NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

# HOUSE COMMITTEE ON FINANCE

# TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1270 RELATING TO TAXATION

| | |
|---|---|
| **TESTIFIER:** | **FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)** |
| **COMMITTEE:** | **FIN** |
| **DATE:** | **FEBRUARY 25, 2011** |
| **TIME:** | **6:00PM** |
| **POSITION:** | **SUPPORT INTENT; CONCERNS** |

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This measure requires the Department of Taxation (Department) to evaluate certain tax credits and tax exemptions and report to the legislature.

The Department supports the bill's intent of reviewing our State's tax credits and exemptions. However, the Department believes this task may be better suited for the Tax Review Commission. The Tax Review Commission is authorized by the Hawaii Constitution to "submit to the legislature an evaluation of the State's tax structure [and] recommend revenue and tax policy[.]" The Tax Review Commission consists of seven members appointed by the Governor with the consent of the Senate, and is based in the Department for administrative purposes. The Tax Review Commission is currently formed every five years and was scheduled to begin last year. Unfortunately the current Tax Review Commission lacks a quorum because not enough members have been appointed. The Department suggests utilizing the Tax Review Commission for this task rather than creating a new task force within the Department.

NEIL ABERCROMBIE
GOVERNOR

KAREN SEDDON
EXECUTIVE DIRECTOR

**STATE OF HAWAII**
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
**Karen Seddon**
Hawaii Housing Finance and Development Corporation
Before the

**HOUSE COMMITTEE ON FINANCE**
February 25, 2011 at 6:00 p.m.
Room 308, State Capitol

In consideration of
**H.B. 1270**
**RELATING TO TAXATION.**

The HHFDC ***strongly opposes*** H.B. 1270 as it impacts the State Low-Income Housing Tax Credit under section 235-110.8, Hawaii Revised Statutes, and the General Excise Tax exemption for certified or approved housing projects under section 237-29, Hawaii Revised Statutes, because it will adversely affect the development of affordable rental housing.

The Low-Income Housing Tax Credit (LIHTC) program is a major financing tool to construct or rehabilitate affordable **rental housing** for families at or below 60 percent of the area median income. Under the program, HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset (tax credit) in income tax liability for 10 years or may be syndicated to generate project equity. Approximately $2.719 million in federal and $1.359 million in state volume cap tax credits may be awarded each year. **Since the program's inception, 82 projects totaling 7,311 affordable units, have been developed or substantially rehabilitated using LIHTCs.**

The General Excise Tax exemption program for certified housing projects is a valuable incentive that makes affordable housing development and rental housing operations economically feasible. Repeal of this exemption would increase the cost of affordable housing development and construction by 4 to 4.5 percent. It would also adversely affect the financial feasibility of existing affordable housing projects previously certified for the exemption.

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

# DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Telephone: (808)
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Statement of
**RICHARD C. LIM**
**Interim Director**
Department of Business, Economic Development & Tourism

before the

**COMMITTEE ON FINANCE**
Friday, February 25, 2011
6:00 PM
State Capitol, Conference Room 308

in consideration of
**HB 1270**
**RELATING TO TAXATION.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

The Department of Business, Economic Development, and Tourism (DBEDT) understands the intent of this measure, however, Hawaii's economy is still trying to recover from the downturn, many businesses are still struggling, and employment within the State has not fully recovered. DBEDT has serious concerns about the impact of this measure as it would provide for the automatic repeal of many of the tax incentives that were designed to stimulate business in the State.

<u>**Renewable Energy Technologies Income Tax Credit**</u>:

The Hawaii renewable energy tax credit is a means for the State to partner with private capital by incentivizing homeowners, businesses and investors to put money into renewable energy projects. The installation of renewable energy systems is instrumental in meeting Hawaii's Clean

Energy goals that improves Hawaii's energy security; diversifies our energy mix; creates jobs; and reduces emissions. As a result, the growth and proliferation of Hawaii's energy industry is a direct result of this incentive and the complete repeal of this tax credit would have negative repercussions industry wide from large scale projects that are financially committed based on the tax credits, to placing jobs created out of this growing industry in jeopardy.

**Ethanol Facility Tax Credit**:

The repeal of the ethanol facility tax credit, Section 235-110.3, would reduce the likelihood of the construction of local ethanol production facilities. Some may be misled to view the proposed change as a means to remedy the current budget situation. That interpretation would be incorrect. Since fuel facilities must be built and be in production, and thus generate jobs and revenue before they can take the tax credit, the initial benefits occur before any credits are provided. The facilities are expected to be in production for twenty years. Our analysis shows that the overall credits are more than offset by increased revenue generated by construction wages, income taxes, and generation of additional economic activity, and the net job impact is positive as well. Regarding the immediate budget situation, there is significant advance notice before any funds are paid out for this incentive, so while the existence of this or our proposed revised biofuel production facility incentive is expected to stimulate construction and jobs in the near term, it will be at least two years before any credits are claimed (a fuel production facility is required to a file notice in advance of facility construction; another notice, estimated at not less than 15 months later, upon commencement of ethanol production; and the tax credit is not available until after the facility has produced at least 75% of its nameplate capacity, i.e. at least 9 months after start of production). To eliminate the incentive at this date would put potential projects in jeopardy; signal to those in the investment community a lack of our commitment to the goals of diversification of energy supplies and use of renewable fuels; and weaken our progress towards the energy and economic diversification objectives of the State.

**<u>Motion Picture, Digital Media, And Film Production Income Tax Credit</u>**:
Hawaii has built and sustained an excellent global reputation for its film industry. A repeal of Section 235-17, HRS, motion picture, digital media, and film production income tax credit (Act 88), would severely impact Hawaii's ability to remain competitive in the global landscape of film and television production, by suspending all tax incentives for film, television and digital media production. The Act 88 tax incentive has helped to attract more than $700 million in direct production expenditures since its effective date of July 1, 2006, delivering a cumulative economic impact of $1.2 billion, keeping people employed by contributing over 6,000 jobs in production, small business and visitor industries statewide. This credit remains crucial to Hawaii's ability to maintain and grow a clean industry that has a proven track record of driving economic development and developing our workforce.

Tax credits are invaluable and have been responsible for attracting substantial business investment to the Hawaiian Islands - spurring economic activity, and supporting high-paying job creation while recognizing their direct affect on providing economic stimulus necessary for Hawaii's short- and long-term recovery.

Thank you for the opportunity to offer these comments.

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU
715 SOUTH KING STREET, SUITE 311 ● HONOLULU, HAWAII 96813 ● AREA CODE 808 ● PHONE: 768-7762 ● FAX: 768-7792

PETER B. CARLISLE
MAYOR

SAMUEL E. H. MOKU
DIRECTOR

BRIDGET HOLTHUS
DEPUTY DIRECTOR

Testimony of the Department of Community Services

**MEASURE:**
H.B. NO. 1270, RELATING TO TAXATION.

**COMMITTEE(S):**
HOUSE COMMITTEE ON FINANCE

| | | | |
|---|---|---|---|
| **HEARING DATE:** | Friday, February 25, 2011 | **TIME:** 6:00 p.m. | |
| **LOCATION:** | State Capitol, Room 308 | **COMMITTEE REQUESTS 2 COPIES** | |
| **TESTIFIER(S):** | Samuel E.H. Moku, Director<br>(Written testimony only. For more information, please call<br>Keith Ishida, Community Based Development Division, at 768-7750.) | | |

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Chair Oshiro and Members of the Committee:

The Department of Community Services strongly opposes section 3, items 17 and 35, of this bill, which would repeal the State Low-Income Housing Tax Credit (LIHTC) and the general excise tax exemption for certified or approved housing projects under section 201H-36, Hawaii Revised Statutes.

It is fiscally prudent to provide State LIHTCs to support the development of privately-owned affordable housing. LIHTCs are often a critical component of gap financing needed by developers of affordable housing in order to have a feasible project. Without the development of such projects, many of senior citizens and families would be forced to double-up with relatives. The worst case scenario would be homelessness, which places a tremendous financial strain on the public support system. Although eliminating the LIHTC may save the State money in the short run, the long term consequences would be a greater cost burden to the State, and an affordable housing crisis that is worse than the present situation.

Furthermore, the general excise tax exemption for certified or approved housing projects under section 201H-36 serves as a valuable incentive for non-profit developers to develop much needed affordable housing. The State LIHTC and the general excise tax exemption for approved housing projects help to stimulate the development of affordable housing which, in turn, will provide urgently needed jobs in the construction industry.

We respectfully ask that section 3, items 17 and 35, be deleted from this bill.

L E G I S L A T I V E

# TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, INCOME, GENERAL EXCISE, PUBLIC SERVICE COMPANY, BANKS AND OTHER FINANCIAL INSTITUTIONS, LIQUOR, Repeal tax credits, exemptions

BILL NUMBER: HB 1270

INTRODUCED BY: Chong and Yamashita

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to require the department of taxation to perform an evaluation of the tax credits or exemptions provided in title 14 and the following tax credits or exemptions prior to their repeal date. Requires the submission of an evaluation to the legislature prior to the convening of the 2012 legislative session.

Permits the department of taxation to contract with recognized technical experts knowledgeable in the field of economics, establish a technical advisory group to help identify and develop data elements needed for analyses; and collect, process, and analyze data from federal, state, and local government sources. The data and analyses shall provide sufficient information to allow the legislature to determine whether the tax credits and exemptions have achieved their intended objectives, whether they are consistent with public policies, and whether they should be reenacted, modified or permitted to expire.

If it is determined that the laws establishing the tax credits or exemptions should be modified, the department of taxation, with the assistance of the various state departments enumerated in the measure, shall submit drafts of recommended legislation to be considered for enactment if, when enacted, they would improve the policies, procedures, and practices of the tax credits or exemptions.

Directs the department of taxation, with the assistance of the various state departments enumerated in the measure, to make recommendations to improve the operation of a tax credit or exemption, including recommendations for appropriate restrictions to be implemented before the termination of the tax exemptions or credits.

Repeals the following on December 31, 2012:

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| 235-4.5 | Taxation of trusts, beneficiaries; credit |
| 235-9 | Exemptions; generally |
| 235-9.5 | Stock options from qualified high technology businesses excluded from taxation |
| 235-12.5 | Renewable energy technologies income tax credit |
| 235-15 | Child passenger restraint systems |
| 235-17 | Motion picture, digital media, and film production tax credit |
| 235-18 | Deposit beverage container deposit exemption |
| 235-54 | Exemptions |
| 235-55 | Tax credits for resident taxpayer |

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| 235-55.7 | Income tax credit for low-income household renters |
| 235-55.8 | Refundable food/excise tax credit |
| 235-110.2 | Credit for school repair and maintenance |
| 235-110.3 | Ethanol facility tax credit |
| 235-110.51 | Technology infrastructure renovation tax credit |
| 235-110.6 | Fuel tax credit for commercial fishers |
| 235-110.7 | Capital goods excise tax credit |
| 235-110.8 | Low-income housing tax credit |
| 235-110.93 | Important agricultural land qualified agricultural cost tax credit |
| 235-129 | S corporations; tax credits |
| 237-16.8 | Exemption of certain convention, conference, and trade show fees |
| 237-23 | Exemption for certain persons |
| 237-23.5 | Exemption for related entities; common paymaster |
| 237-24 | Amounts not taxable |
| 237-24.3 | Additional amounts not taxable |
| 237-24.5 | Additional exemptions |
| 237-24.7 | Additional amounts not taxable |
| 237-24.75 | Additional exemptions |
| 237-24.9 | Aircraft service and maintenance facility |
| 237-25 | Exemptions of sales and gross proceeds of sale to federal government and credit unions |
| 237-26 | Exempt certain scientific contracts with the United States |
| 237-27 | Exemption of certain petroleum refiners |
| 237-27.5 | Air pollution control facility |
| 237-27.6 | Solid waste processing, disposal and electric generating facility |
| 237-28.1 | Exemption of certain shipbuilding and ship repair business |
| 237-29 | Exemptions for certified or approved housing projects |
| 237-29.5 | Exemption for sales of tangible personal property shipped out of state |
| 237-29.53 | Exemption for contracting or services exported out of state |
| 237-29.55 | Exemption for tangible personal property for resale at wholesale |
| 237-29.8 | Call centers exemption; engaging in business; definitions; |
| 239-5.5 | Surcharge amounts exempt |
| 239-6.5 | Tax credit for lifeline telephone subsidy |
| 239-12 | Call centers; exemption; engaging in business; definitions |
| 241-4.5 | Capital goods excise tax credit |
| 241-4.6 | Renewable energy technologies income tax credit |
| 241-4.7 | Low-income housing; income tax credit |
| 241-4.8 | High tech business investment tax credit |
| 244D-4.3 | Exemption for sale of liquor out of the state |

Appropriates $______ in general funds for fiscal 2012 and fiscal 2013 to carry out the purposes of this act, including funding for ___ permanent, full-time positions (an economist, a research statistician, and an administrative rules specialist) in the department of taxation and also to reimburse other state agencies for costs incurred in performing tasks required by this act. This section shall take effect on July 1, 2011.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure repeals various tax credits and exemptions of state tax law after a review is performed by the department of taxation. This measure is, no doubt, proposed to address concerns about the plethora of targeted business tax credits adopted in recent years. With everything from investments in high technology to ethanol producing plants to tax credits for hotel construction and home renovation and construction, taxpayers have been asked to pay for projects for which there are just promises that jobs will be created or new businesses will be attracted to provide those jobs. At the end of the day, while the beneficiaries laugh all the way to the bank with their profits, the taxpayer is left empty-handed. It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences. Rather than singling out a particular area for tax relief, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

While there is no doubt that many of the income tax credits deserve to be repealed care should be exercised that such repeal does not have unexpected consequences. Income tax credits such as the renter tax credit and the refundable food/excise tax credit will result in a tax increase for taxpayers who qualify for those credits. The repeal of the capital goods excise tax credit under HRS section 235-110.7 and the fuel tax credit for commercial fishers under HRS section 235-110.6 would result in higher operating costs for businesses that, no doubt, will be passed on to consumers in the form of higher prices of goods. In the case of the capital goods excise tax credit, the credit was to offset the cost of the general excise tax imposed on the acquisition of capital goods that are key to the creation of new jobs. The fuel tax credit for commercial fishers is supposed to refund the fuel tax paid on the fuel purchased, but the tax credit is taken against the income tax which is a resource of the state general fund. On the other hand, other provisions, such as the child passenger restraint tax credit, are justified due to the state's mandatory seat belt law.

While the continuance of some of the general excise tax exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same income as is the case with public service companies and financial institutions. These business pay other taxes, imposed in lieu of the general excise tax, because of the unique nature of these businesses.

Those exemptions of questionable existence are those which were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contribution to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary. The last comprehensive review and overhaul was the result of the 1989 Tax Review Commission. One outcome was that the general exemption of insurance companies was narrowed when it was learned that insurance companies had income other than from insurance premiums which escaped the imposition of the general excise tax. Thus, the exemption for income received in the form of insurance premiums recognizes that the premiums tax is imposed on that type of income. Similarly, when it was recognized that employee benefit plans received income other than from employee contributions and earnings on those contributions, the provision was narrowed to specifically exclude rental income or proceeds. While the most recent Tax Review Commission - the 2005-2007 Commission - looked at some of these exemptions, it was largely an inquiry about either narrowing or broadening the general excise tax base.

