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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, March 12, 2008
2:15 p.m.

**TESTIMONY ON HOUSE CONCURRENT RESOLUTION NO. 65/HOUSE
RESOLUTION NO. 56 – OPPOSING THE PROPOSED AMENDMENT TO INTERNAL
REVENUE SERVICE REGULATIONS ELIMINATING THE DEDUCTIBILITY OF
CAPTIVE INSURANCE COMPANY RESERVES.**

TO THE HONORABLE ROBERT HERKES, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department strongly supports this resolution opposing the U.S.
Internal Revenue Service’s proposed regulation on consolidated income tax returns that
would have adversely affected single owner captives in Hawaii and other states.

However, this resolution is no longer necessary because on February 20, 2008,
the IRS announced its withdrawal of this proposed regulation. Consequently, the public
hearing before the IRS which was scheduled for February 29, 2008 was cancelled.

We would like to recognize Chair Herkes for his foresight in this important matter,
and appreciate his committee’s continued support of this important industry for the State
of Hawaii.

00035

TESTIMONY ON H.R. 56 AND H.C.R. No. 65
OPPOSING THE PROPOSED AMENDMENT TO INTERNAL REVENUE SERVICE
REGULATIONS ELIMINATING THE DEDUCTIBILITY OF CAPTIVE INSURANCE
COMPANY RESERVES

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Robert N. Herkes, Chair
Rep. Angus L.K. McKelvey, Vice Chair

Wednesday, March 12, 2008, 2:15 p.m.
State Capitol, Conference Room 325

My name is Gerald C. Yoshida, an attorney in the Honolulu law firm of Char Hamilton Campbell & Yoshida. Our firm provides legal services to a number of captive insurance companies currently licensed in the State of Hawai'i. I am also Chairman of the Hawai'i Captive Insurance Council (HCIC), a trade organization of captive insurance companies and service providers who comprise and support Hawai'i's captive insurance industry.

HCIC supports the intent of H.R. No. 56 and H.C.R. No. 65, which opposes proposed Internal Revenue Service (IRS) regulations that would have had an adverse impact on many captive insurance companies. We are pleased to report that after a focused effort by the U.S. captive insurance industry to oppose the proposed IRS regulations, the IRS withdrew its proposed regulations on February 20, 2008. As a result, this issue is now moot and H.R. No. 56 and H.C.R. No. 65 are no longer necessary.

On behalf of HCIC, we would like to express our appreciation to Chair Herkes and this Committee for considering these measures and supporting Hawai'i's captive insurance industry. Thank you for this opportunity to submit testimony on these measures.

Respectfully submitted:

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00036