

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INSURANCE PREMIUMS, Tax credit

BILL NUMBER: HB 1749

INTRODUCED BY: Say

**BRIEF SUMMARY:** Adds a new section to HRS section 431:7 to allow an insurer that offers health insurance plans to claim a medical workforce promotion, health workforce education, or indigent health care program tax credit against the tax imposed on the gross premiums written on such plans. The credit shall be equal to the amount the insurer contributes in cash to a state program that: (1) provides or pays for the increase or education of the medical workforce or health workforce or provides health care to low-income individuals or families; and (2) has been approved by the insurance commissioner. The credit shall not be refundable.

Amends HRS section 431:7-202 to provide that “authorized insurer” shall include a mutual benefit society, fraternal benefit society, and health maintenance organizations that offers health plans.

Makes conforming amendments to HRS sections 432:1-403, 432:2-503 and 432D-19.

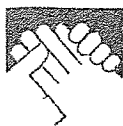
This act shall be repealed on June 30, 2015.

**EFFECTIVE DATE:** July 1, 2009

**STAFF COMMENTS:** It appears that this measure is proposed to generate additional revenues for the state general fund by providing that a mutual benefit society, fraternal benefit society or a health maintenance organization that provides a health care plan shall be subject to the insurance premiums tax between July 1, 2009 and June 30, 2015. These organizations are currently exempt from taxation. While the measure also establishes a nonrefundable tax credit for any insurer that provides health care to low-income individuals or families, it is questionable whether the proposed tax credit will offset the imposition of the insurance premiums tax.

In addition, it should be remembered that the imposition of the tax on these organizations that are not currently subject to the insurance premiums tax will not only result in an increase in the cost of providing health care but also will also result in a tax increase to taxpayers as any additional cost will be passed on.

Digested 2/25/09



## **Why HB 1749 is Bad for Fraternal Organizations and Bad for the State of Hawaii and its People**

- **Taxing fraternal is unprecedented** – This bill would subject fraternal benefit societies to a premium tax. No state in the union taxes fraternal organizations; nor does the United States Government. Taxing fraternal would undermine their ability to provide much needed assistance to a variety of community service programs and charitable organizations in Hawaii and leave many groups without an important source of funding or volunteers.
- **Taxing fraternal would generate insignificant tax revenue** – We interpret the intent of H. 1749 to apply the state's premium tax to the accident and health policy premiums of fraternal benefit societies and mutual benefit societies. If this is accurate, the tax generated from fraternal share of such premiums would be just over \$10,000; a miniscule amount relative to the state's needs.
- **Taxing fraternal would have a devastating effect on their ability to serve local community service groups and charities** – Fraternal benefit societies use their tax exemption to fund community service activities and partner with other nonprofit groups to better serve those in need. The primary source of funding for these projects is derived from the sale of life insurance and annuities to the members of a fraternal organization.
  - In 2007 in Hawaii, fraternal donated over \$2.1 million in volunteer service and direct financial aid to their communities. (See attached for a sample of some of the projects and organizations we support in the state.)
  - 9,000 Hawaii citizens are members of fraternal benefit societies. The four largest societies are Thrivent, Knights of Columbus, Independent Order of Foresters and Woodmen of the World.
- **Fraternal's community service activities are needed now more than ever** – Undermining fraternal's ability to conduct meaningful community service projects during the current fiscal crisis would result in a sharp reduction in volunteerism at a time when many individuals need help to fill the ever-widening gap in government programs.
- **Subjecting fraternal along with mutual benefit societies, such as HMSA, to the premium tax may have been inadvertent and unintended** – While both are lumped together in Chapter 432, HRS, entitled "Benefit Societies", fraternal are fundamentally different than "mutual benefit societies".
  - Unlike a mutual benefit society, such as HMSA, which is organized for the sole purpose of providing sickness, disability and death benefits to its members, the structure of fraternal benefit societies requires them to engage in community service activities that help fill gaps in the social safety net and serve needy people in Hawaii.

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 26, 2009

The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn Lee, Vice Chair

House Committee on Finance

**Re: HB 1749 – Relating to Insurance Premium Tax**

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1749.

Although HMSA takes no position on the intent of this measure we would like to provide some information on this issue. Currently, the majority of the health plans in the state operate as non-profit entities resulting in a savings to employers who are mandated to provide coverage to their employees via the Prepaid Health Care Act. HB 1749 would require health plans to pay a premium tax of 4.265 percent which would essentially be passed on to Hawaii's businesses.