On the other hand, the exemptions for purchases of food with foods stamps and qualified food items purchased with WIC coupons exist because of a federal pre-emption that such purchases are exempt from taxation. Other amounts specifically exempt from the general excise tax include liquor, cigarette, and transient accommodations tax amounts that would constitute a tax on a tax.

Among those general excise tax exemptions, which if repealed could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchant's association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions that beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, persons affected with Hansen's disease, cemetery associations (HRS 237-23), income of the blind deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

While this measure proposes to implement a recommendation of not only the most recent Tax Review Commission, but previous Commissions as well, that is to minimize or eliminate all tax exemptions and credits, the elimination of these exemptions may cause more inequities and problems. Thus, the Tax Review Commission's recommendation deserves a measured and learned response.

Digested 2/24/11

# The Chamber of Commerce of Hawaii
*The Voice of Business in Hawaii*

**Testimony to the House Committee on Finance**
**Friday, February 25, 2011**
**6:00 p.m.**
**Conference Room 308**
**Agenda #8**

**RE: HOUSE BILL NO. 1270 RELATING TO TAXATION**

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

The Chamber of Commerce of Hawaii ("The Chamber") does not support HB 1270 relating to Taxation.

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.

House Bill 1270 requires the department of taxation to evaluate certain tax credits and tax exemptions and report to the Legislature. The measure provides an automatic repeal of the tax credits and tax exemptions.

The Chamber acknowledges the intent of the bill and the Legislature's concerns about tax credits and exemptions. However, we are concerned about the automatic repeal of the tax credits and exemptions. This may have a serious impact on business and the overall economy. This measure will create a volatile effect on businesses especially as they try to plan for the future. Also, many of the tax credits and exemptions help stimulate economic activity for start-up industries, or provide support to existing industries so that they can continue to provide jobs and other benefits and stay competitive in this global economy, which in turn, generate revenues for the State. It also assists industries or organizations that endeavor to fulfill public policy, such as providing a wide range of housing opportunities, including affordable housing.

This bill, if passed, will have unintended consequences. Therefore, The Chamber respectfully requests that the committee conducts further study and evaluation before implementing an automatic repeal.

Thank you for the opportunity to submit testimony.

**THE CHAMBER OF COMMERCE OF HAWAII**
**1132 Bishop Street, Suite 402**
**Honolulu, HI 96813**

Testimony to the House Committee on Finance
Friday, February 25, 2011
6:00 PM
Conference Room 308

**RE: HOUSE BILL NO. 1270, RELATING TO TAXATION**

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

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's concerns on House Bill 1270, Relating To Taxation.

The Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the US military and its civilian workforce, and their families, and has provided oversight for the state's multi-billion dollar defense industry since 1985.

The measure proposed could have significant impact on local businesses that have large military contracts that provide hundreds of jobs and millions of dollars worth of subcontracts for small local businesses.

The measure proposes to evaluate certain tax credits and exemptions and report findings and recommendations to the legislature. The measure further proposes an automatic repeal of tax credits and exemptions on December 31, 2012.

We believe it prudent for the legislature to conduct this evaluation of existing tax credits and exemptions to determine whether they are achieving their intended objectives; however, we do not believe that the proposal to sunset them on December 31, 2012 is prudent or good public policy.

We would support this bill if it is amended to delete the sunset clause in SECTION 3 of the proposed measure. The legislature could review the results of the study to be submitted prior to convening the 2012 regular session and determine which of those existing tax credits and exemptions should be repealed by separate legislative action.

For these reasons, we respectfully recommend that the proposed measure be amended accordingly.

Thank you for the opportunity to testify.

EAH

A NONPROFIT HOUSING CORPORATION

February 24, 2011

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Members of the House Committee on Finance
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: HB 1270; Hearing February 25, 2011 at 6:00 P.M.; Testimony in Opposition

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

Thank you for this opportunity to submit our testimony in strong opposition to HB 1270 as it applies to the automatic repeal of low income housing tax credits (Section 235-110.8) and the automatic repeal of the general excise tax exemptions (GET) for certified or approved housing projects (Section 237-29) both to occur on June 30, 2012.

EAH Housing is a non-profit public benefit corporation dedicated to developing, managing, promoting and preserving affordable rental housing.

We depend on the LIHTC program to help finance new affordable rental projects and the acquisition and rehabilitation of existing affordable rental projects. This repeal would, in effect, bring to a halt the production and preservation of affordable rental housing in the State at a time when we continue to have a critical need for more affordable rental housing.

Affordable housing creates jobs. New construction of affordable rental housing and the preservation and rehabilitation of existing affordable rental housing means badly needed jobs for our construction industry as well as jobs for the continued operation of these projects. We should be thinking of ways to hasten the development of affordable rental housing rather than creating moratoriums.

The GET exemption provided to qualified low income rental housing is a critical component in the economic feasibility of new developments and in the ability of existing developments to meet their loans and operational commitments. The GET exemption applies to rent only. If the property charges for parking or gets income from a centralized laundry or vending machines then GET is paid on that income. Each property must apply and be qualified for the exemption on an annual basis.

The elimination of the GET exemption will be passed on to low-income tenants via an increase in rents and/or a reduction in services as it increases the operating costs of properties that are already struggling with other increases such as utilities and refuse collection.

Our state has a critical shortfall of affordable rental housing. The GET exemption helps to encourage the production and preservation of as many affordable rental units as possible.

Any repeal or suspension of low income housing tax credits and/or the GET exemption is going to make the development and preservation of affordable rental housing, an already difficult task in the best of times, much more difficult in a financial environment with limited capital available.

Sincerely,

Kevin R. Carney, NAHP-e, (PB)
Vice President, Hawaii

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February 25, 2011

**The Honorable Marcus R. Oshiro, Chair**
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: H.B. 1270, Relating to Taxation**

**HEARING: Friday, February 25, 2011 at 6:00 p.m.**

Aloha Chair Oshiro, Vice Chair Lee and members of the Committee:

I am Craig Hirai, Chair of the Subcommittee on Affordable Housing, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,500 members. HAR **strongly opposes** items (17), (35) and (45) in Section 3 of H.B. 1270, Relating to Taxation, which respectively repeal the low-income housing tax credit under HRS §235-110.8, the General Excise Tax ("GET") exemption for certified or approved housing projects under HRS §237-29, and the low-income housing tax credit under HRS §241-4.7 on December 12, 2012.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from Low-Income Housing Tax Credits under HRS §235-110.8 and HRS §241-4.7. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR believes that if items (17), (35) and (45) of Section 3 of H.B. 1270 are passed in their current form, the repeal of HRS §§ 235-110.8, 237-29 and 241-4.7 will have the following adverse consequences:

1. With respect to existing projects, the repeal of the GET exemption under HRS §237-29 will reduce the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State by at least 4% (4.5% in the City and County of Honolulu). This will almost certainly adversely affect the projects' ability to fund their operating and maintenance reserves and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.

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2. With respect to projects approved between the date of enactment of H.B. 1270 and December 31, 2012, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will tend to reduce the amount of mortgage debt lenders will be willing to lend for these projects because their gross rents available for operating costs and debt service may decrease by 4% (or 4.5% in the City and County of Honolulu) on January 1, 2013. A logical consequence of such lender action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

   The pricing of construction contracts for projects which are certified or approved under HRS §237-29 will also become more difficult and most likely more expensive as the December 31, 2012 repeal date grows closer because contractors may not be able to complete construction by that date.

3. With respect to existing projects, the repeal of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will not allow: (a) current investors the use of the full amount of their credits if their 10-year recovery period under HRS §235-110.8(c) and IRC §42(b) extends beyond December 31, 2010 or December 31, 2012; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2010 or December 31, 2012.

4. With respect to projects approved between the date of enactment of H.B. 1270 and December 31, 2012, the uncertainty of the continued existence of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will undoubtedly reduce the amount investors will be willing to pay for the credits because they cannot be assured of the use of the credit through its entire 10-year recovery period. Again, a logical consequence of such investor action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

For the reasons set forth above, HAR respectfully requests that if items (17), (35) and (45) of Section 3 of H.B. 1270 are passed in their current form, Section 6 of H.B. 1270 be amended to read as follows:

> SECTION 6. This Act shall take effect upon its approval; provided that section 4 shall take effect on July 1, 2011; and provided further that: (1) item (17) of Section 3 shall not apply to low-income housing tax credits awarded under section 235-110.8, Hawaii Revised Statutes, prior to January 1, 2013; (2) item (35) of Section 3 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2013; and (3) item (45) of Section 3 shall not apply to low-income housing tax credits awarded under section 241-4.7, Hawaii Revised Statutes, prior to January 1, 2013.

Mahalo for the opportunity to testify.

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February 25, 2011

**The Honorable Marcus R. Oshiro, Chair**
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: H.B. 1270, Relating to Taxation**

**HEARING: Friday, February 25, 2011 at 6:00 p.m.**

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

I am Nancy Donahue-Jones, Chief Executive Officer of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of its 8,500 members in Hawai'i. HAR **strongly opposes** H.B. 1270, Section 3, item (21), which repeals the GET exemption for "business leagues, chambers of commerce, boards of trade" under HRS §237-23(a)(5).

H.B. 1270, in its current form, will subject association membership dues to the GET, based upon the proposal to repeal the tax exemption for "boards of trade."

If a tax is imposed on membership dues, it will be passed on to HAR's members, and will ultimately increase the cost of doing business, when the industry is already suffering in these economic times. HAR, like many other trade organizations, is primarily a dues-dependent organization -- with the increase in taxes and reduced income to the organization, essential services to members may have to be reduced or eliminated.

Mahalo for the opportunity to testify.

PACIFIC GUARDIAN LIFE

DOUGLAS M. GOTO
Executive Vice President

February 25, 2011

The Honorable Representative Marcus R. Oshiro
Chair, Committee on Finance
House of Representatives
State Capitol, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Via e-mail: fintestimony@capitol.hawaii.gov

Re: HB 1270, Relating to Taxation

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 1270, Relating to Taxation.

My name is Douglas M. Goto. I am the Executive Vice President of Pacific Guardian Life Insurance Company, Ltd. ("PGL"). PGL is a Hawaii corporation having its headquarters in Honolulu, Hawaii.

PGL provides life insurance, disability, annuities and temporary disability insurance benefits to the people of Hawaii, 20 other western states, the Territory of Guam, and the Commonwealth of the Northern Mariana Islands.

PGL has approximately 120 employees in the state of Hawaii and employs an additional 20 employees in branch offices, primarily in the state of California. All of our staff members are "white collar" employees with many holding professional and managerial positions. Approximately 38% of PGL's life insurance premium writings are to persons residing outside the state of Hawaii. Accordingly, PGL is and seeks to continue to contribute to the Hawaii economy by generating revenue from customers outside of Hawaii.

If enacted into law, HB 1270 would impose the State's income tax on all revenue received by PGL. This proposed tax would be in addition to the 2.75% premium tax PGL already pays to the State of Hawaii. At 2.75% Hawaii already has one of the highest life insurance premium tax rates in the nation (the national average is 1.9%).

Imposing a double tax on PGL's revenue would make it more difficult, if not impossible, for it to remain competitive in some of the markets in which it serves.

PACIFIC GUARDIAN TOWER • 1440 KAPIOLANI BOULEVARD • HONOLULU, HAWAII 96814 • TEL (808) 942-1310 • FAX (808) 942-1290 • dgoto@pacificguardian.com

Increasing the tax will result in PGL's having to increase the cost of its premiums on some of its policies. Increasing the premium tax may also subject life insurance companies domiciled in this state, such as PGL, to additional "retaliatory taxes" imposed by other states in which PGL does business.

For example, as PGL does business in the state of California, as its domestic life insurers such as Pacific Life also does business in Hawaii, if HB 1270 is enacted, PGL will pay an additional tax equal to the difference between Hawaii's total tax burden and the tax imposed by California, as illustrated by the following example:

| | Hawaii | California |
|---|---|---|
| Premium tax | 275,000 | 190,000 |
| Retaliatory tax | | 85,000 |
| HB 1270 Income Tax | Hypothetical 20,000 | None |
| Additional Retaliatory Tax | | 20,000 |

In the above example, PGL would be required to pay a total retaliatory tax of $105,000 ($85,000 + $20,000) in addition to the $190,000 premium tax PGL already owes to the State of California.

Two decades ago, the Hawaiian life insurance market was served by a number of domestic life insurers, including Grand Pacific Life, Hawaiian Life, and Investors Equity Life, all of which were larger than PGL at the time. Today, PGL is one of the few remaining, and, we daresay, the only major active life insurance carrier with a Hawaii domicile. If enacted into law, HB 1270 would serve as a major disincentive to selecting a Hawaii domicile for a regional life insurance carrier doing business in other states due to the economically punitive effect of the retaliatory taxes described above.

At times, it is extremely difficult to effectively compete with other carriers, principally national and regional players, in the life insurance market in Hawaii and the western states. PGL is proud that is has, thus far, been successful in doing so from our home office in Hawaii. We respectfully submit that HB 1270 will introduce another element of competitive disadvantage that we will bear as a result of our choice of a Hawaii domicile.

For the foregoing reasons, PGL strongly opposes HB 1270 and requests that this Committee defer passage of this bill.

Again, thank you for the opportunity to testify in opposition to HB 1270.

Respectfully submitted,

PACIFIC GUARDIAN LIFE
INSURANCE COMPANY, LIMITED

By: ______________________
Douglas M. Goto
Its Executive Vice President

The Mutual Housing Association of Hawai'i, Inc.
MHAH

**CENTRAL OFFICE**

Pioneer Plaza
900 Fort Street Mall, Suite 1690
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February 24, 2011

The Honorable Marcus Oshiro, Chair
And the Members of the House Committee on Finance
Hawai'i State Capitol
415 South Beretania Street; Room 308
Honolulu, Hawai'i 96813

Dear Chair Oshiro and Committee Members:

Subject: House Bill 1270 - Relating to Taxation

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes the provisions in House Bill 1270 which would automatically repeal the State Low-Income Housing Tax Credit ("State LIHTC") as of June 2012 and the General Excise Tax exemption ("GET") for certified low-income housing projects.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. The equity funding provided by the State's LIHTC program allows developers to leverage other funding programs such as tax-exempt bonds, the Rental Housing Trust Fund, the Dwelling Unit Revolving Fund, HOME program and conventional bank loans to make affordable projects financially feasible. Without the State LIHTC, future construction of affordable rental housing will be even more difficult, if not impossible, and Hawai'i will fall further behind in addressing its shortage of rental housing units for our families.

Developers and owners of affordable rental housing projects also rely on the GET exemption to make their projects financially feasible and to maintain the affordability of their rents for low-income families. The GET exemption for certified affordable housing projects has been in place to assist the economic feasibility in the development of affordable housing projects for decades. It has proven to be a successful incentive for the development and preservation of affordable housing and should be allowed for future affordable housing projects.

