

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2456

H.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 2456, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to exclude from gross income, adjusted gross income, and taxable income the value of health insurance and other direct or indirect benefits provided by an employer to an employee in excess of what the employer provides or would provide to single employees when such benefits are provided to the employee due to the employee's status as a reciprocal beneficiary or a domestic partner.

Testimony in support of this measure was received from the Hawai'i Civil Rights Commission and one individual. The Department of Taxation (Department) and the Tax Foundation of Hawaii submitted comments.

The Department projected a revenue loss of approximately \$800,000 for fiscal year 2009, and thereafter. In determining the loss, the Department assumed reciprocal beneficiaries can decrease their tax liability by five per cent. According to the Hawaii Family Forum, the Department of Health reported there were 1,284 individuals who registered as reciprocal beneficiaries (2006). The Department then assumed that reciprocal beneficiaries would decrease their tax liability by ten per cent. According to the Department of Taxation Annual Report (2005-2006), the State



collected approximately \$1,600,000,000 in individual income tax collections in 2006.

The Department also requested an amendment, to delete the reference to "direct or indirect" benefits, in the new language. However, the Director was unable to provide a rationale for the amendment when questioned. If the Department intends to pursue this request in subsequent committees, your Committee would recommend that the Department determine why the amendment is necessary and convey that information clearly.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2456, H.D. 2, and recommends that it be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,



CAROL FUKUNAGA, Chair



