form W-2 from the business and were not hired under contract with a temporary hire agency.

**For Question 6b**, annualize the salary paid to all full-time and part-time employees who were employed during the week that included 12/12/2007 and indicate the aggregate number of employees for each wage band.

**For Question 6c**, please indicate the total number of individuals that provided services to the business in a position to be filled for less than 52 consecutive weeks or 12 consecutive months. These individuals include seasonal workers and individuals hired under a contract with a temporary hire agency. Only include individuals who received a W-2 from the business or were paid according to a contract with a temporary hire agency.

**For Question 6d**, please divide the total number of temporary or seasonal workers indicated in the answer to Question 6c into groups according to how long they provided services to the business during calendar year 2007.

**For Question 6e**, please indicate the total number of individuals or entities from which the business contracted services during calendar year 2007. In general, include all individuals or entities to which the business issued an IRS Form 1099 for services rendered during calendar year 2007.



Section Seven: Questions for QHTB Claiming R&D Credit under Section 235-110.91

**For Question 7a**, please indicate the amount of research credit under section 235-110.91 reported or anticipated to be reported on Form N-319A for the taxable year 2007. For this question, please use the fiscal year 2007, if the business files its tax returns on a fiscal year basis. If the business reports on fiscal year, then please indicate so by checking the box.

**For Question 7b**, please indicate all the industry sectors in which the QHTB conducted qualified research during the calendar year.

For purposes of the credit under section 235-110.91, Hawaii conforms to the federal definition of "qualified research" as set forth in §41(d), Internal Revenue Code (IRC), and the accompanying Treasury Regulations. The QHTB's activities must meet the federal standards of "qualified research" to be classified as such under Hawaii law.

In general, research qualifying under section 41(d), IRC, is research undertaken to discover information technological in nature, which constitutes a process of experimentation relating to a new or improved function, performance, reliability, or quality. Qualified research does not include any research:

1. After commercial production;
2. Related to the adaptation of existing business components;
3. Related to the reproduction of existing business components;
4. Surveys, studies, market research, etc.;
5. Conducted outside of the United States;
6. In the social sciences, arts, or humanities; or
7. To the extent funded by any grant, contract, or otherwise by another person (or governmental entity).

Further, if some of the work is funded by grant, contract, or otherwise by another person or governmental entity, to the extent the work is funded, the requirements of section 41(d) are not met unless the QHTB retains substantial rights to their research, as defined in §1.41-4A(d)(2), Treasury Regs., and the funding is contingent upon the success of the research. §1.41-4A(d)(1), Treasury Regs.

For this question, you may indicate as many industry sectors as are relevant. But, unlike Question 1b, only indicate industry sectors in which the business conducted "qualified research" as set forth in §41(d), IRC, and the accompanying Treasury Regulations.

These industry sectors are provided solely for information gathering purposes. The organization of the industry sectors into groups, the group titles, and the areas themselves do not indicate in any way what the Department considers to be qualified research, as defined in the Hawaii Revised Statutes.

**For Question 7c**, from the industry sectors indicated in Question 7b, please indicate the three sectors in which the business incurred the most "qualified research expenses," as that term is defined in section 41(b), IRC, in Hawaii. Furthermore, estimate the percentages of the total Hawaii "qualified research expenses" that were incurred in each of these sectors.