Hawaii cannot ignore the affordable housing crisis facing our State. Our families are forced live in substandard conditions and often have to double or triple up with families and friends to make ends meet. We are also seeing our homeless population grow throughout the islands. Please do not put the State LIHTC and GET exemption at risk when these tools are greatly needed at this time and for the foreseeable future. Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura
Executive Director

WOODMEN of the WORLD

Danny E. Cummins
President and CEO

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

February 24, 2011

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, Relating to Taxation

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to provide our input on HB 1270 relating to taxation. Woodmen of the World and its over 4,250 members in Hawaii strongly oppose HB 1270.

Paragraph (21) of Section 3 of the bill would repeal the general excise tax exemption granted to all fraternal benefit societies; and paragraph (23) of that Section would also repeal the general excise tax exemption on life insurance death benefits, accidental death benefits and disability insurance payments and the general excise tax exemption on amounts received other than by reason of the death of the insured under a life insurance, long term care, endowment or annuity contract. These exemptions would automatically be repealed unless the Department of Taxation (in its report to the Legislature next year) recommends otherwise.

If the general excise tax exemption is repealed, all revenues received by Woodmen or any other fraternal benefit society would be subject to tax. This would reduce our ability to provide the kinds and level of services and programs to our members and the communities in which they live.

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, the Woodmen of the World lodge has over 4,250 members. Most of our Hawaiian members tend to be concentrated within the Korean and Vietnamese-American community, and we enthusiastically provide support to and participate in a range of activities. For example, over the past five years, our members provided over 3,000 meals and hundreds of hours of service to feed homeless people in the River Life Mission in China Town; donated meals on Thanksgiving; contributed several thousands of dollars to the Lanakila Meals on Wheels program; contributed hundreds of volunteer hours each year for the last 15 years to the Korean Sport Association, Chinese-American community and Vietnamese-American community; and provided several hundred children the opportunity to attend a summer camp. These are just a few examples. If we are required to pay taxes, these contributions – and the resulting benefits – would be severely restricted or reduced.

Paragraph 23 of Section 3 of HB 1270 would also repeal the exemption from Hawaii's general excise tax on proceeds payable under a life insurance policy and disability or annuity contract by reason of the insured's death and on amounts received other than by reason of a decedent's death (eg., cash surrender value of a policy) under a life insurance, disability income policy and long term care insurance contract ("Insurance Proceeds").

Taxing Insurance Proceeds is unprecedented. No state in the country taxes insurance proceeds. Our members use after tax dollars to pay the premiums for our insurance products. To impose yet another tax when the insurance is paid punishes those who take responsible steps to plan for and protect their own financial future and the financial security of their families and others who are dependent upon them for their financial support and well being. Life, disability and long term care insurance provide individuals with this protection.

Further, taxing amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts is simply inappropriate. These amounts include, for example, payment of the policy's "cash value" (investment portion) in the life insurance contract, sums paid as a policy loan and as an accelerated death benefit; and in the case of annuities, the annuity payments themselves which consist in part of the purchaser's investment in the contract. These payments are not taxed because they do not constitute gross income. Taxing these payments would be like taxing both the existing balance and the interest earned on a savings account.

In closing, I urge you to seriously consider the impact this bill would have on Woodmen of the World's members and the members of the other fraternal benefit societies operating in your state--benefits we provide to so many Hawaiian citizens. Both directly, through the insurance 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, would also have a very negative effect on people who need help the most. Those people who are underserved and benefit from the fundraising and community contributions made by our members. Finally, it's important to note that HB 1270 would raise very little new revenue. For these reasons, we respectfully ask that this committee defer passage of this bill.

Fraternally,

Danny E. Cummins
President and CEO

# Honolulu Board of REALTORS®

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February 25, 2011

**The Honorable Marcus R. Oshiro, Chair**
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: H.B. 1270, Relating to Taxation**

**HEARING: Friday, February 25, 2011 at 6:00 p.m.**

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

I am Rochelle Lee Gregson, Chief Executive Officer of the Honolulu Board of REALTORS® ("HBR"), here to testify on behalf of its 5,400 members on the island of Oahu. HBR **strongly opposes** H.B. 1270, Section 3, item (21), which repeals the GET exemption for "business leagues, chambers of commerce, boards of trade" under HRS §237-23(a)(5).

H.B. 1270, in its current form, will subject association membership dues to the GET, based upon the proposal to repeal the tax exemption for "boards of trade."

As a not-for-profit 501(c)(6) trade organization, the Honolulu Board of REALTORS® does not make a profit from the dues paid by its members. The organization exists for the purpose of ethical and professional success through educational, knowledge base activities. Membership dues are to pay for common expenses and conducting goal based activities.

If a tax is imposed on membership dues, it will reduce our ability to provide essential services to members. We do not see passing this cost on to HBR's members, who are already suffering in these economic times.

Mahalo for the opportunity to testify.

Sincerely,

Rochelle Lee Gregson

PRESERVING WEALTH FOR GENERATIONS

CARLSON HAMMOND

State of Hawaii Legislature
Honolulu, HI

February 24, 2011

Dear Elected Officials,

I am a Hawaii resident and Insurance Producer. I am proud of my state and how we take care of each - our Aloha spirit. As an insurance producer for over 25 years, I have witnessed the critical benefits provided by life insurance products and therefore I urge you to **vote against H.B. 1270**. It would be **very harmful** to individuals, families, businesses and employees and could also cost jobs, impair state revenue and increase Hawaii's exposure to the financial protection needs of its citizens. The proposed legislation would tax life insurance and disability proceeds—something that neither the federal government nor any state does because of the important benefits that these products provide. For the following reasons, I urge you to **vote against H.B. 1270.**

## 1. H.B. 1270 Would Hurt Hawaii Citizens and Businesses

Families and individuals purchase life insurance and disability products *with after-tax dollars* to provide financial security for their families. Even if a beloved family member dies or becomes disabled and no longer work, these products can enable families to pay their bills, purchase their homes, provide the education and needs of their children, as well assist with financial needs associated with retirement. Approximately 570,000 state residents own life insurance policies.

Businesses purchase life insurance to keep businesses running and protect jobs in the even to the death of key owners or employees and also finance and secure important employee benefits, including broad-based health, disability, survivor and supplemental retirement benefits. Life insurance proceeds are needed to protect jobs that could otherwise be lost and to make sure that employees and their families can rely on the security of the benefits that have been promised to them. Hawaii insurable interest laws and section 101(j) of the Internal Revenue Code, and extensive rules of bank regulators, all ensure the responsible use of life insurance by businesses and financial institutions.

## 2. The Tax Proposed by H.B. 1270 is Unfair

Individuals, families and businesses all purchase life insurance with after-tax dollars for very important purposes—to tax the proceeds from the policies they purchased would be grossly unfair and is not done by any state or by the federal government.

## 3. H.B. 1270 Would Cost Jobs & Could Reduce State Revenues & Increase Costs

2,000 jobs provided directly by the life insurance industry and another 2,000 jobs supported by the life insurance industry could be threatened. As noted above, life insurance products play a major role in keeping small businesses running after the death of a key employee. Further, the life insurance industry invests approximately $20 billion in Hawaii's economy, with about $10 billion in stocks and bonds that help finance business development, job creation and services in the state. The use of life insurance products also directly contribute to state revenues through the collection of state premium taxes. To the extent, that H.B. 1270 impairs efforts of Hawaii families and businesses to secure their financial protection and security, the state government faces significant increased financial exposure to address such needs.

For the above reasons I ask you to vote against H.B. 1270. Thank you for your consideration.

Sincerely,

Gordon E. Hammond

SolarCity

# TESTIMONY IN OPPOSITION TO HB 1270

***To: House Finance Committee***

***From: SolarCity***

***Hearing on February 25, 2011***

Chair Oshiro and Members of the Committee:

Thank you for the opportunity to provide testimony regarding HB 1270.

SolarCity is a full service provider of photovoltaic (PV) solar power systems for homeowners, businesses, not-for-profit organizations, and government entities. SolarCity provides integrated PV solar system design, financing, installation, leasing, maintenance, and monitoring services, and is the nation's leading solar service provider, with more than 1,100 employees and more than $700 million in project financing to date.

Pursuant to contracts already signed, SolarCity is launching the installation of PV systems on numerous residential and commercial rooftops in Hawaii this month. These solar projects will create hundreds of green jobs in Hawaii. The financing for these projects was modeled on - and is critically dependent on - the existing state Renewable Energy Technologies Income Tax Credit under section 235-12.5. The tax credit allows SolarCity to offer immediate savings to customers, including the state government itself, with no capital investment, resulting in long-term reduction of energy costs.

HB 1270 would jeopardize SolarCity's Hawaii projects by terminating the tax credit in 2012. <u>SolarCity strongly opposes HB 1270</u> because limiting the tax credit in this way would change the rules in the middle of the game, creating unacceptable regulatory uncertainty that will upend the financing for SolarCity's projects and could lead the company to terminate its significant investments in Hawaii.

In reliance on the continued existence of the tax credit, SolarCity invested significant time and resources to negotiate and enter into contracts to design, finance, install, maintain and monitor rooftop-mounted solar systems in Hawaii and undertook investments necessary to implement these projects. Among other



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SolarCity

things, SolarCity has relocated employees to Hawaii, leased a commercial warehouse in Mililani, Oahu, and has begun hiring in Hawaii, with open positions for significant numbers of PV installers, permitting and inspection coordinators, and warehouse employees. These are necessarily local positions that cannot be outsourced and that are not dependent on the location of manufacturing.

SolarCity's projects include the installation of PV systems on thousands of residential housing units on various islands, including at Hickam Air Force Base and at Island Palm Communities, which is the U.S. Department of Defense's largest military family housing privatization project. SolarCity also will be installing PV systems for the Maui Arts & Cultural Center, the University of Hawaii, and the Hawaii Department of Transportation.

SolarCity understands that the Legislature faces a challenging budget situation. Contracts for SolarCity's Hawaii projects, which will create hundreds of green jobs in the state, would not have been executed without the existence of the tax credit, however, and the introduction of HB 1270 has forced the company to reconsider its planned expansion in the state. SolarCity supports terminating the Renewable Energy Technologies Income Tax Credit in 2017, as proposed in the current version of HB 566.

Thank you for the opportunity to provide testimony in opposition to HB 1270.

Very truly yours,

/ s /

Sanjay Ranchod
Director of Government Affairs



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Property Casualty Insurers
Association of America
Shaping the Future of American Insurance
1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Marcus R. Oshiro, Chair
House Finance Committee

From: Samuel Sorich, Vice President

Re: **HB 1270: Tax Credit and Tax Exemptions**
**PCI Position: Oppose**

Date: Friday, February 25, 2011
6:00 p.m.; Agenda #8; Conference Room 308

Aloha Chairman Oshiro and Committee Members:

The Property Casualty Insurers Association of America (PCI) is opposed to HB 1270 because the bill contradicts the fundamental logic and economy of Hawaii's insurance premium tax system and would impose additional economic burdens on Hawaii consumers and businesses.

HB 1270 would extend the Hawaii state income tax to insurance companies. The bill ignores the fact that there are good reasons for excluding insurers from the income tax. Unlike other businesses, insurers are not taxed based on their *net* revenue. Instead, insurers are taxed on the basis of their *gross* revenues from insurance premiums. This imposes a much heavier tax on insurance companies than on other companies and industries. In addition, the current system for taxing insurers provides a reliable, predictable source of income that is not subject to business losses. The rationale for this sound tax system would be undermined by HB 1270.

The additional tax in HB 1270 would hit Hawaii consumers and businesses in their pocketbooks. Hawaii drivers, homeowners, renters and business owners are already struggling. The new tax proposed in HB 1270 would place an additional burden on working families who must purchase insurance to comply with mandatory auto insurance laws or the demands of lenders who require homeowners insurance.

PCI opposes HB 1270 because it would increase insurance costs in Hawaii and negatively impact working families who depend on insurance.

PCI respectfully requests the Committee to hold HB 1270 for the remainder of the session.

Thrivent Financial for Lutherans®

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

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President and
Chief Executive Officer
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February 24, 2011

The Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capitol, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

**RE: House Bill 1270 & Taxation of Fraternal Benefit Societies**

Dear Chair Oshiro and Members of the Committee:

I am writing to make you aware of the unintended consequences of House Bill 1270, with the hope that you will work to preserve the ability of Thrivent Financial for Lutherans members in Hawaii to continue to protect their financial security and make a positive difference in their communities.

Thrivent's unique not-for-profit mission unites deep concerns for the well being of our members and their communities in ways few organizations can. Thrivent was created more than 100 years ago by Lutherans who banded together to help each other when economic hardships struck. Today, we enable our more than 2,000 Hawaii members to continue to live that commitment to their families and neighbors.

What our members accomplish in the community is important, and so is how they accomplish it. Thrivent members nationwide are organized in local chapters, and through our grassroots chapter in Hawaii, our members are able to identify and meet local needs in ways only those who live there can. As you can see in the attached table, our Hawaii members are making a difference for important causes and helping to address unmet needs. From 2008 through 2010, Thrivent members in Hawaii have reported dedicating more than 44,000 volunteer hours to help raise or contribute more than $300,000 for local not-for-profit organizations and schools.

For generations, every state and the federal government has recognized the important role fraternal benefit societies play in communities by supporting tax exemptions that provide the funding needed to operate our grassroots chapter network and programs. I urge the members of the committee to ensure that Hawaii continues to protect the resources that support our members' efforts in your state. The revenue gained by taxing fraternals would not replace the financial contributions our members make to Hawaii's communities.

Moreover, state programs cannot replace the grassroots chapter structure that enables our members to stand up, take a stake in what is happening around them and commit volunteer time to better their communities.

And finally, financial security in their own lives helps our members help the community. The provisions of House Bill 1270 that would impose new taxes on life insurance and disability income benefits would negatively impact our members much the same way customers of commercial life insurers would be affected. The American Council of Life Insurers and others will argue persuasively on behalf of all life insurance policy holders in Hawaii, and I hope you will conclude that taxing individuals who are doing the right thing to protect their financial security is not good public policy.

Thank you for taking the time to consider my concerns, and for the personal sacrifices you make to take on the enormous challenge of public service during such difficult budgetary times. I respectfully request that you defeat or amend House Bill 1270 to protect fraternal benefit societies, our members and their community service activities in Hawaii.

Sincerely,

Brad Hewitt

Brad L. Hewitt

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 2008-2010

| Community Partners | Number of Events | Total Attendance | Thrivent Member Volunteer Hours Recorded | Funds Raised and/or Donated |
|---|---|---|---|---|
| Lutheran Schools – 6 different schools – various fundraisers | 18 | 4,368 | 13,147 | $96,754 |
| Angel Network Charities – various fundraisers | 5 | 225 | 1,592 | $39,241 |
| Combined event for Angel Network Charities & Calvary by the Sea Lutheran School | 3 | 1,102 | 3,125 | $21,714 |
| Institute for Human Services – fundraising for shelter and food | 19 | 487 | 1,314 | $7,698 |
| Family Promise of Hawaii – fundraisers to house and feed homeless | 13 | 687 | 5,823 | $5,100 |
| Salvation Army - Kokua Kitchen – plan, prepare & serve lunch meal & prepare & distribute brown bag lunches | 6 | 27,756 | 9,510 | $25,372 |
| Lutheran Church Youth Groups | 3 | 1,085 | 2,465 | $46,912 |
| Lihue Lutheran Church – holiday meal for needy & homeless families | 4 | 10,351 | 2,772 | $16,830 |
| Joy of Christ – backpack kits for homeless and near homeless kids | 2 | 140 | 2,090 | $1,000 |
| 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 |
| The Movement Center | 3 | 1,195 | 921 | $30,511 |
| American Cancer Society | 1 | 23 | 219 | $4,164 |
| Hawaii Military Personnel – Iraq Care packages | 1 | 17 | 153 | $1,500 |
| Good News Jail & Prison Mission – Christ Lutheran Church | 2 | 21 | 78 | $200 |
| Medical Bill Fundraisers – two individuals | 2 | 43 | 407 | $6,973 |
| **Total** | **84** | **47,723** | **44,390** | **$308,842** |

Hawaii
**Habitat for Humanity®**
Association

*Building houses, building hope*

**HB 1270 Relating to Taxation**
Testimony in Opposition

House Committee on Finance
Friday, February 25, 2011 6 p.m.
Conference Room 308

House Bill 1270 among other things automatically repeals the State Low Income Housing Tax Credit and the General Excise Tax exemption for certified low-income housing projects.