In addition, as this measure is vetted through the legislative process, we would respectfully urge the Committee to ensure that all entities administering health plans in the state are included in its scope.

Thank you for the opportunity to provide comments today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman  
Assistant Vice President  
Government Relations



**Testimony to the House Committee on Finance**  
**Thursday, February 26, 2009**  
**3:00 p.m.**  
**Conference Room 308**  
**Agenda #3**

**RE: HOUSE BILL NO. 1749 RELATING TO THE INSURANCE PREMIUM TAX**

Chair Oshiro, Vice Chair Lee, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's opposition to House Bill 1749, relating to the insurance premium tax. This measure will pose additional financial burdens on Hawaii's businesses at a time when they are already struggling against a weakened economy.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This bill would require health plans to pay a premium tax of 4.265 percent. Due to Hawaii's Prepaid Health Care Act, businesses are required to provide health coverage for their employees, and this tax would in effect be passed along to these businesses.

The Chamber feels that businesses simply cannot afford this type of legislation. With the current state of the economy and the ever increasing cost of health care, business owners are already faced with numerous financial challenges. As a result, this bill may have the unintended consequence of harming small businesses which are crucial to the state economy.

Thus the Chamber respectfully opposes HB 1749.

Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

Before:  
House Committee on Finance  
The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair

February 26, 2009  
12:00 pm  
Conference Room 308

### **HB 1749 RELATING TO THE INSURANCE PREMIUM TAX**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB1749 that would make the insurance premium tax applicable to mutual benefit societies, fraternal benefit societies, and health maintenance organizations.

#### **Kaiser Permanente Hawaii opposes this bill.**

The cost of delivering health care in Hawaii and across the nation continues to mount. This measure would only add to that cost. A premium tax such as this one would be passed through directly to health plan purchasers, driving up the overall cost of healthcare to those purchasers and to the state. Employers, large and small, all of whom are mandated to provide health coverage to their employees in Hawaii, as well as individual purchasers, will wind up shouldering this additional cost. Even government employers and purchasers of healthcare benefits will bear the additional cost of this premium tax on their healthcare benefits.

Additionally, as a 501(c)(3) federally tax exempt, charitable organization, Kaiser provides approximately \$19 million in free care, subsidized care, grants, health education, and programs for safety net organizations within the State of Hawaii. Imposition of this premium tax would be an unfortunate precedent setting erosion of Kaiser's tax exempt status, inconsistent with its public benefit social mission.

In short, imposition of this premium tax would be bad for the business community, bad for the public, and bad for the cost of healthcare in the State of Hawaii.

Thank you for the opportunity to comment.

**W. Walker Jr. & Associates, Ltd.**

PO Box 621 Aiea, Hawaii 96701  
808-780-4269 \* Fax 866-805-5957 \* [WWJrAssoc@aol.com](mailto:WWJrAssoc@aol.com)

February 14, 2009

The Honorable Marcus Oshiro  
Chair, House Committee on Finance  
Hawaii State Capitol, Room 306  
415 South Beretania Street  
Honolulu, HI 96813

**RE: House Bill 1749 – Taxation of Fraternal Benefit Societies**

Dear Representative Oshiro:

My name is Welmon “Rusty” Walker, Jr. I am writing to respectfully request that you support my ability to continue to make a difference in our Hawaii working with my fraternal benefit society.

I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs here in Hawaii.

My wife Nedra and I have for years participated in efforts through our church with support from Thrivent to raise funds for Institute for Human Services (I.H.S.), Save The Food Basket, and the broad based Kokua Kalihi Valley. For us this requires our attendance and volunteer staffing of the fundraising events; not just a monitory donation.

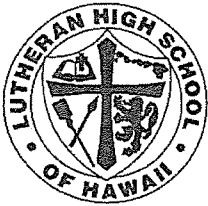
House Bill 1749 would repeal the life insurance premium tax exemption for fraternal benefit societies like Thrivent. Thrivent uses the benefits of the exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Repealing the exemption will directly threaten my chapter’s ability to continue our volunteer outreach efforts.

May I please ask that you work to support fraternal volunteers like me and our work in Hawaii by supporting the continuation of our state’s life insurance premium tax exemption for fraternal benefit societies. Thank you for your time.

