

STAND. COM. REP. NO. 724

Honolulu, Hawaii

March 8, 2011

RE: H.B. No. 798
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 798 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill as received by your Committee is to assess the general excise tax on the death benefit or other gross income derived from life settlement, bank-owned life, and corporate-owned life insurance policies issued after June 30, 2011. This measure exempts compensation received by an insured for the transfer of a policy or designation of a beneficiary, and death benefits paid to a person related to the insured.

For the purposes of a public hearing, your Committee circulated a proposed H.D. 1 that deletes the provisions of the bill and inserts language that imposes the general excise tax only on gross income derived from a life settlement insurance policy by a person unrelated to the insured and exempts any compensation received by an insured for the transfer of the policy or designation of a beneficiary, or any death benefit received by a person related to the insured.

The Department of Taxation supported this bill. The American Council of Life Insurers; Hawaii Bankers Association; Steel Fabricators & Erectors of Hawaii; S and M Welding Co., Ltd.; and a concerned individual opposed this measure. The Tax Foundation of

HB798 HD1 HSCR FIN HMS 2011-2599



Hawaii, Prudential Financial, and National Association of Insurance and Financial Advisors provided comments.

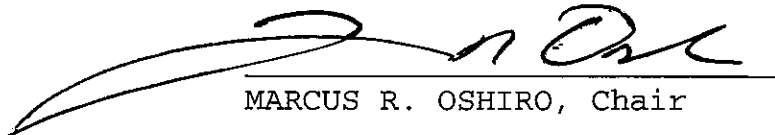
Your Committee has amended this bill by adopting the proposed draft.

Your Committee has further amended this bill by:

- (1) Replacing the definition for "life settlement insurance policy" with a definition for "life settlement contract";
- (2) Including definitions for "owner" and "provider";
- (3) Extending the imposition of the tax to compensation received by the insured of a life insurance policy for the transfer of the policy to another person or designation of a beneficiary; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 798, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 798, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