In a time of great and increasing need for affordable housing in Hawaii these vital and needed programs for the development of housing for those who are in great need are referred to as tax "giveaways" and are deemed non-essential.

Affordable housing is not a luxury. It is a daily necessity without which life becomes miserable. A safe, decent, affordable place to live is the bedrock of an effective safety net. All programs which promote affordable housing should be spared from budget cuts.

We must protect affordable housing opportunities for Hawaii's people.

Kathleen Hasegawa
Executive Director

1427 Dillingham Blvd., Suite 201
Honolulu, Hawaii 96825
Telephone: 808-847-7676

Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance

HEARING Friday, February 25, 2011
6:00 pm
Conference Room 308
State Capitol, Honolulu, Hawaii 96813
Agenda #8

**RE: HB1270, Relating to Taxation**

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

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to the support of the retail industry and business in general in Hawaii.

**RMH opposes HB1270,** which requires the department of taxation to evaluate certain tax credits and tax exemptions and report to the legislature and provides automatic repeal of the tax credits and tax exemptions. **Our comments are specific to Section 3: (7), (20) and (27)**

**Section 3, (7)** repeals the income tax exemption for deposit beverage container deposit fees. The five-cent deposit is a pass-through fee: 1) paid initially by the manufacturer/distributor to the State; 2) passed on to the dealer; and 3) finally passed on to the consumer, who then recovers the five-cent deposit when the container is redeemed. There is no financial benefit at any of these levels.

**Section 3, (20)** addresses the GET exemption for non-profit organizations from certain convention, conference, and trade shows fees.

In fiscal year 2009, retail revenues in the state of Hawaii declined by $1.9 billion dollars from the previous year. General Excise Tax reports from the Department of Taxation through September indicate an increase of about $600 million; however, the recovery is still tenuous. Because the financial support for RMH, not unlike that of other not-for-profit organizations, is inextricably interwoven with the performance of the retail industry, we have experienced significant losses in revenue. Like all businesses, we've reduced expenses, including staff compensation, as deeply as possible, while continuing to maintain the level of service to the retail industry as required by our not-for-profit mission and objectives.

Our annual conference affords an opportunity to inform and educate our industry in a timely manner on issues topical and relevant to the operations of their businesses. Our exhibit show provides a venue for our supporting non-retail members to network with and to provide valuable resources to the retail industry. Taxing our revenue from these sources imposes yet another burden on the organization. It is regrettable that RMH, founded in 1901, might not survive another year.

**Section 3, (27)** addresses the amounts received as beverage container deposits collected under chapter 342G, part VIII. The five-cent deposit is a pass-through fee: 1) paid initially by the manufacturer/distributor to the State; 2) passed on to the dealer; and 3) finally passed on to the consumer, who then recovers the five-cent deposit when the container is redeemed. While it is unclear as to whether the repeal of the exemption will be on all levels, or at which rate the deposit is taxed, what is clear is that the greatest burden will be on the consumer.

We urge you to hold HB1270. Thank you for your consideration and for the opportunity to testify on this measure.

Carol Pregill

Carol Pregill, President

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February 25, 2011

COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

| | |
|---|---|
| DATE: | Friday, February 5,2011 |
| TIME: | 6:00 P.M. |
| PLACE: | Conference Room 308<br>State Capitol |

**HB 1270**
**RELATING TO TAXATION**

Good Morning Chair Oshiro and members of the committee:

I am Rev. Alan Mark and I am the State President of FACE. Faith Action for Community Equity (FACE) is the Hawaii's largest interfaith and community organizing non-profit. Founded in 1996, the membership is presently made up of 24 institutions on Maui, 27 on Oahu, and one statewide. There are 38 churches, a Buddhist temple, 2 Jewish congregations, 10 community groups and non-profit organizations, and one labor union. We represent more than 40,000 members Statewide. FACE exists to allow its members to live out our common faith-based values by engaging in actions that challenge the systems that perpetuate poverty and injustice. **FACE does not support the portion of this bill that addresses the GET exemption for qualified low income rental housing projects**.

The GET exemption is provided to qualified low income rental housing is a critical necessity for the economic feasibility of new developments and especially for the existing developments. Our State has a critical shortfall of affordable rental housing. The GET exemption helps to encourage the production and preservation of as many affordable rental units as possible.

FACE does not support any repeal or suspension of the GET exemption for affordable housing projects. This it is going to make the development and preservation of affordable rental housing, which is already in dire straits, much more difficult in these times when the financial environment has limited capital available for these necessary projects.

Please remove this portion of the bill. Thank you for your support for the vulnerable people of our State of Hawaii.

Thank you for your consideration.

Rev. Alan Mark
FACE
State President

# ROMAN CATHOLIC CHURCH IN THE STATE OF HAWAII

St. Stephen's Diocesan Center of the Roman Catholic Diocese of Honolulu
6301 Pali Highway, Kaneohe, HI 96744 • Phone: (808) 203-6718

Testimony of Kent Anderson
February 25, 2011, 6:00pm; Conference Room 308
Opposition for HB 1270

Good Morning Committee Chair Marcus R. Oshiro, Vice-Chair Marilyn B. Lee, and members of the Committee on Finance. Thank you for the opportunity to testify on behalf of **HB 1270.**

My name is Kent Anderson, and I am here on behalf of the Diocese of Honolulu. I serve as the newly appointed Housing Development Director for the Office of Affordable Housing for the Diocese. We are your partners and among your strongest supporters in providing supportive services and permanent housing opportunities for those at the lowest levels of income who are either homeless or dangerously close to becoming homeless. We have and will continue to be your partners because we know that the government cannot and should not be the sole caretaker for our whole community.

Homelessness will impact over 15,000 of our neighbors this year statewide. Many of the victims will be keiki and kupuna. Many working families are unable to make ends meet since we experience the highest housing costs in the country. According to HUD statistics, fair market rent for a two-bedroom apartment is $1,610. In order to afford this level of rent without paying more than 30% of income on housing, an employee must earn $30.96/hr. Unfortunately, the average renter only earns $12.89/hr in Hawaii. At this wage, two full time jobs are not sufficient to sustainably support a family. For minimum wage earners, the outlook is heartbreaking. A minimum wage earner would need to work 171 hours/week to support a family of four without any time off for sickness or vacation. An individual who could achieve this workload would be miraculous, especially since there are only 168 hours in a week.

We understand that times are tough right now; therefore, we must step forward to assist those most in need. Affordable housing is a basic need for our entire Ohana. It helps provide the basis of a healthy workforce, healthy children, healthy kupuna, and healthy economy. We ask that you prioritize your legislation to ensure that homeless services and affordable housing are priorities during this legislative session. We appreciate and highly applaud your past efforts and look forward to partnering with you to provide a home for each member of our Ohana.

HB1270 will have a devastating impact on the creation of desperately needed affordable housing. This bill would repeal the State Low Income Housing Tax Credit and the General Excise Tax exemption for certified low-income housing projects. According to State reports and recent dialogue, Hawaii experiences a $7,500,000,000+ housing deficit that has created our current affordable housing crisis. Our state needs to create more affordable housing, not reduce funding for it! This bill would create an unfair burden to families struggling to survive and kill potential construction jobs that would help us overcome our fiscal woes. Please oppose HB1270 and all other bills that weaken funding for low income housing. Help us create a stronger community. We urge your opposition to this bill.

Thank you again for this opportunity to testify. Please contact me at kentanderson@rcchawaii.org or by phone at 808-203-6718 if the Office of Affordable Housing may be of assistance to your housing efforts.

CATHOLIC CHARITIES HAWAI'I

**TESTIMONY IN OPPOSITION TO HB 1270: RELATING TO TAXATION**

TO: Representative Marcus R.Oshiro, Chair; Representative Marilyn B Lee, Vice Chair, and Members, Committee on Finance

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

**Hearing: Friday, 2/25/11; 6:00 pm; CR 308**

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

Thank you for the opportunity to provide written testimony on HB 1270. I am Betty Lou Larson, Legislative Liaison for housing and homelessness issues at Catholic Charities Hawaii. Catholic Charities Hawaii opposes this bill as it would adversely impact the State Low Income Housing Tax Credit program and the GET for affordable rental housing projects.

The State needs all the tools possible to **create more affordable rental housing**. This Low Income Housing Tax Credit program provides critical funding for construct or rehab affordable rental units. Families must earn below 60% of the Area Median Income (AMI), so the fund targets housing to those families are struggling with Hawaii's high market rents. It has successfully helped 82 projects, housing 7,311 families.

Catholic Charities Hawaii also opposes the repeal of the General Excise Tax (GET) for certified affordable housing projects, since it **would increase the cost of affordable housing as well as the development of new housing**. Current projects are on tight budgets and attempt to keep the rents stable for the residents. With rising costs for electricity and sewer and other costs, residents are already struggling to continue to pay for the small rental increases that are needed to maintain the projects. An additional 4.5 increase in rents added to the annual increases needed to maintain the projects would be a hardship for many residents, especially in elderly buildings. The elders have received no increase in social security for 2 years, yet costs keep going up.

We urge you to defer this bill. Thank you very much for the opportunity to provide written testimony.

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LAND USE RESEARCH
FOUNDATION OF HAWAII

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February 25, 2011

Representative Marcus Oshiro, Chair and Representative Marilyn Lee, Vice Chair
House Committee on Finance

**<u>Opposition</u> to HB 1270, Relating to Taxation.**
**(Automatic repeal of tax credit and exemptions on December 21, 2012)**

**Friday, February 25, 2011 at 6:00 p.m. in CR 308**

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide comments and **<u>opposition</u> to HB 1270**, which proposes establish a sunrise and sunset review of certain tax exemptions, deductions, and credits to require legislative review of these programs to ensure their fiscal integrity and also **proposes an automatic repeal of tax credits and exemptions effective December 31, 2012.**

**<u>HB 1270</u>**. This bill would require the Department of Taxation (DoTax) to do an evaluation of the tax credits or tax exemptions provided in title 14 and shall provide an annual report to the legislature prior to the 2012 Regular Session. HB 1270 also provides an automatic repeal of the tax credits and tax exemptions effective December 31, 2012, including tax credits for renewable energy projects, low income housing tax credits for affordable housing and tax credits under Important Agricultural Lands (IAL). Lastly, this bill proposes an appropriation, the amount of which is blank, for fiscal year 2011-2012 to carry out the purposes of this bill for full time positions of an economist, a research statistician and an administrative rules specialist.

Effective December 31, 2012, HB 1270 will repeal the following sections, which are of concern to LURF members:

- Section 235-4.5 (taxation of trusts, beneficiaries; credit);
- Section 235-9 (exemptions; generally);
- Section 235-9.5 (stock options from qualified high technology businesses excluded from taxation);
- Section 235-12.5 (renewable energy technologies; income tax credit);
- Section 235-17 (motion picture, digital media, and film production income tax credit);
- Section 235-55 (tax credits for resident taxpayers);
- Section 235-55.7 (income tax credit for low-income household renters);
- Section 235-110.51 (technology infrastructure renovation tax credit);

- Section 235-110.8 (low-income housing tax credit);
- Section 235-110.93 (important agricultural land qualified agricultural cost tax credit);
- Section 235-129 (S corporations; tax credits);
- Section 237-23 (general excise tax; exemptions, persons exempt, applications for exemption);
- Section 237-23.5 (general excise tax; related entities; common paymaster; certain exempt transactions);
- Section 237-24 (general excise tax; amounts not taxable);
- Section 237-24.3 (general excise tax; additional amounts not taxable);
- Section 237-24.5 (general excise tax; additional exemptions);
- Section 237-24.7 (general excise tax; additional amounts not taxable);
- Section 237-24.75 (general excise tax; additional exemptions);
- Section 237-27.6 (general excise tax; solid waste processing, disposal, and electric generating facility; certain amounts exempt);
- Section 237-28.1 (general excise tax; exemption of certain shipbuilding and ship repair business);
- Section 237-29 (general excise tax; exemptions for certified or approved housing projects);
- Section 237-29.53 (general excise tax; exemption for contracting or services exported out of State);
- Section 239-5.5 (public service company tax; surcharge amounts exempt);
- Section 241-4.6 (; renewable energy technologies; income tax credit);
- Section 241-4.7 (banks and other financial corporations tax; low-income housing; income tax credit);
- Section 241-4.8 ( high technology business investment tax credit); and

This bill would be effective upon its approval and the repeal of tax credits and exemptions shall take effect on July 1, 2011.

**LURF's Position.** Although the State and nation are facing very difficult economic times it would be even more detrimental to repeal some of the few existing incentives available that could help stimulate Hawai'i's economy. HB 1270 will negatively affect current and imminent projects renewable energy projects, affordable housing projects, and farmers and agricultural land owners who may be planning to voluntarily designate their lands as "Important Agricultural Lands" (IAL).

**Impact on IAL.** For example, tax credits under Section 235-110.93 incentivize farmers to invest in agricultural infrastructure and operations on lands designated under Act 233 (2008) as Important Agricultural Lands (IAL). IAL tax credits under Act 233 (2008) also assist farmers with initial costs of farming, especially during these difficult economic times.

**Impact on Affordable Housing.** Reducing the amount of tax credits allowable for affordable housing projects would exacerbate Hawaii's existing housing shortage crisis. In 2007, the Administration convened a statewide task force to identify barriers to affordable housing development in Hawaii and to recommend appropriate solutions. The Affordable Housing Regulatory Barriers Task Force comprised of representatives from the counties, business, labor, developers, architects, non-profit providers of services, the state and the legislature worked for two years to recommend solutions to address barriers to affordable housing. The initiation of this Task Force illustrates the need of affordable housing in Hawaii and how critical it is to Hawaii's people.

**Impact on Renewable Energy Projects.** Similarly, the Renewable Energy Technology Tax Credit, which falls under HRS §235-12.5 will also be affected. This tax credit is important because it provides incentives for homeowners and developers for renewable technologies that take away from the use of fossil fuels. Renewable Energy Tax credits were established in 1976 under Act 189 (amended 11 times) to encourage private investment in renewable energy systems and since then, these incentives have proven successful, beneficial and cost effective. The intent behind renewable energy technology tax credits remains the same since 1976 which has been to protect our environment, reduce pollution, make housing more affordable, and enhance Hawaii's economy. HB 1270 will adversely affect current and future projects which involve renewable energy technology.