Sincerely,



Welmon “Rusty” Walker, Jr.



## LUTHERAN HIGH SCHOOL OF HAWAII

1404 University Avenue  
School Office (808) 949-5302  
e-mail: office@lhshawaii.org

Honolulu, Hawaii 96822  
Admissions/Business Office (808) 944-1625 Fax (808) 947-3701  
e-mail: admissions@lhs.org

February 13, 2009

The Honorable Marcus Oshiro  
Chair, House Committee on Finance  
Hawaii State Capitol, Room 306  
415 South Beretania Street  
Honolulu, HI 96813

***RE: House Bill 1749 - Taxation of HMOs, Mutual Benefit Societies, Fraternal Benefit Societies***

Dear Representative Oshiro:

I am writing to respectfully request that you support Thrivent Financial for Lutherans members in Hawaii and their ability to continue to make a difference in our local communities.

I am principal of Lutheran High School of Hawaii. As a mission of our churches our school serves a general class of people. Those with substantial financial means would choose to send their children to three or four other schools before considering our school. We develop "average" children in a college preparatory program. About one third of graduates enter colleges and universities on the mainland, and second third enroll at UH Manoa, and the final third attend local community colleges. Our constituency is not wealthy, but is industrious and seeking to improve their economic status. We work very hard to keep our tuition down to an affordable level (currently \$9000).

Our school is not blessed with a large endowed financial aid fund that many of our competitor schools have. We take a small percentage of our operating funds each year and place them in our financial aid account. In September each year we ask all the school families to participate in a fundraiser that contributes to the financial aid funds. For the past seven years Thrivent has matched the monies gained from this fund raiser- contributing at least \$5000 each year. Loss of this assistance for our families would have a serious impact especially as we enter this severe economic downturn. I am sure that many of our families are worried about being financially able to re-enroll for next school year.

I recently learned that House Bill 1749 would repeal the life insurance premium tax exemption for fraternal benefit societies like Thrivent. Thrivent uses the benefits of the exemption to fund their state chapter and the programs that their members use to make a difference in our communities. Repealing the exemption would directly threaten the ability for Thrivent members in Hawaii to help organizations like mine and the people we serve. Please work to support Thrivent Financial for Lutherans members in Hawaii and their important work in our state by supporting the continuation of the life insurance premium tax exemption for fraternal benefit societies.

Sincerely,

A handwritten signature in cursive script that reads "Arthur Wendell".

---

***"Educating for Life + Promoting the Faith"***



4321 N. Ballard Road, Appleton, WI 54919-0001  
 Phone: 800-THRIVENT (800-847-4836)  
 E-mail: mail@thrivent.com • www.thrivent.com

## Hawaii Chapter Activities 2008

Community Partners	Number of Events	Total Attendance	Thrivent Member Volunteer Hours Recorded	Funds Raised and/or Donated
Lutheran Schools - 6 different schools - various fundraisers	8	2,423	5,881	\$76,929
Angel Network Charities - various fundraisers	3	169	1,291	\$23,637
Combined event for Angel Network Charities & Calvary by the Sea Lutheran School	1	120	1,200	\$6,805
Institute for Human Services - fundraising for shelter and food	7	323	605	\$5,651
Family Promise of Hawaii - fundraisers to house and feed homeless	5	293	2,292	\$1,900
Salvation Army - Kokua Kitchen - plan, prepare & serve lunch meal & prepare & distribute brown bag lunches	1	15,162	4,407	\$10,000
OYEA	1	243	590	\$20,032
Lihue Lutheran Church - holiday meal for needy & homeless families	1	139	207	\$4,900
Joy of Christ - backpack kits for homeless and near homeless kids	1	75	1,045	\$500
Boys and Girls Club - paint and clean facility	1	73	714	\$1,200
S.A.Y. Yes! Centers - holiday fundraiser	1	150	60	\$3,673
<b>Total</b>	<b>30</b>	<b>19,170</b>	<b>18,292</b>	<b>\$155,227</b>





## Thrivent Financial for Lutherans®

625 Fourth Ave. S., Minneapolis MN 55415-1665

Bruce J. Nicholson, FSA  
Chairman, President and  
Chief Executive Officer

Phone: 612-844-5480  
Fax: 612-844-4337  
bruce.nicholson@thrivent.com

February 16, 2009

The Honorable Marcus Oshiro  
Chair, House Finance Committee  
Hawaii State Capitol, Rm. 306  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: HB 1749 – Taxation of HMOs, Mutual Benefit Societies, Fraternal Benefit Societies

Dear Chairman Oshiro:

On behalf of Thrivent Financial for Lutherans, I want to express our strong opposition to HB 1749, which would, for the first time anywhere, impose a premium tax on the fraternal benefit societies in Hawaii.

