

STAND. COM. REP. NO.

2510

Honolulu, Hawaii
FEB 15 2008

RE: S.B. No. 2315
S.D. 1

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 S.B. No. 2315, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to clarify that each corporate or other attorney-in-fact of a reciprocal insurer is subject to all taxes imposed upon corporations or others doing business in the State, other than taxes on income or gross receipts derived from its principal business as attorney-in-fact.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and Property and Casualty Insurers of America. Comments were received from the Tax Foundation of Hawaii.

The intent of this measure is to ensure that:

- (1) A reciprocal insurer and its attorney-in-fact are treated as a single entity for tax purposes; and
- (2) The general excise tax exemption applies to "insurers", rather than to "insurance companies".

Your Committee finds that fair treatment should be afforded to reciprocal insurers and their attorneys-in-fact. This measure assures that reciprocal insurers and their policyholders are given the same exemption from the general excise tax on gross premiums

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that is extended to insurers that operate under other business structures.

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 S.B. No. 2315, S.D. 1, 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

CAROL FUKUNAGA, Chair