**For the reasons mentioned above, LURF requests that HB 1270 be amended and that the following tax credits not be repealed:**

- **Renewable Energy projects (Section 235-12.5);**
- **Low Income Housing Tax Credit (Section 235-110.8) and**
- **Farmers designating Important Agricultural Lands (Section 235-110.93).**

While we agree that as a state and nation, we must determine where and what needs trimming in government, we must not take away from the investors that help to stimulate the economy. Tax credits can help the construction industry which is involved in resort development, preservation of local agriculture and infrastructure improvements.
We understand the need to repeal or reduce tax credits; however, we are willing to work collaboratively with the legislature and state agencies to do a closer analysis to evaluate what tax credits are most valuable to stimulating Hawaii's economy and which went unused and could be deemed unnecessary or of lower priority.

Based on the above, we respectfully request **that the above-mentioned Tax Credits not be repealed as proposed by HB 1270.**

Thank you for the opportunity to testify.

Hawaii Harbors Users Group



**HB 1270**
**RELATING TO TAXATION**

**MAR LABRADOR**
**CHAIR**
**HAWAII HARBORS USERS GROUP**

**FEBRUARY 25, 2011**

Chair Oshiro and Members of the House Committee on Finance:

I am Mar Labrador, testifying on behalf of the Hawaii Harbors Users Group (HHUG), on HB 1270, "A BILL FOR AN ACT RELATING TO TAXATION."

The Hawaii Harbor Users Group (HHUG) is a non-profit maritime transportation industry group comprised of the following key harbor users: Matson Navigation Company, Horizon Lines, LLC, Young Brothers/Hawaii Tug & Barge, Norwegian Cruse Line, Sause Brothers Inc., Aloha Cargo Transport (ACT), Hawaii Stevedores, McCabe Hamilton & Renny Stevedores, Hawaiian Electric Company, Tesoro Hawaii Corporation, The Gas Company, Ameron Hawaii, Hawaiian Cement, American Marine, Kapolei Property Development, the Hawaii Pilots Association, and Clean Islands Council.

This bill establishes a sunrise and sunset review of certain tax exemptions and repeals several general excise tax exemptions effective December 31, 2012. While HHUG recognizes the need for the State of Hawaii to obtain additional income, the removal of the exemptions in the maritime area will markedly impact the cost of goods in the state.

HHUG is very concerned about Section 3 (24), which repeals tax exemptions for numerous services that are essential for the transportation of goods and materials to Hawaii which include the loading and unloading of cargo (i.e. stevedoring services), tugboat services, and the towing of ships, barges, or other vessels. In addition, this section of the bill would also repeal the exemptions that currently exist on amounts received from the loading, transportation and unloading of agricultural commodities shipped interisland. The impact of the removal of these exemptions may be compounded by multiple instances of taxation and, in addition, this new tax burden would be disproportionally borne by groups, i.e., neighbor island farmers and residents, that may already face the most difficult climbs out of the present recession.

The bill also proposes to repeal the exemption that applies to the gross proceeds arising from shipbuilding and ship repairs in Section 3 (34). The removal of this exemption would increase the cost of obtaining these services in Hawaii, which could result in a decrease in the demand for such work to be performed in Hawaii.

Since carriers cannot be expected to bear the cost of these additional taxes, tariffs would increase and as a result the cost of all goods purchased by consumers would increase to cover this expense. With approximately 98% of Hawaii's imported goods passing through our harbors including consumer goods, motor vehicles, construction materials, and fuel, we anticipate that taxing these essential maritime services will result in an increase in the cost of goods and services to Hawaii's residents and businesses.

If this bill proceeds, HHUG urges that the bill be amended to preserve the current exemptions in the maritime area for stevedoring services; tugboat and towage services; pilot transportation; loading, transportation and unloading of agricultural commodities; and shipbuilding and ship repair services.

Thank you for this opportunity to testify.

# SUNPOWER

## House Committee on Finance

6::00 PM February 25, 2011

**HB 1270**

## .Chair Oshiro, Vice-Chair Lee and Committee Members:

Introduction: My name is Riley Saito Senior Manager, Hawaii Projects, for SunPower Systems Corporation. SunPower is a dedicated supporter and participant of the renewable energy initiatives and has been for over thirteen years.

- Charter member of the Hawaii Energy Policy Forum,
- Steering Committee -Hawaii Clean Energy Initiative, Hawaii
- Energy Generation Working Group -Hawaii Clean Energy Initiative, Hawaii
- The SunPower Corporation – Hawaii Representative Energy related PUC dockets.

Financial partner and leadership roles in the tourism industry, cultural preservation, agricultural promotion, educational development, and other community activities. We are focused to work with the energy partners in Hawai'i to reduce importation of fossil fuels, improve the quality of life for Hawai'i future generations.

Mahalo in advance, for accepting comments in **strong opposition to HB 1270.**

SunPower Corporation strongly opposes the proposed language changes in Section 235-12.5. due to the negative impact it will have on Hawaii's growing solar energy industry. Although not all tax incentives are worth pursuing, there is sound economic logic for supporting nascent industries *while these industries get up and running*.

In Hawaii, the solar industry, while growing, has yet to fully hit its stride. As a result, policy support from remains crucial to helping it reach the point where it can be a leading pillar of Hawaii's economy, as it diversifies from its historical reliance on a handful of cyclical sectors. The solar industry is trending in the right direction, however, as installed costs for solar systems are declining due to reduced input costs, financial innovation, and competitive pressures on industry participants. Public investment in the solar industry yields a number of ancillary benefits. First, it is the most immediately available and is therefore the primary way that renewable energy can reduce Hawaii's dependence on foreign oil imports today. Second, solar has economic benefits because of the impact it has on reducing and/or eliminating the operating costs for businesses and homeowners that purchase solar systems. In both cases the money saved by investors in solar systems is spent to drive the state's economy forward through increased consumption and investment spending.

In short, although a credit like that available under section 235-12.5 cannot and should not be available in perpetuity, and should be calibrated to move the market rather than delivering an excessive level of subsidy, the 235-12.5 credit has substantial policy justification in the context of Hawaii's risky reliance on imported fuels, its need to encourage the development of new economic sectors, its need to help existing businesses reduce their energy costs, and the need to avoid further hurting an already fatigued construction industry.

In the context of the above, the SunPower Corporation notes that HB 566 HD1 already contemplates the sunset of the section 235-12.5 credit in 2016 and suggests that, given the level of development the industry has reached to date, the 2012 sunset date proposed in HB1270 is inappropriate and unnecessary. As a result the SunPower Corporation asks this committee to remove section 235-12.5 from the list of credits slated for sunset in 2012.

Mahalo for the opportunity to testify on this measure

Riley Saito
Senior Manager, Hawaii Projects
SunPower Corporation

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**HB 1270**
**RELATING TO TAXATION**

**PAUL T. OSHIRO**
**MANAGER – GOVERNMENT RELATIONS**
**ALEXANDER & BALDWIN, INC.**

**FEBRUARY 25, 2011**

Chair Marcus Oshiro and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB 1270, "A BILL FOR AN ACT RELATING TO TAXATION."

**General Excise Tax Exemption Repeal**

This bill establishes a sunrise and sunset review of certain general excise tax exemptions, and repeals several general excise tax exemptions effective December 31, 2012. While we understand the fiscal constraints that the Legislature must deal with, we are concerned with the negative impact that this measure may have upon Hawaii's businesses, residents, and economy. Many of the tax exemptions that are proposed for repeal appear to have been enacted to mitigate multiple taxation of the same revenue and the pyramiding effect of the general excise and use tax. We anticipate that the repeal of these tax exemptions, along with the pyramiding effects of the newly imposed general excise tax on these items, may increase the cost of goods and services to the Hawaii consumer. In addition, the increased costs that businesses are unable to pass on to the consumer due to market circumstances could impact businesses' employment decisions or render the business to be less financially viable, both of which may negatively impact Hawaii's efforts towards economic recovery.

For maritime operations, this bill will repeal tax exemptions for numerous services that are essential for the transportation of goods and materials to Hawaii which include the loading and unloading of cargo and related services (i.e. stevedoring services), shipbuilding and ship repair services, tugboat and pilot services, and the towing of ships, barges, or other vessels. With approximately 98% of Hawaii's imported goods passing through our harbors including consumer goods, motor vehicles, construction materials, and fuel, we anticipate that taxing these essential maritime services may result in an increase in the cost of goods and services to Hawaii's residents and businesses.

Of particular concern is the repeal of the general excise tax exemption for the loading and unloading of cargo (i.e. stevedoring services) in Section 3, Subsection 24. Should this tax exemption be repealed and the general excise tax imposed on stevedoring activities, it is anticipated that the cost of virtually everything that is brought into or transported out of the State would be directly increased, resulting in a concurrent increase in the overall cost of living in Hawaii and in our export products becoming less price competitive in the world market place. In addition, with the imposition of the general excise tax on stevedoring services at the initial point of entry of shipments to Hawaii, we anticipate that the inherent pyramiding effect of the general excise tax may further increase the cost of imported goods prior to purchase/use by Hawaii's residents and businesses.

The repeal of the general excise tax exemption for gross proceeds received from tangible personal property shipped out of State (Section 3, Subsection 36) is also of significant concern. This tax exemption, which covers gross proceeds from the manufacturing, production, or sale of products shipped to a point outside of the State where the items are subsequently resold or otherwise consumed, presently supports and assists Hawaii businesses who export locally made products to other destinations. For HC&S, Hawaii's last sugar plantation, the repeal of this tax exemption would directly impact the sale of our Hawaii grown and manufactured sugar to the C&H sugar processing facility in the mainland United States. This imposition of the general excise tax on our Hawaii grown sugar may negatively impact the overall financial viability of HC&S and our ability to financially compete with other sugar producers in the market place. We anticipate that other Hawaii products exported for sale may also be similarly impacted.

Should you decide to pass this bill out of your Committee, we respectfully request your consideration to delete from the purview of this bill, the above mentioned general excise and use tax exemptions for stevedoring services (Section 3, Subsection 24) and for tangible personal property shipped out of State (Section 3, Subsection 36).

**Important Agricultural Lands Tax Credit Repeal**

This bill also establishes a sunrise and sunset review of certain tax credits, and repeals several tax credits effective December 31, 2012.

One of the tax credits that this bill repeals is the IAL Qualified Agricultural Cost Tax Credit, which is a part of the comprehensive package of IAL incentives in Act 233 (2008). Not only will this IAL Tax Credit encourage investment in agricultural infrastructure and operations on IAL, it will greatly assist these dedicated farmers with the basic costs of farming, assisting their viability. Furthermore, this tax credit, as part of the comprehensive package of IAL incentives, is central to the IAL law—intended to encourage farmers and landowners to consider the voluntary designation of their agricultural lands as IAL, a process that is currently ongoing and will provide for much quicker designation of IAL. To date, the IAL Law has resulted in the designation by the LUC of over 30,000 acres of agricultural lands as IAL from voluntary petitions by Alexander & Baldwin for its lands on Maui and Kauai, and we believe significantly more acreage will be designated through the voluntary landowner petition process. Two voluntary petitions have recently been announced and are pending LUC action.

While we understand the fiscal constraints that the Legislature must deal with, we believe that impacting the core aspects of the IAL law may negatively impact the outcome. We also believe that the IAL law should be given a chance to work, the way the Legislature intended it to work when it passed the law. We respectfully request that the provision that repeals the IAL Tax Credit be deleted from this bill.

Thank you for the opportunity to testify.

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OCEANIC TIME WARNER CABLE

February 25, 2011

Honorable Marcus Oshiro, Chair
House Committee on Finance

RE: <u>HB 1270 – Relating to Taxation - Oppose</u>
Finance Committee Agenda #8 – February 25, 2011, Room 308, 6:00PM

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

On behalf of Oceanic Time Warner Cable (Oceanic), which provides a diverse selection of entertainment, information, and communication services to nearly 350,000 households, schools and businesses and currently employs more than 900 highly-trained individuals, we appreciate the opportunity to express our concerns regarding House Bill 1270, Relating to Taxation.

Oceanic respectfully requests that you strike Section 3 (16) which would repeal the Capital Goods Excise Tax Credit. Oceanic believes the elimination of the State Capitol Goods Excise Tax Credit may curtail planned investments to improve the capacity of our cable and data systems.

By repealing the Capital Goods Excise Tax Credit, the bill raises general excise taxes for in-state taxpayers that are making capital investments in Hawaii at a time when many companies are scaling back their investments. One of Oceanic's long standing goals is to not only stay ahead of the curve, but to create new curves by investing in new technology. The Capital Goods Excise Tax Credit currently helps us bridge gaps in financing new projects.

We are just one of a number of companies that depend on the Capital Goods Excise Tax Credit for long-term investments to our plant. The repeal of this credit will only result in the scaling back of investments that would otherwise add to our overall economy.

For these reasons, Oceanic respectfully requests that you consider striking Section 3 (16) from House Bill 1270 which would repeal the Capital Goods Excise Tax Credit.

Sincerely,

Bob Barlow
President of Oceanic Time Warner Cable

# THE QUEEN'S MEDICAL CENTER

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Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
**HOUSE FINANCE COMMITTEE**

February 25, 2011 · 6:00 p.m.
State Capitol, Conference Room 308

**Re: HB 1270 – Relating to Taxation**

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

My name is Rick Keene, Executive Vice President and Chief Financial Officer of The Queen's Health Systems (Queen's), **testifying in opposition to House Bill 1270 which automatically repeals certain tax credits and exemptions. This measure would place additional stress on Hawaii's already over-burdened and fragile health care system.**

The current tax exemption does not serve to increase hospital's profits: rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. According to the Healthcare Association of Hawaii, local hospitals incurred $114 million in uncollected payments in 2008 resulting from bad debt and charity care. This does not reflect the anticipated increase in bad debt and charity care resulting from unemployed individuals relying on coverage through COBRA, or those who are delaying care until the need becomes urgent. Queen's contributes to the well-being of Hawaii by giving back to the community. In fiscal year 2009 Queen's gave back $87 million to the community, including costs associated with health care services, education, and uncompensated care.

We would also note that credit rating agencies take into consideration legislation that will impact financial performance. This could lower the credit ratings of tax-exempt hospitals and lead to increased cost for debt financing. Such increased costs would make it more challenging for nonprofit hospitals to continue some of their community benefit programs, which could negatively impact the community's access to health care.

The IRS form 990, Schedule H, provides information to the Legislature and public at large regarding tax-exempt hospital's delivery of charity care, community benefit, bad debt, and Medicare and Medicaid shortfall, all of which demonstrates the contributions that tax-exempt hospitals make to the community.

Queen's wholly appreciates the Legislature's budgetary challenges. However, we respectfully oppose Section 3, items (21), (23), and (24) due to the anticipated negative impact on Hawaii's fragile healthcare system. Thank you for the opportunity to testify.

HAH
Healthcare Association
of Hawaii

HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
Feb. 25, 2011 at 6:00 p.m. (Agenda #8)

**Opposing Items 21 and 22 in Section 3 of HB 1270.**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in opposition to Items 21 and 22 in Section 3 of HB 1270, which suspend the general excise tax exemptions for hospitals and prescription drugs.