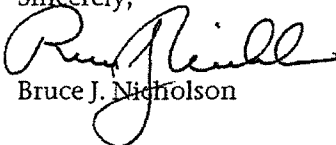
Thrivent Financial for Lutherans is the nation's largest fraternal benefit society, with 2.6 million members nationwide and over 2,000 in Hawaii. Fraternal benefit societies are membership groups, and operate very differently than commercial insurance companies. We are organized to not only help our members with their financial security, but to help their communities in significant ways. Our exemption allows us the ability to create the structure to do that, as it has for over 100 years. Moreover, we are exempt from these taxes in every state and at the federal level, due in large measure to the recognition of our nature as charitable and benevolent organizations.

Most notably, we are also able to leverage the value of our tax exemption through our local chapters and members, significantly increasing the total impact of these funds. All of our members belong to a chapter which provides the structure and programs they can use to meet community needs. Through this system, they contribute millions of volunteer hours, raise millions of additional funds, and address local needs they identify. If we were forced to pay premium taxes, the vast majority of these benefits would be lost.

In Hawaii, our total charitable outreach was approximately \$200,000 in 2008. On many occasions, we partnered with local Hawaii charitable organizations, such as the Angel Network Charities, the Salvation Army, and the Boys and Girls Club to work on projects or raise money. I've attached a chart that shows what we did last year. Requiring fraternal benefit societies to pay premium tax, as proposed by HB 1749, would drastically limit our ability to continue to support these local organizations. In tough economic times like those facing all Americans today, these programs are even more sorely needed.

Imposing a premium tax on fraternal benefit societies would raise very little new revenue and serve only to reduce the much-needed volunteer and charitable work that benefits Hawaii. The value of what we are able to accomplish through our tax exemption far exceeds the small amount of revenue that would be gained. Therefore, we ask that you eliminate the provision in HB 1749 that would require fraternal benefit societies to pay premium tax in Hawaii.

Sincerely,



Bruce J. Nicholson



# Thrivent Financial for Lutherans®

4321 N. Ballard Road, Appleton, WI 54919-0001

Phone: 800-THRIVENT (800-847-4836)

E-mail: mail@thrivent.com • www.thrivent.com

## Hawaii Chapter Activities 2008

Community Partners	Number of Events	Total Attendance	Thrivent Member Volunteer Hours Recorded	Funds Raised and/or Donated
Lutheran Schools – 6 different schools – various fundraisers	8	2,423	5,881	\$76,929
Angel Network Charities – various fundraisers	3	169	1,291	\$23,637
Combined event for Angel Network Charities & Calvary by the Sea Lutheran School	1	120	1,200	\$6,805
Institute for Human Services – fundraising for shelter and food	7	323	605	\$5,651
Family Promise of Hawaii – fundraisers to house and feed homeless	5	293	2,292	\$1,900
Salvation Army - Kokua Kitchen – plan, prepare & serve lunch meal & prepare & distribute brown bag lunches	1	15,162	4,407	\$10,000
OYEA	1	243	590	\$20,032
Lihue Lutheran Church – holiday meal for needy & homeless families	1	139	207	\$4,900
Joy of Christ – backpack kits for homeless and near homeless kids	1	75	1,045	\$500
Boys and Girls Club – paint and clean facility	1	73	714	\$1,200
S.A.Y. Yes! Centers – holiday fundraiser	1	150	60	\$3,673
<b>Total</b>	<b>30</b>	<b>19,170</b>	<b>18,292</b>	<b>\$155,227</b>

---

Woodmen of the World Life Insurance Society and/or Omaha Woodmen Life Insurance Society

February 19, 2009

The Honorable Marcus Oshiro  
Chair, House Finance Committee  
Hawaii State Capitol, Rm. 306  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: HB 1749 – Taxation of HMOs, Mutual Benefit Societies, Fraternal Benefit Societies

Dear Chairman Oshiro:

I am writing to you on behalf of Woodmen, and I want to voice our strong opposition to HB 1749, which would, we believe, negatively impact the Hawaiian citizens and the communities that are helped by fraternal benefit societies like ours.

