



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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On September 14, 2006, PacifiCap Group sponsored a breakfast presentation entitled "Act 221/215: Tax Benefits for Hawaii's Investors, High Tech Companies and the Economy." Several specific high tech companies were highlighted and members learned about the investment structures offered by PacifiCap's venture funds.

Speakers included: Jeffrey Au, PacifiCap Managing

Director; Dew-Anne Langcaon, PacifiCap COO; Al Fernandes, Tax Partner KMH, LLP; Barry Inouye, CEO Inovaware Corporation; and Troy Brooks, CEO PipelineFX, LLC.

Jeff Au and Al Fernandes explained the key provisions of the investment tax credit, what kind of companies qualify for the credit, the nature of the investment and provided details on the importance and mechanics of

credit multiples.

Barry Inouye presented an overview of Inovaware, Corporation a locally started and based IP billing service provider. Barry highlighted his company's services, major customers and how Act 221/215 investor dollars cultivate innovation and supports Hawaii's goal of a diversified economy.

Also highlighted were Loea,

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President's Message

This message marks the end of CFMA Honolulu's second quarter and as always your board members have worked tirelessly to provide several events these past few months. Among the events were a presentation from PacifiCap Group and the ever popular CFMA Golf Tournament.

- Speakers from the PacifiCap Group met with members at the Pacific Club to discuss the mechanics and tax benefits of Hawaii's Act 221/215.

- Is it me or did this golf tournament seem completely normal - - - sandbaggers won 1st place, no reports of men hitting from the reds and not one single run-in with the Marshals. It must be good leadership, Wes Mikuni, Mike Grossi, and Jan Shadron you did an excellent job.

To our Golf Tournament sponsors, Bank of Hawaii and St. Paul Travelers, thank you for your generosity.

Upcoming events are highlighted by our 2nd Introduc-

tion to Construction Accounting Class taught by professionals from Detor and Williams, CPA's and a Seminar at the Pacific Club regarding the impending half percent tax increase. Please join us.

The board is always looking to better serve membership and if you have not had the opportunity to attend CFMA events due to venue location or event timing, please contact me at Frank.Wirt@marsh.com with suggestions regarding more convenient locations or times.

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a subsidiary of Trex Enterprises, which produces gigabyte wireless transmission devices on Maui and PipelineFX, an animation render farm management software company based in Honolulu.

For anyone who was not able to attend this presentation but would like further information, please contact: Jeff Au or Dew-Anne Langcaon at PacifiCap 237-5388 or 237-5383.



Saving A Dollar, Easier Than Making A Dollar

As we near the start of the fourth quarter of 2006, there are a number of tax issues that should be remembered in the daily operations of the business. Even though most contractors want to deal with the surge of construction activities and opportunities occurring in the marketplace, a little pre-planning and attention could ensure that the tax bill that will be coming due is a little smaller.

Federal Fuel Tax Credit

Don't forget about the Federal Fuel Tax Credit. Construction companies are able to receive a tax credit for the purchase of gasoline, clear diesel fuel and clear kerosene. The fuel needs to be used in an "off-highway business use." Off-highway business use means fuel used in a construction trade or business or in an income-producing activity other than as a fuel in a highway vehicle registered or required to be registered for use on public highways. Off-highway business use includes fuels used in any of the following ways.

- In stationary machines such as generators, compressors, power saws, and similar equipment.
- For cleaning purposes.
- In forklift trucks, bulldozers, earthmovers and similar vehicles.
- For separate engines mounted on highway vehicles.

The tax credit could be as high as \$.24 per gallon. Claims for refund of these tax credits can be made quarterly as compared to filing at the end of year with your business tax return.

Meals and Entertainment Expense

One of the largest misconceptions for business owners are the tax rules regarding meals and entertainment expenses. Although many employers are familiar with the 50 percent deduction on meal expenses, there are exceptions to this rule that allow the business to qualify for a 100 percent deduction.

Everyone knows that taking a client out for a meal to discuss business matters would be 50% tax deductible expense, but in the following situations, the business may receive 100 percent deductibility for meal expenses:

- Any coffee, bottled water, other refreshments, snacks, or even meals and parties only offered to employees on business premises
- If you require your employees to work overtime and provide meals for those employ-

ees on or near your business premise, those expenses are likewise 100 percent deductible.

- Recreational or social events, such as company outings and banquets, are fully deductible if they are for rank and file employees and not just limited to highly compensated employees, partners, or shareholders of the company.
- Meals or refreshments available to the general public for promotional purposes are also fully deductible. Therefore, all food provided to the general public that shows up to an open house would be fully deductible.

Domestic Production Activities Deduction

The construction industry is entering into the second year for the **Domestic Production Activities Deduction** (Internal Revenue Code Sec. 199). The deduction is, for the 2006 tax year, a 3 percent tax deduction on taxable income. It requires no additional outlay of money and is designed specifically to benefit general contractors and subcontractors. In calculating the deduction, care should be given to maximize the calculation of the deduction and make sure that any new construction contracts would allow you to qualify to take the deduction for the work you do on that contract. I recommend that you contact your tax advisor for advise on maximizing this tax deduction.

Obviously, all these rules require that you adequately document your activities. Whether it is a meal, a contract or the use of gasoline, all these expenses should be properly documented to explain the deduction or credit and your company's activity.

By: Alan M. Schlissel is a tax attorney and accountant with the Honolulu office of the accounting firm of Grant Thornton, LLP. Grant Thornton LLP is the U.S. member firm of Grant Thornton International, one of the six global accounting, tax and business advisory organizations. Visit Grant Thornton LLP at www.GrantThornton.com.

CFMA's 2006 Golf Tournament



This year's tournament winners: Glenn Kishida, Tom Vincent, Ben Taga, and Jeff Poentis.

Announcements

Congratulations to Neill Char of First Hawaiian Bank for providing the winning name (Building Blocks) for our Newsletter Name Search. Neill will receive a \$50.00 gift certificate for his immense creativity. Who knew a banker could be so creative?

Thank you to all of the members that submitted their ideas.

**Frank Wirt, President
CFMA Honolulu Chapter**



Upcoming Events

An Introduction to Construction Accounting.

Bob Hatanaka and Carl Williams of Detor & Williams CPA's will be conducting an Introduction to Construction Class on January 10th at Hale Ikena (Fort Shafter).

Date : Wednesday, January 10, 2007
Time : 8:00 a.m. – 5:00 p.m.
Place : Pikake 3 at Hale Ikena (Fort Shafter)
Fee : CFMA Members – \$190.00 / Non-Members
Includes : Continental Breakfast, Buffet Lunch, Refreshments, and Parking

Major Topics – Overview of Construction Industry / Contract Life Cycle / Financial Statement Presentation and Analysis / Contract Revenue Recognition / Computing Earned Revenue / Job Cost Management System / Cost Reporting Analysis

After Completing This Course You Will Be Able To – Know Key Responsibilities of Financial Executives and Advisors / Analyze a Contractor's Bondability / Know the Four Drivers of a Work-in-Process (WIP) Schedule / Know the Benefits of a Job Cost System.

For Additional Information Call:
Carl Williams @ 531-1040

This Course Qualifies for 8 CPE hours in the Field of Accounting and Auditing!



The Construction Financial Management Association, Honolulu Chapter

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Frank Wirt's eagle putt on 18—money.



Lynette Arakawa from Hawaii Dental Service, and the boys from Alakai Mechanical capping-off their day on the course.



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