**Hospitals** provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. However, many of these patients do not have the capacity to pay for the care that they receive. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred $114 million in uncollected payments in 2009 for care provided to those who did not have health care insurance and did not have the financial capacity to pay for their care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs. In addition, hospitals provide medical education for interns and residents in the John A. Burns School of Medicine. In this way the tax exemption helps to maintain the high level of health care in our communities.

The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced to severely reduce or eliminate these benefits which would otherwise have to be provided by state government.

The suspension of the tax exemption would threaten the economic viability of hospitals, which are a significant component of our health care infrastructure. Notably, it would have a disproportionate effect on those hospitals serving rural communities.

For the foregoing reasons, the Healthcare Association opposes item 21 in Section 3 of HB 1270.

**Prescription Drugs.** Many individuals take prescription drugs for chronic medical conditions, such as heart disease, diabetes, chronic obstructive pulmonary disease (COPD), and asthma, that have life or death implications. The exemption from the GET for prescription drugs is intended to allow as full access as possible to these life-sustaining drugs. The application of the GET to prescription drugs will only increase the barrier to obtaining necessary prescriptions. According to a study published in the Annals of Internal Medicine, cost is the strongest predictor of prescription abandonment. Without the exemption, the health status of Hawaii's population can be expected to decline and could lead to an increase in the utilization of emergency rooms.

For the foregoing reasons, the Healthcare Association opposes item 22 in Section 3 of HB 1270.

**BIA-HAWAII**

**BUILDING INDUSTRY ASSOCIATION**

February 25, 2011

Representative Marcus Oshiro, Chair
Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

**RE: HB 1270 Relating to Taxation**

Chair Oshiro and Members of the Committee on Finance:

I am Karen Nakamura, Executive Vice President & Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii has comments on HB 1270 that requires the department of taxation to evaluate certain tax credits and tax exemptions and report to legislature. The bill also provides for the automatic repeal of the tax credits and tax exemptions. While we cannot object to the Department of Taxation's evaluation of certain tax credits and tax exemptions, we do not comprehend why a legislative measure is necessary to direct the Tax Department to undertake this task when we are understand that this is part of the Department's responsibility anyway. They should be constantly evaluating the effectiveness of these credits and exemptions.

Secondly, we wonder why the laundry list of tax credits and exemptions are listed in the bill. Regardless of which credits and exemptions are targeted for evaluation, the offset in tax and economic consequences should be weighed against the repeal of such credits and exemptions. As in HB 799, if, for instance, the non-profit community loses their GET exemptions, what would be the resultant consequences in employment, purchases, health and social services, etc.?

We are fully cognizant of the difficulty the legislature faces in addressing the budget deficit; however, we believe it would be short-sighted to keep your eyes on the projected revenues without the corresponding negative consequences in mind.

Thank you for the opportunity to share our views with you.

Karen T. Nakamura

Chief Executive Officer
BIA-Hawaii

Hawaii Credit Union League
Your Partner For Success

1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Web site: www.hcul.org
Email: info@hcul.org

Testimony to the House Committee on Finance
Friday, February 25, 2011, at 6:00 p.m.

Comments on HB 1270, Relating to Taxation

To: The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice-Chair
Members of the Committee on Finance

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association representing 85 Hawaii credit unions and their approximately 810,000 members across the state.

We have concerns regarding HB 1270, Relating to Taxation. This bill requires an evaluation of certain tax credits and tax exemptions. We agree with the need for an evaluation mechanism, especially in this time of economic turmoil and uncertainty. However, we are concerned with the automatic repeal of tax exemptions.

Aside from being instrumentalities of the federal government, recognized by being included in the same statutory section providing a general excise tax exemption for purchases of tangible personal property by the federal government, we seek to retain this exemption for the purchase of tangible personal property by credit unions for several reasons:

- Credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means.
- The cost of any tax paid by a credit union is a cost paid by that credit union's member-owners.
- Unlike for-profit financial institutions that are able to access capital from external sources (issuing common or preferred stock for instance), a credit union can add to (strengthen) its capital only by retention of net income.
- As a consequence of only deriving capital from it members, any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

The philosophy of credit unions has always been to first serve those of modest means. The loss of the credit union tax exemption could potentially result in a significant reduction in resources to serve credit unions and their members. The ability of credit unions to offer low-cost services to members will be affected, should this legislation pass.

Thank you very much for the opportunity to comment.

TO: House Committee on Finance
Honorable Representative Marcus Oshiro, Chair
Honorable Representative Marilyn B. Lee, Vice Chair

RE: Testimony Opposing HB 1270 Relating To Taxation.

Testimony is 3 pages long.

HEARING: Friday, February 25, 6:00 p.m., Room 308

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Chairman Oshiro and members of the Committee:

I appreciate this committee's consideration of HB1270, and welcome this opportunity submit testimony in opposition to the bill in its current form.

My name is Larry Gilbert, and I am the Managing Partner and Chief Executive of Kairos Energy Capital LLC. Kairos Energy Capital is a Hawai'i merchant bank that focuses entirely on providing and arranging funding for renewable energy projects. We have become one of the leading experts in Hawai'i in solar project financing. Notable financing which we have completed include solar panels on all of the Neighbor Island airports for the State of Hawai'i Department of Transportation (one of the largest solar project financings done in Hawai'i) and the recent refinancing of the Hawi Wind Farm on the Big Island.

HB1270 proposes to establish a sunset date of December 31, 2012 on all tax credits, pending re-evaluation by the Department of Taxation and the Legislature. My testimony today relates to the application of HB1270 to the Hawai`i Renewable Energy Technology Investment Tax Credit under HRS Section 235 -12.5 ("Renewable Energy Credit").

**<u>On-Again Off-Again Incentives Drive Investment Capital Away</u>**

The effect of HB1270 in its current form on the Renewable Energy Credit will be to reduce investor interest in Hawai`i renewable energy projects.

The Hawaii renewable energy tax credit was a means for the State to partner with private capital by incentivizing investors to put money into renewable energy projects which would otherwise be unprofitable or marginally profitable by providing them with tax relief. Energy projects require large amounts of capital, which generally means large investors. Those investors have many choices about where to invest their capital, and when they do invest, it is typically in large amounts. But they also are very careful. They spend months or even years getting comfortable with all of the risks and other factors for an investment type, and this involves a significant expenditure of capital and money for them.
When there is a threat that the State's incentive program may only last a short while longer, a significant portion of those investors will choose not to expend the time and

55 Merchant Street, Suite 1560, Honolulu, Hawaii 96813 | Phone: (808) 457-1600
KairosEnergyCapital.com

effort to become comfortable with investing in Hawai`i energy projects, but instead take their capital to places where the incentive programs have longer time horizons to justify their investment of time and effort.

HB1270 should be amended as it relates to the Renewable Energy Credit of Section 235-12.5 so as not to impose a sunset date until the Department of Taxation's study has been completed and evaluated by the Legislature. At most, any sunset date that is set now should be set no earlier than December 31, 2013 so as to not disrupt investors who are already in the process of deploying capital in Hawai`i.

This would give the State a chance to reap the benefits of investment dollars already in motion to create jobs and reduce our dependency on imported oil, and investors a chance to plan accordingly.

Thank you for the opportunity to submit this testimony, and please feel free to contact me if I can be of further assistance.

Larry Gilbert
Managing Partner
Kairos Energy Capital LLC
55 Merchant Street, Suite 1560
Honolulu, HI 96813
Tel 808 457-1600
Email: LGilbert@kairosenergycapital.com

# HAWAII FILM & ENTERTAINMENT BOARD



COMMITTEE ON FINANCE

February 25, 2011 – 6:00 pm
State Capitol, Conference Room 308

RE: HB 1270 – RELATING TO TAXATION

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

The Hawaii Film and Entertainment Board, whose members include all of the film industry labor unions, associations and film commissions **STRONGLY OPPOSE portions of HB 1270 that relate to the film industry. The industry is a proven REVENUE GENERATOR and JOB CREATOR.**

In calendar year 2010 the film industry was responsible for more then $400 million in direct expenditures and over $650 million in economic impact at **NO COST TO THE STATE. The program was designed to be revenue neutral.**

Additionally, production companies can only claim the credit **after they spend the money** so there is **no initial outlay by the state.**

The film industry also generated **over 6000 full-time equivalent local industry jobs** and supported thousands more at local businesses including but not limited to hotels, restaurants, rental cars, dry cleaners, lumber yards, plant nurseries, office supply companies and hundreds of others.

**But none of this kind of economic or job generation will occur unless we have a credit that is valid for more than one year.** Production companies must base large financial decisions on business certainty and a year-by-year credit provides no business certainty.

Thank you for the opportunity to provide these comments.

Brenda Ching,
Chair


c/o SCREEN ACTORS GUILD • 949 Kapiolani Blvd., Suite 105 • Honolulu, HI 96814 • PH: (808) 596-0388 • FAX: (800) 305-8146

STANFORD CARR DEVELOPMENT, LLC

February 25, 2011

House Committee on Finance
State Capitol, Hearing Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

RE: Testimony Opposing HB1270: Relating To Taxation.
Hearing date Friday, February 25, 2011 at 6:00 p.m.
*via Capitol website: http://www.capitol.hawaii.gov/emailtestimony/*

Dear Honorable Chair Representative Marcus R. Oshiro:

We are writing in **OPPOSITION** to HB1270 which includes a provision to repeal the State Low Income Housing Tax Credit program (HRS Section 235-110.8). The Low Income Housing Tax Credit program is an important and integral funding source to the development of affordable housing. The funds are used with other affordable housing programs (i.e. Hula Mae Multi-Family (HMMF) Tax-exempt Bond program, Rental Housing Trust Fund, Dwelling Unit Revolving Fund, etc.) for the new construction or preservation of affordable housing throughout the state. During this challenging economic climate, construction of these projects is important to the local economy by providing valuable construction jobs, preserving the tax credit program is very important.

We have enclosed an excerpt from the Building Industry Association of Hawaii's *The Local Impact of Home Building in Honolulu County, Hawaii* (prepared in conjunction with the National Association of Home Builders). It quantifies the financial and jobs impact that construction projects have on the local economy, a copy of the full report is available upon request.

Thank you for considering our testimony. Please feel free to contact Jesse Wu (808-547-2274) if you have any questions.

Sincerely,

Stanford S. Carr, President

Jesse Wu, Vice President | Special Projects

ALAKEA CORPORATE TOWER ○ 1100 ALAKEA STREET, 27TH FLOOR ○ HONOLULU, HAWAII 96813
PHONE (808) 537-5220 ○ FACSIMILIE (808) 537-1801 ○ WEBSITE: www.stanfordcarr.com

BIA-Hawaii: **INSIGHTS INTO OAHU HOME BUILDING**
*Friday, December 10, 2010 (10:30am-12Noon)*
Dole Cannery Ballrooms, 650 Iwilei Road #125, Honolulu, HI
Special presentation featuring National Economist Elliot Eisenberg, Ph.D. (Senior Economist, National Association of Home Builders, Washington DC).

NAHB

# The Local Impact of Home Building in Honolulu County, Hawaii

## Income, Jobs, and Taxes Generated

## Detailed Tables on Multifamily Construction

# Impact of Building 146 Multifamily Units in Honolulu County, Hawaii

## Summary

Total One-Year Impact: Sum of Phase I and Phase II:

| Local Income | Local Business Owners' Income | Local Wages and Salaries | Local Taxes[1] | Local Jobs Supported |
|---|---|---|---|---|
| $52,500,400 | $16,024,900 | $36,474,900 | $3,182,100 | 724 |

Phase I: Direct and Indirect Impact of Construction Activity:

| Local Income | Business Owners' Income | Local Wages and Salaries | Local Taxes[1] | Local Jobs Supported |
|---|---|---|---|---|
| $36,106,300 | $10,398,500 | $25,707,500 | $2,125,400 | 485 |

Phase II: Induced (Ripple) Effect of Spending the Income and Taxes from Phase I:

| Local Income | Business Owners' Income | Local Wages and Salaries | Local Taxes[1] | Local Jobs Supported |
|---|---|---|---|---|
| $16,394,100 | $5,626,400 | $10,767,400 | $1,056,700 | 239 |

Phase III: Ongoing, Annual Effect that Occurs When New Homes are Occupied:

| Local Income | Local Business Owners' Income | Local Wages and Salaries | Local Taxes[1] | Local Jobs Supported |
|---|---|---|---|---|
| $6,029,200 | $1,840,300 | $4,189,000 | $776,500 | 94 |

[1] The term local taxes is used as a shorthand for local government revenue from all sources: taxes, fees, fines, revenue from government-owned enterprises, etc.

## Impact of Building 146 Multifamily Units in Honolulu County, Hawaii
## Phase I—Direct and Indirect Impact of Construction Activity

A. Local Income and Jobs by Industry

| Industry | Local Income | Local Business Owners' Income | Local Wages and Salaries | Wages & Salaries per Full-time Job | Number of Local Jobs Supported |
|---|---|---|---|---|---|
| Construction | $24,397,400 | $6,292,600 | $18,104,800 | $54,000 | 334 |
| Manufacturing | $3,600 | $200 | $3,400 | $56,000 | 0 |
| Transportation | $53,600 | $7,200 | $46,400 | $47,000 | 1 |
| Communications | $367,700 | $112,300 | $255,400 | $82,000 | 3 |
| Utilities | $116,000 | $44,900 | $71,000 | $93,000 | 1 |
| Wholesale and Retail Trade | $3,581,000 | $655,600 | $2,925,300 | $40,000 | 73 |
| Finance and Insurance | $814,400 | $66,700 | $747,700 | $91,000 | 8 |
| Real Estate | $2,053,200 | $1,807,500 | $245,700 | $57,000 | 4 |
| Personal & Repair Services | $250,100 | $94,400 | $155,700 | $36,000 | 4 |
| Services to Dwellings / Buildings | $146,800 | $29,200 | $117,600 | $36,000 | 3 |
| Business & Professional Services | $3,474,200 | $1,037,400 | $2,436,700 | $63,000 | 38 |
| Eating and Drinking Places | $119,900 | $16,100 | $103,800 | $22,000 | 5 |
| Automobile Repair & Service | $118,200 | $36,700 | $81,500 | $36,000 | 2 |
| Entertainment Services | $20,700 | $4,200 | $16,400 | $49,000 | 0 |
| Health, Educ. & Social Services | $4,600 | $1,200 | $3,400 | $42,000 | 0 |
| Local Government | $52,800 | $0 | $52,800 | $59,000 | 1 |
| Other | $532,100 | $192,300 | $339,900 | $49,000 | 7 |
| Total | $36,106,300 | $10,398,500 | $25,707,500 | $53,000 | 485 |

B. Local Government General Revenue by Type

| TAXES: | | USER FEES & CHARGES: | |
|---|---|---|---|
| Business Property Taxes | $90,000 | Residential Permit / Impact Fees | $1,437,700 |
| Residential Property Taxes | $0 | Utilities & Other Govt. Enterprises | $335,400 |
| General Sales Taxes | $124,900 | Hospital Charges | $0 |
| Specific Excise Taxes | $30,000 | Transportation Charges | $3,000 |
| Income Taxes | $0 | Education Charges | $0 |
| License Taxes | $70,600 | Other Fees and Charges | $33,900 |
| Other Taxes | $0 | TOTAL FEES & CHARGES | $1,809,900 |
| TOTAL TAXES | $315,500 | TOTAL GENERAL REVENUE | $2,125,400 |