By taxing fraternal benefit societies through HB 1749, you would impede our Society's ability to support our members and the communities where they live, work and play. So you understand, fraternal benefit societies such as ours are and operate very differently than commercial insurance companies. We were founded and created to help our members achieve financial security and to better the communities they call home.

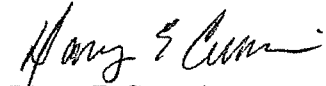
The tax exemptions we receive from every state in the union and the U.S. government are provided because we are recognized as charitable and benevolent organizations. Specifically, our members belong to lodges in their local communities. At the grassroots level, these members have a voice in determining what their community needs and how they can help. Members raise funds, contribute hundreds of thousands of volunteer hours and tackle the local issues they care about most head-on.

In Hawaii, Woodmen of the World lodges have about 4,500 members. Most of our Hawaiian members tend to be concentrated within Korean-American communities, and we enthusiastically provide support to and participate in a range of activities. For example, our members provided over 100 hours of service to feed homeless people in the River Life Mission in China Town; donated 600 meals on Thanksgiving; contributed \$1,000 to Lanakila Meals on Wheels program; and contributed hundreds of volunteer hours each year for the last 15 years to the Korean Sport Association, Chinese-American community and Vietnamese-American community. These are just a few examples. If we are required to pay premium taxes, these contributions – and the resulting benefits – would be severely restricted or reduced.

In closing, I urge you to hear our message and to truly consider the great benefit that Woodmen of the World Life Insurance Society and the other fraternal benefit societies operating in your state provide to so many Hawaiian citizens. Both directly, through the solutions we offer to members, and indirectly, through the contributions we make to communities across your state, we make a difference.

Changing the tax requirements for fraternal benefit societies would, we believe, have a very negative effect on people who need help the most. Those people who are underserved by many commercial insurers and those people who benefit from the fundraising and community contributions made by our members. Finally, it's important to note that HB 1749 would raise very little new revenue. For these reasons, we respectfully ask that you eliminate the provision in HB 1749 that would require fraternal benefit societies to pay premium tax in the great state of Hawaii.

Kind regards,

A handwritten signature in cursive script, appearing to read "Danny E. Cummins".

Danny E. Cummins  
President and CEO



**George S. Mohacsi**  
President & Chief Executive Officer  
Tel: (416) 429-3000 Ext. 2498  
Direct Fax: (416) 429-5252  
E-mail to: [gmohacsi@foresters.com](mailto:gmohacsi@foresters.com)

**Christopher H. Pinkerton**  
SVP & President, US Division  
Tel: (416) 429-3000 Ext. 2466  
Direct Fax: (416) 467-2485  
E-mail to: [cpinkerton@foresters.com](mailto:cpinkerton@foresters.com)

February 18, 2009

The Honorable Marcus Oshiro  
Chairman, House Financial Services Committee  
Hawaii State Capitol, Room 306  
415 South Beretania St.  
Honolulu, HI 96813

Dear Chairman Oshiro:

We are writing to express our opposition to the provision of H. 1749 that would require fraternal benefit societies to pay premium tax in the state of Hawaii.

The Independent Order of Foresters has over 1800 members in Hawaii and lends its financial and volunteer support to a variety of causes and organizations. Here are some examples of how our members have helped individuals and partnered with other organizations in Hawaii:

- Members donated over \$7,000 in support of HUGS, a group aiding children with severe and life-threatening medical conditions. Over 85 fraternal volunteers held three events in 2008 to support HUGS. These events included holding an event for the families and children, at which 100 HUGS members attended.; working with the police department to develop ID kits for all the children; and holding an ice skating Christmas party for the children of HUGS, which allowed the parents of sick children to take some much-needed rest and spend time with family.
- In supporting HUGS and doing these events, our Hawaiian Foresters members give thousands of volunteer hours of their time.

In 2007, Foresters and other NFCA member societies contributed more than 97,000 hours of volunteer service valued at over \$2 million and made direct financial contributions of over \$185,000 to schools, charities, and community service organizations in Hawaii.

