

S.B. NO. 1416

JAN 22 2007

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A BILL FOR AN ACT

RELATING TO TAXATION OF INSURANCE PREMIUMS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 431:7-202, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) Each authorized insurer, except with respect to all  
4 life insurance contracts, ocean marine insurance contracts,  
5 ~~[and]~~ real property title insurance contracts, and prepaid  
6 health care plan contracts defined in chapter 393, shall pay to  
7 the director of finance through the commissioner a tax of 4.265  
8 per cent on the gross premiums written from all risks or  
9 property resident, situated, or located within this State,  
10 during the year ending on the preceding December 31, less return  
11 premiums (but not including dividends paid or credited to  
12 policyholders), and less any reinsurance accepted (the tax upon  
13 such business being payable by the direct writing insurer).

14 All premiums written, procured, or received in the State  
15 shall be presumed to have been from risks or property resident,  
16 situated, or located within the State. This presumption may be  
17 rebutted as to any premium:

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1 (1) By showing that it has been properly allocated or  
2 appportioned and reported as a taxable premium of  
3 another state or other appropriate taxing authority;  
4 or

5 (2) By facts as to the residence, situation, or location  
6 of the risks or property, conclusively showing the  
7 nontaxability of the premium."

8 SECTION 2. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 3. This Act shall take effect on July 1, 2007, and  
11 shall apply to all gross premiums received after June 30, 2007.

12  
13 INTRODUCED BY: \_\_\_\_\_

14 BY REQUEST

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JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO TAXATION OF INSURANCE PREMIUMS.

PURPOSE: To eliminate the premium tax on health insurers admitted under article 10A, chapter 431, Hawaii Revised Statutes (HRS).

MEANS: Amend section 431:7-202(a), HRS.

JUSTIFICATION: Health insurers are currently subject to the premium tax rate of 4.265 percent on gross premiums. Exempting health insurers from the premium tax may attract additional health insurers to enter the Hawaii health insurance market. It would also level the playing field since many Hawaii health insurers are organized as nonprofits and are not subject to the premium tax.

Impact on the public: There should be a positive impact on the public as eliminating the premium tax on health insurers may increase the number of health carriers admitted into the State, thereby increasing the competition in Hawaii's health insurance market.

Impact on the department and other agencies: Potential loss of premium tax revenue to the Department of Taxation.

GENERAL FUND: Potential loss of \$260,000 in current premium tax revenue.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: CCA-106.

OTHER AFFECTED

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AGENCIES: Department of Taxation.

EFFECTIVE DATE: July 1, 2007.