**Impact of Building 146 Multifamily Units in Honolulu County, Hawaii**
**Phase II—Induced Effect of Spending Income and Tax Revenue from Phase I**

A. Local Income and Jobs by Industry

| Industry | Local Income | Local Business Owners' Income | Local Wages and Salaries | Wages & Salaries per Full-time Job | Number of Local Jobs Supported |
|---|---|---|---|---|---|
| Construction | $775,600 | $303,200 | $472,300 | $54,000 | 9 |
| Manufacturing | $3,400 | $300 | $3,100 | $56,000 | 0 |
| Transportation | $49,800 | $6,800 | $43,000 | $44,000 | 1 |
| Communications | $1,002,300 | $343,800 | $658,500 | $81,000 | 8 |
| Utilities | $542,000 | $213,600 | $328,400 | $93,000 | 4 |
| Wholesale and Retail Trade | $2,860,500 | $538,800 | $2,321,700 | $36,000 | 65 |
| Finance and Insurance | $712,800 | $64,400 | $648,400 | $82,000 | 8 |
| Real Estate | $3,018,200 | $2,656,900 | $361,200 | $57,000 | 6 |
| Personal & Repair Services | $603,100 | $278,100 | $325,000 | $36,000 | 9 |
| Services to Dwellings / Buildings | $146,400 | $29,100 | $117,300 | $36,000 | 3 |
| Business & Professional Services | $1,482,200 | $444,800 | $1,037,400 | $57,000 | 18 |
| Eating and Drinking Places | $838,000 | $112,700 | $725,300 | $22,000 | 33 |
| Automobile Repair & Service | $412,900 | $125,800 | $287,100 | $36,000 | 8 |
| Entertainment Services | $196,600 | $54,200 | $142,400 | $41,000 | 4 |
| Health, Educ. & Social Services | $2,392,900 | $294,300 | $2,098,500 | $53,000 | 39 |
| Local Government | $906,600 | $0 | $906,600 | $56,000 | 16 |
| Other | $450,800 | $159,600 | $291,200 | $39,000 | 8 |
| Total | $16,394,100 | $5,626,400 | $10,767,400 | $45,000 | 239 |

B. Local Government General Revenue by Type

| TAXES: | | USER FEES & CHARGES: | |
|---|---|---|---|
| Business Property Taxes | $306,500 | Residential Permit / Impact Fees | $0 |
| Residential Property Taxes | $0 | Utilities & Other Govt. Enterprises | $551,300 |
| General Sales Taxes | $0 | Hospital Charges | $0 |
| Specific Excise Taxes | $102,200 | Transportation Charges | $1,400 |
| Income Taxes | $0 | Education Charges | $0 |
| License Taxes | $69,200 | Other Fees and Charges | $26,000 |
| Other Taxes | $100 | TOTAL FEES & CHARGES | $578,700 |
| TOTAL TAXES | $478,000 | TOTAL GENERAL REVENUE | $1,056,700 |

**Impact of Building 146 Multifamily Units in Honolulu County, Hawaii**
**Phase III—Ongoing, Annual Effect That Occurs Because Units Are Occupied**

A. Local Income and Jobs by Industry

| Industry | Local Income | Local Business Owners' Income | Local Wages and Salaries | Wages & Salaries per Full-time Job | Number of Local Jobs Supported |
|---|---|---|---|---|---|
| Construction | $341,000 | $132,000 | $209,100 | $54,000 | 4 |
| Manufacturing | $1,400 | $100 | $1,300 | $56,000 | 0 |
| Transportation | $18,500 | $2,500 | $16,000 | $47,000 | 0 |
| Communications | $380,100 | $129,800 | $250,300 | $81,000 | 3 |
| Utilities | $238,600 | $93,800 | $144,800 | $93,000 | 2 |
| Wholesale and Retail Trade | $1,173,700 | $221,100 | $952,600 | $36,000 | 27 |
| Finance and Insurance | $378,200 | $34,300 | $343,800 | $81,000 | 4 |
| Real Estate | $691,300 | $608,600 | $82,700 | $57,000 | 1 |
| Personal & Repair Services | $190,100 | $88,100 | $101,900 | $36,000 | 3 |
| Services to Dwellings / Buildings | $63,200 | $12,600 | $50,600 | $36,000 | 1 |
| Business & Professional Services | $560,000 | $171,400 | $388,600 | $57,000 | 7 |
| Eating and Drinking Places | $345,500 | $46,500 | $299,100 | $22,000 | 14 |
| Automobile Repair & Service | $162,200 | $49,400 | $112,800 | $36,000 | 3 |
| Entertainment Services | $101,700 | $27,900 | $73,800 | $38,000 | 2 |
| Health, Educ. & Social Services | $881,100 | $112,000 | $769,200 | $52,000 | 15 |
| Local Government | $214,400 | $0 | $214,400 | $56,000 | 4 |
| Other | $288,200 | $110,200 | $178,000 | $38,000 | 5 |
| Total | $6,029,200 | $1,840,300 | $4,189,000 | $44,000 | 94 |

B. Local Government General Revenue by Type

| TAXES: | | USER FEES & CHARGES: | |
|---|---|---|---|
| Business Property Taxes | $115,000 | Residential Permit / Impact Fees | $0 |
| Residential Property Taxes | $231,300 | Utilities & Other Govt. Enterprises | $355,900 |
| General Sales Taxes | $0 | Hospital Charges | $0 |
| Specific Excise Taxes | $38,300 | Transportation Charges | $500 |
| Income Taxes | $0 | Education Charges | $0 |
| License Taxes | $25,800 | Other Fees and Charges | $9,700 |
| Other Taxes | $0 | TOTAL FEES & CHARGES | $366,000 |
| TOTAL TAXES | $410,400 | TOTAL GENERAL REVENUE | $776,500 |

THE SOLAR
LLIANCE
EMBER
COMPANIES

Applied Materials
Borrego Solar
BP Solar
Community Energy
Element Power
First Solar
enXco
Kyocera
Mainstream Energy
Mitsubishi Electric
Oerlikon Solar
Petra Solar
Q-Cells
Sanyo
chott Solar
Sharp Solar
SolarCity
Solaria
Solar Power Partners
Solyndra
SunRun
Sungevity
SolarWorld
SPG Solar
SunEdison
SunPower
Suntech
Tioga Energy
Trinity Solar
Unirac
Uni-Solar

**Working with the tates to develop cost-effective PV policies and programs.**

The Solar Alliance

House Committee on Finance
Testimony in Strong Opposition to
HB1270
being heard on February 25, 2011 at 6p.m. – Agenda 8
in Room 308

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

The Solar Alliance opposes HB 1270 because of the negative impact it will have on Hawaii's growing solar energy industry. Although not all tax incentives are worth pursuing, there is sound economic logic for supporting nascent industries *while these industries get up and running.*

In Hawaii, the solar industry, while growing, has yet to fully hit its stride. As a result, policy support from remains crucial to helping it reach the point where it can be a leading pillar of Hawaii's economy, as it diversifies from its historical reliance on a handful of cyclical sectors. The solar industry is trending in the right direction, however, as installed costs for solar systems are declining due to reduced input costs, financial innovation, and competitive pressures on industry participants.

Public investment in the solar industry yields a number of ancillary benefits. First, it is the most immediately available and is therefore the primary way that renewable energy can reduce Hawaii's dependence on foreign oil imports today. Second, solar has economic benefits because of the impact it has on reducing and/or eliminating the operating costs for businesses and homeowners that purchase solar systems. In both cases the money saved by investors in solar systems is spent to drive the state's economy forward through increased consumption and investment spending.

In short, although a credit like that available under section 235-12.5 cannot and should not be available in perpetuity, and should be calibrated to move the market rather than delivering an excessive level of subsidy, the 235-12.5 credit has substantial policy justification in the context of Hawaii's risky reliance on imported fuels, its need to encourage the development of new economic sectors, its need to help existing businesses reduce their energy costs, and the need to avoid further hurting an already fatigued construction industry.

In the context of the above, the Solar Alliance notes that HB 566 HD1 already contemplates the sunset of the section 235-12.5 credit in 2016 and suggests that, given the level of development the industry has reached to date, the 2012 sunset date proposed in HB1270 is inappropriate and unnecessary. As a result HSEA asks this committee to remove section 235-12.5 from the list of credits slated for sunset in 2012.

Thank you for the opportunity to testify on this measure.

HANO

Hawai`i Alliance of Nonprofit Organizations

February 25, 2011

Chair Marcus Oshiro
House Committee on Finance
Hawaii State House of Representatives
State Capitol, Room 308
Honolulu, HI 96813

RE: HB 1270, Relating to Taxation

Dear Chair Oshiro and members of the House Finance Committee:

The Hawai`i Alliance of Nonprofit Organizations (HANO) appreciates the need to better understand the financial impact that tax credits and exemptions have on the state budget. We are confident that upon further exploration of HRS 237-23, the Department of Taxation, along will determine in 2012 that the tax exemption to charitable organizations is well justified.

Nonprofits are tax-exempt because they provide a social good that government would otherwise have to furnish. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs and hinder their ability to serve the community.

This bill also proposes that a technical advisory group be formed made up of only state departments to study the exemptions and credits and to make recommendations to the Department of Taxation. We strongly suggest that community-based groups like HANO be included in the technical advisory group to provide relevant and critical data on the nonprofit sector that will better inform the decision-making process.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of Hawai`i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development and products and capacity building services for its members.

We understand and support the intent of HB 1270, but are concerned about the provision in the bill that gives the state the power to repeal exemptions by the date of December 31, 2012 without opportunities for the affected parties to provide input.

Thank you for the opportunity to provide testimony.

Lisa Maruyama
President and CEO

*P.O. Box 240382, Honolulu, HI 96824-0382*
*info@hano-hawaii.org • hano-hawaii.org*
*(808) 529-0466*

NAILBA
The Voice of Independent Brokerage Distribution

February 25, 2011

House Finance Committee
Hawaii State Legislature
Conference Room 308
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: Testimony on House Bill 1270 Relating to Taxation

Esteemed Committee Members:

The National Association of Independent Life Brokerage Agencies (NAILBA) is the premiere life insurance industry organization promoting financial security and consumer choice through the use of independent brokerage distribution.

A typical NAILBA member agency is a brokerage general agency (BGA) that is independently contracted by at least three life insurance companies to offer those companies' products through financial professionals such as life insurance agents and producers, who in turn sell those products to the general public. There is a network of approximately 250,000 such insurance professionals who do business with NAILBA's 370 member agencies, many of whom are licensed to sell life insurance in the State of Hawaii; therefore NAILBA has a strong interest in the outcome of House Bill 1270.

NAILBA is specifically concerned with Section 3 (23) of HB1270 which repeals Section 237-24 of the Hawaii Revised Statutes and imposes a 4% general excise tax on death benefits received from a life insurance contract. We believe this is the wrong solution to fix the State's budget and ask the Committee to not consider death and disability benefits as a source of revenue for the following reasons:

**Tax-free death and disability benefits are <u>not</u> "unfair" or "tax giveaways."** While we fully understand and sympathize with Hawaii's need to close the State's $800 million budget deficit, we do not agree that tax-free death and disability benefits should be grouped with other "tax giveaways" that are "unfair," which is how they are described in Section 1 of HB1270. Life insurance claims help cover the exorbitant expenses resulting from the death or disability of a loved one, including funeral costs, medical bills, estate taxes, probate fees and the like. The loss or impairment of a loved one creates enough emotional and financial stress as it is; it is unfair to add to this toll by imposing a general excise tax on life insurance benefits.

NAILBA

The Voice of Independent Brokerage Distribution

**Hawaii is the only state in the Union to consider repealing the tax-free death benefit.** In these times of economic uncertainty, all 50 state legislatures are currently examining their budgets and making tough decisions regarding tax revenues and expenditures in an effort to close increasing budget deficits. However, Hawaii is the only state to consider repealing the tax-free death benefit as a means to increase revenues. Families in Hawaii and all over the country are struggling to keep their own finances in order, with life insurance playing a key role in ensuring that the death or impairment of a breadwinner does not cause financial ruin. If Section 3 (23) remains intact, the State Legislature runs the risk of creating a disincentive to safely invest in one of the few if not only financial tools to keep families fiscally solvent after the death of a loved one.

**Life insurance prevents Hawaiian families from suffering further financial uncertainty.** Hawaiian families who already face enough financial burdens should not have to worry about whether or not there will be the added expense of a general excise tax should the unthinkable occur. Four percent may seem like a modest sum, but for a $50,000 policy the tax would account for $2,000—a significant amount of money for a family struggling to make ends meet.

For the reasons cited above, NAILBA's member agencies and insurance agents in Hawaii affiliated with those agencies cannot support HB1270 in its current form, and respectfully requests the Committee reconsider the proposed repeal of tax-free death and disability benefits. NAILBA is available as a resource for the Committee should further information be necessary.

The National Association of Independent Life Brokerage Agencies appreciates the House Finance Committee's consideration in this critical matter. Thank you for your time.

Sincerely,

Christi M. Daughenbaugh

Christi Daughenbaugh
2011 NAILBA Chairman

D Umekubo

Dex Umekubo, CLU, ChFC
2011 Chairman, NAILBA Government Affairs Committee

Hawaii Farm Bureau
FEDERATION
2343 Rose Street, Honolulu, HI 96819
PH: (808)848-2074; Fax: (808) 848-1921

February 25, 2011

# TESTIMONY

## Re: HB 1270 RELATING TO TAXATION

Chair Oshiro and Members of the Committee :

Hawaii Farm Bureau Federation on behalf of commercial farm and ranch families and organizations in the State is opposed to sections of HB1270 as proposed, suspending certain GET exemptions.

Transportation is a critical part of agriculture in Hawaii. Farmers and ranchers depend on shipping to bring in their inputs and ship out their products. The GET exemption provided to our shipping companies are passed down to our farmers and ranchers. We request that these exemptions be **retain**ed to help with the viability of farmers and ranchers critical to Hawaii's self sufficiency. The specific section of concern relates to the loading and unloading of interisland agricultural commodities – **Section 2 Subsection (a) items (7) and (9).**

Additionally, there are other stevedore and shipping related exemptions that affect the cost of shipping. If enacted, these costs will be passed down to the farmers and ranchers, impacting their viability.

During these difficult times, continuation and expansion of exports is critical to bring new revenues into the state. Without dollars originating outside of Hawaii flowing into the State we limit our resources as there is significant outflow for monies from the State. For this reason, we also ask that the exemption for gross proceeds received from tangible personal property shipped out of State **(Section 2, Subsection (a)(32))** also be retained.

This year, Counties will begin mapping Important Agricultural Lands. Rentention of the Tax Credits associated with IAL Designation will be critical to rebut claims of taking as these maps are accepted by LUC. Nationwide, lawsuits have been filed after County attempts to downzone lands for agricultural preservation. The IAL law was carefully crafted to make sure that does not happen in Hawaii. Spending money in lawsuits is not a good use of resources if it can be reasonably avoided. The intent of the IAL law is to comply with Hawaii's Constitutional mandate to protect and preserve Important Agricultural Lands to increase our self sufficiency.