Fraternal benefit societies have been recognized as tax-exempt entities by all 50 states and the federal government for more than a century. The structure of fraternal benefit societies allows them to provide

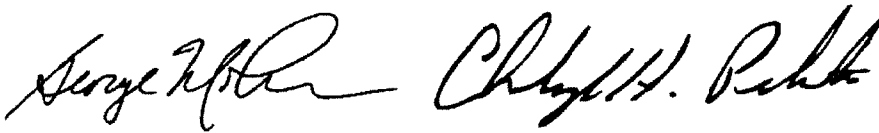
financial support and volunteer outreach activities to fill gaps in the social safety net and help Hawaii's citizens enhance their lives and their communities.

If enacted, H. 1749 would make Hawaii the first and only state to require fraternal benefit societies to pay premium tax. Our estimates indicated that the state would generate only about \$100 in new tax revenues by applying such a tax to Foresters health insurance premiums. Compare that to value of volunteer service and direct financial aid made by the society in 2007 alone and you can see that it is an unfair trade off for the people of your state.

Requiring fraternal societies to pay premium tax would have a devastating effect on our ability to support to the community service projects that help thousands of Hawaii's people every day. Moreover, such a reduction in volunteerism would come at a time when many individuals need help more than ever and the Obama Administration is encouraging Americans to become more actively engaged in community service.

We urge you to consider the very real negative consequences that would result from enactment of H. 1749 in its current form and to strike the provision that would require fraternal benefit societies to pay premium tax in Hawaii.

Sincerely,



George S. Mohacsi  
President & Chief Executive Officer

Christopher H. Pinkerton  
SVP & President, US Division  
8009 34th Avenue South  
Suite 1440  
Bloomington, MN 55425



February 17, 2009

The Honorable Marcus Oshiro  
Chairman, House Financial Services Committee  
Hawaii State Capitol, Room 306  
415 South Beretania St.  
Honolulu, HI 96813

Dear Chairman Oshiro:

I am writing to express my opposition to the provision of H. 1749 that would require fraternal benefit societies to pay premium tax in the state of Hawaii.

I am currently Past President of Ke Anuenue Branch. I have been a volunteer with the Independent Order of Foresters in Hawaii since 1980. As a mother and grandmother, as well as a school secretary, I see many needs in our community that our fraternal organization is able to address. All of our volunteers care about what happens in our community, and we try to make a difference. With our help, some families and individuals were able to get through their difficult time and not have to rely on government assistance.

The Independent Order of Foresters has over 1,800 members in Hawaii and lends its financial and volunteer support to a variety of causes and organizations. The following are just a few examples of how our members have helped individuals and partnered with other organizations in Hawaii:

- Members donated over \$7,000 in support of HUGS, a group aiding children with life-threatening medical conditions. Over 40 fraternal volunteers provided respite care that allowed parents of sick children to take some much-needed rest and spend time with family.
- Members have raised over \$50,000 in support of Kapiolani Children's Miracle Network through our fundraising efforts and assisted in Kapiolani Foundations major fundraisers. Kapiolani Children's Miracle Network provides medical assistance to the children of Hawaii and the Pacific Rim.
- Members have benefited from our Scholarship and Educational Grants programs. Some of the recipients would not otherwise be able to afford higher education. Our recipients also provide their volunteer services in the community.
- Members have provided time and resources in disaster relief efforts. Hurricanes Iwa and Iniki, and most recently the December 2008 floods.
- Members help in raising funds and providing support for youth sports programs.
- Members help in providing donations of food and clothing and other personal items for the homeless and families living in shelters.

In 2007, Foresters and other NFCA member societies contributed more than 97,000 hours of volunteer service valued at over \$1 million and made direct financial contributions of over \$185,000 to schools, charities, and community service organizations in Hawaii.

Fraternal benefit societies have been recognized as tax-exempt entities by all 50 states and the federal government for more than a century. The structure of fraternal benefit societies allows them to provide financial support and volunteer outreach activities to fill gaps in the social safety net and help Hawaiians enhance their lives and their communities.

If enacted, H. 1749 would make Hawaii the first and only state to require fraternal benefit societies to pay premium tax. In addition, requiring fraternal societies to pay premium tax would have a devastating effect on our ability to support to the community service projects that help thousands of Hawaiians every day. Moreover, such a reduction in volunteerism would come at a time when many individuals need help more than ever and the Obama Administration is encouraging Americans to become more actively engaged in community service.

