
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to temporarily
2 impose the general excise tax on the death benefit or other
3 gross income derived by a provider of a life settlement
4 contract. This Act takes effect on July 1, 2010 and sunsets on
5 June 30, 2015.

6 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§237- Tax on provider of life settlement contract.

10 (a) For the purpose of this section:

11 (1) The definitions under section 431E-2 shall apply;

12 (2) "Gross income" includes any compensation or thing of
13 value derived by a provider from the transfer of a
14 life settlement contract from the owner or trust or
15 other entity who owned the contract to the provider;

16 and

17 (3) "Transfer" includes the assignment, sale, gift,
18 devise, or bequest of a settled policy.



1 (b) There is hereby levied, and shall be assessed and
2 collected annually, a general excise tax against a provider of a
3 life settlement contract. The tax shall be equal to four per
4 cent of the death benefit or other gross income derived by the
5 provider upon:

6 (1) The death of the owner of the life settlement
7 contract;

8 (2) The transfer to the provider of the life settlement
9 contract from the owner or trust or other entity who
10 owned the contract; or

11 (3) Both.

12 (c) This section shall be repealed on June 30, 2015."

13 SECTION 3. Section 237-24, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "§237-24 Amounts not taxable. This chapter shall not
16 apply to the following amounts:

17 (1) [Amounts] Except as otherwise provided under section
18 237- for a provider of a life settlement contract,
19 amounts received under life insurance policies and
20 contracts paid by reason of the death of the insured;

21 (2) [Amounts] Except as otherwise provided under section
22 237- for a provider of a life settlement contract,



1 amounts received (other than amounts paid by reason of
2 death of the insured) under life insurance, endowment,
3 or annuity contracts, either during the term or at
4 maturity or upon surrender of the contract;

5 (3) Amounts received under any accident insurance or
6 health insurance policy or contract or under workers'
7 compensation acts or employers' liability acts, as
8 compensation for personal injuries, death, or
9 sickness, including also the amount of any damages or
10 other compensation received, whether as a result of
11 action or by private agreement between the parties on
12 account of the personal injuries, death, or sickness;

13 (4) [~~The~~] Except as otherwise provided under section
14 237- for a provider of a life settlement contract,
15 the value of all property of every kind and sort
16 acquired by gift, bequest, or devise, and the value of
17 all property acquired by descent or inheritance;

18 (5) Amounts received by any person as compensatory damages
19 for any tort injury to the person, or to the person's
20 character reputation, or received as compensatory
21 damages for any tort injury to or destruction of
22 property, whether as the result of action or by



- 1 private agreement between the parties (provided that
2 amounts received as punitive damages for tort injury
3 or breach of contract injury shall be included in
4 gross income);
- 5 (6) Amounts received as salaries or wages for services
6 rendered by an employee to an employer;
- 7 (7) Amounts received as alimony and other similar payments
8 and settlements;
- 9 (8) Amounts collected by distributors as fuel taxes on
10 "liquid fuel" imposed by chapter 243, and the amounts
11 collected by such distributors as a fuel tax imposed
12 by any Act of the Congress of the United States;
- 13 (9) Taxes on liquor imposed by chapter 244D on dealers
14 holding permits under that chapter;
- 15 (10) The amounts of taxes on cigarettes and tobacco
16 products imposed by chapter 245 on wholesalers or
17 dealers holding licenses under that chapter and
18 selling the products at wholesale;
- 19 (11) Federal excise taxes imposed on articles sold at
20 retail and collected from the purchasers thereof and
21 paid to the federal government by the retailer;



- 1 (12) The amounts of federal taxes under chapter 37 of the
2 Internal Revenue Code, or similar federal taxes,
3 imposed on sugar manufactured in the State, paid by
4 the manufacturer to the federal government;
- 5 (13) An amount up to, but not in excess of, \$2,000 a year
6 of gross income received by any blind, deaf, or
7 totally disabled person engaging, or continuing, in
8 any business, trade, activity, occupation, or calling
9 within the State; a corporation all of whose
10 outstanding shares are owned by an individual or
11 individuals who are blind, deaf, or totally disabled;
12 a general, limited, or limited liability partnership,
13 all of whose partners are blind, deaf, or totally
14 disabled; or a limited liability company, all of whose
15 members are blind, deaf, or totally disabled;
- 16 (14) Amounts received by a producer of sugarcane from the
17 manufacturer to whom the producer sells the sugarcane,
18 where:
- 19 (A) The producer is an independent cane farmer, so
20 classed by the Secretary of Agriculture under the
21 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
22 the Act may be amended or supplemented;



1 (B) The value or gross proceeds of the sale of the
2 sugar, and other products manufactured from the
3 sugarcane, are included in the measure of the tax
4 levied on the manufacturer under section 237-
5 13(1) or (2);

6 (C) The producer's gross proceeds of sales are
7 dependent upon the actual value of the products
8 manufactured therefrom or the average value of
9 all similar products manufactured by the
10 manufacturer; and

11 (D) The producer's gross proceeds of sales are
12 reduced by reason of the tax on the value or sale
13 of the manufactured products;

14 (15) Money paid by the State or eleemosynary child-placing
15 organizations to foster parents for their care of
16 children in foster homes;

17 (16) Amounts received by a cooperative housing corporation
18 from its shareholders in reimbursement of funds paid
19 by the corporation for lease rental, real property
20 taxes, and other expenses of operating and maintaining
21 the cooperative land and improvements; provided that
22 the cooperative corporation is a corporation:



- 1 (A) Having one and only one class of stock
- 2 outstanding;
- 3 (B) Each of the stockholders of which is entitled
- 4 solely by reason of the stockholder's ownership
- 5 of stock in the corporation, to occupy for
- 6 dwelling purposes a house, or an apartment in a
- 7 building owned or leased by the corporation; and
- 8 (C) No stockholder of which is entitled (either
- 9 conditionally or unconditionally) to receive any
- 10 distribution not out of earnings and profits of
- 11 the corporation except in a complete or partial
- 12 liquidation of the corporation; and
- 13 (17) Amounts received by a managed care support contractor
- 14 of the TRICARE program that is established under Title
- 15 10 United States Code chapter 55, as amended, for the
- 16 actual cost or advancement to third party health care
- 17 providers pursuant to a contract with the United
- 18 States."

19 SECTION 4. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21 SECTION 5. This Act shall take effect on July 1, 2010, and
22 shall be repealed on June 30, 2015; provided that:



H.B. NO. 2884

- 1 (1) Section 237-24(1), (2), and (4), Hawaii Revised
2 Statutes, shall be reenacted in the form in which they
3 read on June 30, 2010;
- 4 (2) Section 2 of this Act shall not be:
- 5 (A) Repealed when section 431E-2, Hawaii Revised
6 Statutes is repealed on June 16, 2010 pursuant to
7 Act 177, Session Laws of Hawaii 2008; and
- 8 (B) Reenacted after June 30, 2015; and
- 9 (3) The amendments made to section 237-24, Hawaii Revised
10 Statutes, by this Act shall not be repealed when that
11 section is repealed and reenacted on December 31,
12 2013, pursuant to Act 70, Session Laws of Hawaii 2009.

13

INTRODUCED BY: *Calvin K. King*

JAN 27 2010



Report Title:

Life Settlement Contract Provider; General Excise Taxation

Description:

Imposes the general excise tax at the rate of 4% on the death benefits and other gross income derived by a provider of a life settlement contract. Takes effect on 07/01/10 and sunsets on 06/30/15.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