I urge you to consider the very real negative consequences that would result from enactment of H. 1749 in its current form and to strike the provision that would require fraternal benefit societies to pay premium tax in Hawaii.

Sincerely,

Linda Babas  
Ke Anuenue Branch  
Independent Order of Foresters



Sharon Moore  
84-457 Farrington Hwy  
Waianae, Hawaii 96792  
(808) 330-3781

February 14, 2009

The Honorable Marcus Oshiro  
Chair, House Committee on Finance  
Hawaii State Capitol, Room 306  
415 South Beretania Street  
Honolulu, HI 96813

***RE: House Bill 1749 - Taxation of HMOs, Mutual Benefit Societies, Fraternal Benefit Societies***

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

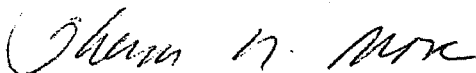
I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs.

For instance, Maluhia Lutheran Church located on the Waianae Coast, which is a depressed area, has been assisted by Thrivent Financial to care for the large number of homeless families. The opportunity for many in our congregation along with our community has been incredible. Maluhia has also benefited by partnering with Thrivent to help pay for a new piano, upgraded music system which we hope will attract the younger crowd, and this year, repairs of our church windows. The volunteer efforts have been remarkable for such a small community and the spirit of working together is well and good. It makes me feel proud to live in an area where "Sense of Community" can be improved with the assistance of Thrivent Financial.

I recently learned that House Bill 1749 would repeal the life insurance premium tax exemption for fraternal benefit societies like Thrivent. Thrivent uses the benefits of the exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Repealing the exemption will directly threaten my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and our work in Hawaii by supporting the continuation of our state's life insurance premium tax exemption for fraternal benefit societies.

Sincerely,



**KNIGHTS OF COLUMBUS**  
1 COLUMBUS PLAZA  
NEW HAVEN, CONNECTICUT 06510-3326

February 25, 2009

The Honorable Marcus Oshiro  
Chair, House Finance Committee  
Hawaii State Capitol, Rm. 306  
415 South Beretania Street  
Honolulu, HI 96813

**Re: HB 1749 – Taxation of HMOs, Mutual Benefit Societies, Fraternal Benefit Societies**

Dear Chairman Oshiro:

On behalf of the Knights of Columbus, I would like to express our strong opposition to HB 1749. This legislation would, for the first time anywhere, impose a premium tax on fraternal benefit societies.

The Knights of Columbus was formed in Connecticut in 1882 to render financial aid to members and their families. Mutual aid and assistance are offered to sick, disabled and needy members and their families. Social and intellectual fellowship is promoted among members and their families through educational, charitable, religious, social welfare, war relief and public relief works. The Knights of Columbus has grown from a few members in one council in Connecticut in 1882 to today more than 1.75 million members in more than 13,000 councils throughout the United States, Canada, the Philippines, Mexico, Poland, the Dominican Republic, Puerto Rico, Panama, the Bahamas, the Virgin Islands, Cuba, Guatemala, Guam and Saipan.

The results of the Knights of Columbus Survey of Fraternal Activity for the year ended December 31, 2006, show that total contributions to charity at all levels reached \$143,000,816.04 – exceeding the previous year's total by more than \$4 million dollars. This figure includes \$35,133,393 donated by the Knights of Columbus headquarters and \$108,682,611 in charitable donations by state and local councils. The survey also shows that the reported number of volunteer hours by members of the Knights of Columbus for charitable causes was 68,270,432. Cumulative figures show that during the past decade, the Knights of Columbus has donated nearly \$1.25 billion to charity, and provided in excess of 593 million hours of volunteer service in support of charitable causes. Further details concerning the charitable activities of the Knights of Columbus are available at [www.kofc.org](http://www.kofc.org).

Imposing a premium tax on fraternal benefit societies such as the Knights of Columbus, would raise very little new revenue and would serve only to reduce the much-needed volunteer and charitable work that benefits the citizens of Hawaii. The value of what we are able to accomplish through our tax exemption far exceeds the small amount of revenue that would be gained. We would ask, therefore, that you eliminate the provision in HB 1749 that would require fraternal benefit societies to pay a premium tax in Hawaii.

Sincerely,



Carl A. Anderson  
Supreme Knight