We appreciate your consideration of our concerns. We respectfully request that the three measures above be retained in the GET law. Thank you.

**Hawaii Solar Energy Association**
*Serving Hawaii Since 1977*

**February 25, 2011**

**6:00PM**

**HOUSE**
**COMMITTEE ON FINANCE**

**HB 1270**

**Mark Duda**

**President**

**TESTIMONY IN STRONG OPPOSITION**

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

HSEA strongly opposes this measure because of the negative impact it will have on Hawaii's young but growing solar energy industry. Although not all tax incentives are worth pursuing, there is sound economic logic for supporting nascent industries *while these industries get up and running*. This rationale is stronger when the industry is fiscally positive, and when it yields important indirect economic benefits.

In Hawaii, the solar industry, while growing, has yet to fully hit its stride. As a result, policy support from the state and federal governments remains crucial to helping it reach the point where it can be a leading pillar of Hawaii's economy, as it diversifies from its historical reliance on a handful of cyclical sectors. The solar industry is trending in the right direction, however, as installed costs for solar systems are down due to reduced input costs, financial innovation, and competitive pressures on industry participants.

State support is also warranted because solar yields a number of ancillary benefits. First, it is the most immediately available and easily deployed renewable energy technology, and is therefore the primary way that renewable energy can reduce Hawaii's dependence on foreign oil imports today. Second, solar has positive economic spillovers because of the impact it has on reducing and/or eliminating the operating costs businesses and homeowners that purchase solar systems. In both cases the money saved by investors in solar systems is spent to drive the state's economy forward through increased consumption and investment spending.

In short, although a credit like that available under section 235-12.5 cannot and should not last forever, and should be calibrated to move the market rather than delivering an excessive level of subsidy, the 235-12.5 credit has substantial policy justification in the context of Hawaii's dangerous reliance on imported fuels, its need to encourage the development of new economic sectors, its need to help existing businesses reduce their energy costs, and the need to avoid further hurting an already fatigued construction industry.

In the context of the above, HSEA notes that HB 566 HD1 already contemplates the sunset of the section 235-12.5 credit in 2016 and suggests that, given the level of development the industry has reached to date, the 2012 sunset date proposed in HB1270 is inappropriate and unnecessary. As a result HSEA asks this committee to remove section 235-12.5 from the list of credits slated for sunset in 2012.

Thank you for the opportunity to testify on this measure.

Mark Duda
President, Hawaii Solar Energy Association

**About Hawaii Solar Energy Association**
*Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.*

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

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**TO:** Representative Marcus Oshiro
Chair, Committee on Finance
Hawaii State Capitol, Room 306

**FROM:** Gary M. Slovin

**DATE:** February 24, 2010

**RE:** H.B. 1270 – Relating to Taxation
Hearing on Friday, February 25 at 6:00 p.m., Room 308, Agenda #8

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Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park. The construction of the third boiler is well underway, providing many good-paying construction jobs.

Covanta respectfully **opposes** pg. 6, lines 16 through 20 of H.B. 1270. This would repeal tax exemptions that apply to the operations of the HPower waste–to-energy plant in Campbell Industrial Park. Much of the tax that would be imposed through the repeal of these sections would be borne by taxpayers of the City and County of Honolulu. Accordingly, the repeal of the exemptions would not increase the funds available to reduce the deficits being faced by both State and County governments.

Therefore, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit comments.

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

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# MEMORANDUM

**TO:** Representative Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 306
***VIA FACSIMILE: 586-6001***

**FROM:** Mihoko E. Ito

**DATE:** February 24, 2011

**RE:** **H.B. 1270 – Relating to Taxation**
**Hearing: Friday, February 25 at 6:00 p.m. (Agenda #8), Room 308**

---

Dear Chair Oshiro and Members of the Committee:

I am Mihoko Ito, testifying on behalf of USAA. USAA, a diversified financial services company, is the leading provider of competitively priced financial planning, insurance, investments, and banking products to members of the U.S. military and their families. USAA has over 82,000 members in Hawaii.

USAA **opposes** H.B. 1270.

If enacted, the bill would tax amounts received under life insurance policies and disability income benefits. This will impose a tax on benefits provided to families and disabled persons at a time when they are most vulnerable. Furthermore, it would also tax income we receive from property and casualty insurance policies, on which we already pay the highest premium tax in the nation, and finally, increase the already heavy tax burden on companies such as us that provide these valuable services to our members.

Thank you very much for the opportunity to testify.

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN OPPOSTION TO HB 1270, RELATING TO TAXATION

February 25, 2011

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, Relating to Taxation

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 1270, relating to taxation.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) life insurance companies and fraternal benefit society members operating in the United States. These ACLI members account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred thirty-nine (239) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

On December 31, 2012, paragraph (2) of Section 3 of the bill would repeal the income tax exemption currently granted insurance companies; paragraph (21) of that Section would repeal the general excise tax exemption granted to all of ACLI's fraternal benefit society member companies; and paragraph (23) would repeal the general excise tax exemption on amounts received under a life insurance policy and contracts paid by reason of the insured's death, amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts, and amounts received under an accident, disability and long term care insurance contract ("Insurance Proceeds"). These exemptions would automatically be repealed unless, the Department of Taxation (in its report) recommends otherwise (page 3, at lines 3-21).

ACLI strongly opposes HB 1270.

If the income tax exemption granted to insurance companies is repealed, insurers will be subjected to the State's income tax in addition to the State's premium tax. As a result, insurers will be paying a double tax: a premium tax on the insurer's gross premiums and an additional income tax on its net income received in this State.

Doubling the tax on life insurers punishes an industry that already pays its fair share of taxes.

At 2.75%, Hawaii already has one of the highest life insurance premium tax rates in the nation (the national average is 1.9%).

Unlike non-insurance corporations which are subject to a tax on their net income, life insurance companies are subject to a premium tax on their gross premiums, without any deductions for claims or expenses and which must be paid regardless of whether a life insurer is profitable.

In order to generate the $26.7M that life insurers already paid under the State's 2.75% gross premium tax in 2009, life insurers would have to be taxed at a corporate net income tax rate of 13.8%, a rate much higher than the rates of any other business.

The Hawaii corporate tax rate for non-insurers ranges from 4.4% to 6.4% of a company's net income. For banks and financial institutions the rate is 7.92%.

If a life insurer is required to pay a corporate net income tax of 4.5% to 6.4% in addition to payment of the State's gross premiums tax of 2.75% (which is equivalent to a corporate net income tax rate of 13.8%) the life insurer would be subjected to a total tax burden of as much as 20.2% (13.8% + 6.4%).

Imposing a double tax only on insurers, who already pay the highest amount of tax than any other business in the State, is patently unfair.

In addition, Hawaii's domestic insurers are already subject to additional "retaliatory taxes" in other states because of Hawaii's high premium tax rate of 2.75% on life insurance. By imposing an added income tax on insurance companies, Hawaii's domestic life insurers may see a dramatic increase in the amount of retaliatory taxes they must pay to other states whose total tax and fees are less than those imposed by the State of Hawaii.

The amount of this retaliatory tax is equal to the difference between the combined taxes and other fees imposed on insurance companies by the State of Hawaii and the taxes and fees imposed on the Hawaii domestic insurer by every State and territory in which it does business. The components and calculation of the retaliatory tax as applied to Hawaii's domestic insurers are illustrated in the example below:

| | Hawaii | State A |
|---|---|---|
| Gross Premiums | $10,000,000 | $10,000,000 |
| Premium tax rate | 2.75% | 1.9% |
| Premium tax | 275,000 | 190,000 |
| Retaliatory tax | | 85,000 |
| HB 1270 Income Tax | Hypothetical 20,000 | None |
| Additional Retaliatory Tax | | 20,000 |

In the above example, the Hawaii domestic insurer would be required to pay a total retaliatory tax to State A of $105,000 ($85,000 + $20,000) on top of the $190,000 premium tax it already owes to State A. These retaliatory effects would occur in every state where the total tax burden for the Hawaii domestic insurer is lower than the tax burden in Hawaii.

Hawaii currently has 2 domestic life insurers, the largest of which is an ACLI member company, Pacific Guardian Life Insurance Company, Ltd. ("PGL"), a Hawaii corporation. PGL does business not only in Hawaii but 20 other western states, the Territory of Guam, and the Commonwealth of the Northern Mariana Islands.

The increase in the amount of the retaliatory tax resulting from Hawaii's imposition of an additional income tax may make it impossible for PGL to remain competitive in the markets in which it serves. If PGL is unable to do so the jobs of its 140 employees in the State and its ability to contribute to Hawaii's economy may be jeopardized.

Adding the income tax to an insurer's cost of doing business in this State may actually reduce tax revenues to the State of Hawaii.

A life insurance policy differs from a property and casualty policy in that casualty policies are typically renewed annually (which allows for their premium rates to be adjusted on a regular basis). Many, many life insurance policies typically have fixed premiums which may continue for the insured's entire lifetime. Thus, the sale of each new insurance policy creates a new ongoing tax revenue stream to the State of Hawaii.

Imposing an additional income tax could result in an increase in the cost of life insurance coverage for new purchasers because policies already in force have fixed premiums that cannot be adjusted. Therefore, if the price of new policies increases and that deters new purchasers, the tax increase in HB 1270 may result in a loss of new tax revenues to the State because fewer policies will be sold, thus affecting the ongoing tax revenue stream.

As mentioned above, unlike other businesses a life insurer cannot successfully pass on any tax increase to existing policy owners.

This is because many insurance policies insure at a fixed premium for extended periods of time, in the case of term life and disability income insurance policies, and may be as long as the insured's lifetime, in the case of "whole life" insurance policies. As a result, life insurers do not have the flexibility as do other businesses to adjust their premium rates to pass on an increased tax to the currently insured consumer or to take into account other changes in the cost of their insurance as a result of changed conditions and circumstances.

Paragraph 21 of Section 3 of HB 1270 would also repeal a fraternal benefit society's exemption from the State's general excise tax. As a result, all revenues received by a fraternal benefit society would be subject to tax. This would reduce a society's ability to provide the kinds and level of services and programs to their members and the members of their communities in which they live.

Fraternal benefit societies have been recognized as tax-exempt non-profit entities by the federal government and all 50 states for more than a century. If enacted as drafted, HB 1270 would make Hawaii the first and only state to tax fraternal benefit societies. In 2009, members of Hawaii's fraternal benefit societies contributed more than 85,000 hours of volunteer service valued at over $1.7 million and made direct financial contributions of over $400,000 to schools, charities, and community service organizations in this State.

ACLI Fraternal member societies estimate that the state would generate less than $380,000 in new revenue by imposing the proposed 4% GET on fraternal benefit societies. This tax revenue would have a negligible impact on the state's current budget deficit, and would severely impede the ability of fraternals to serve the needs of Hawaii communities.

Taxing fraternals would greatly threaten their ability to provide the volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help Hawaii's people enhance their lives and their communities every day. Volunteering is the key to fraternalism – fraternals don't just donate money, they do the work. The economic equation simply does not add up. Hawaii's people and the State government receive far more benefits from the fraternal tax exemption than they would if societies were subject to the proposed general excise tax.

Paragraph 23 of Section 3 of HB 1270 would also impose Hawaii's general excise tax on insurance proceeds.

Taxing insurance proceeds is unprecedented. No state in the union taxes insurance proceeds.

ACLI generally believes that as a matter of public policy, the State of Hawaii should encourage individuals to provide for their own financial security and the financial security of their families and others who are dependent upon them for their financial support and well being. Life and disability insurance and annuities which provide an income that you cannot outlive, provide individuals with this protection.

If a family is unable to provide for their own protection and support in the event of a loved one's death, sickness or injury, the State will need to spend its scarce resources for these purposes.

The bill would also the general excise tax on amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts are also exempt from the general excise tax. These amounts include, for example, payment of the policy's "cash value" (investment portion) in the life insurance contract, sums paid as a policy loan and as an accelerated death benefit; and in the case of annuities, the annuity payments themselves which consist in part of the purchaser's investment in the contract. These payments are not taxed because they do not constitute gross income. Taxing these payments would be akin to taxing both the corpus and interest earned on a savings account. Taxing these amounts will fundamentally change the general excise tax from one imposed on gross income derived from sales and other business activities in this State to a gross receipts tax.

For the foregoing reasons, ACLI requests that HB 1270 be held.

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, A Law Corporation

By: ______________________
OREN T. CHIKAMOTO
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AMERICAN FRATERNAL ALLIANCE
TESTIMONY IN OPPOSTION TO HB 1270, RELATING TO TAXATION

February 25, 2011

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, Relating to Taxation

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 1270, relating to taxation.

Our firm represents the American Fraternal Alliance ("AFA"), a national association whose 71 member societies operating in the United States provide financial security to nearly 10 million Americans and their families through life insurance and related products. Societies utilize the proceeds from the sale of these products to make direct financial contributions to hundreds of charitable organizations across the country and, more importantly, to orchestrate and support their individual members' volunteer activities. In 2009, Fraternal Alliance members volunteered nearly 91 million hours (valued at $1.9 billion) to community service projects and made $400 million in direct financial contributions to support charitable, patriotic, educational, and religious activities.

AFA strongly opposes HB 1270.

On December 31, 2012, paragraph (21) of Section 3 of the bill would repeal the general excise tax exemption granted to all fraternal benefit societies; and paragraph (23) of that Section would repeal the general excise tax exemption on life insurance death benefits, accidental death benefits and disability insurance payments and the general excise tax exemption on amounts received other than by reason of the death of the insured under a life insurance, long term care, endowment or annuity contracts. These exemptions would automatically be repealed unless the Department of Taxation (in its report to the Legislature next year) recommends otherwise (page 3, at lines 3-21).

If the general excised tax exemption is repealed, all revenues received by a fraternal benefit society would be subject to tax. This would reduce a society's ability to provide the kinds and level of services and programs to their members and the members of their communities in which they live.

Four AFA members – Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters, and Knights of Columbus – have active volunteer networks in Hawaii. Combined, these societies have over 9,000 members in the state and lend their 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:

- In Lihue, Thrivent members spent over 3,000 hours preparing and serving lunch on a weekly basis as part of an ongoing relationship with the Kokua Kitchen Community Outreach. Thrivent donated $4,936 to cover meal costs.

- The Independent Order of Foresters proudly supported HUGS, a respite organization for parents of medically fragile children. Over 75 families enjoyed Lunch with Santa, ice skating, and a variety of holiday activities designed for the special needs of HUGS families.

- The Knights of Columbus support a number of programs that provide food to the needy in Hawaii. For example, Knights councils on Maui raise thousands of dollars each year for Hale Kaukau, which feeds 200-300 homeless families as well as the homebound and disabled. Every three weeks, Council 7156 on Oahu collects 2,000 pounds of food at the Navy Exchange and distributes it to food banks on the island. Councils also provide financial support for Hawaii's Catholic schools, as well as scholarships for children who attend them. Overall, Knights contributed more than 86,000 to charitable causes last year. Overall, Hawaii Knights contributed over $86,000 to charitable causes in the state last year.

- For the past five years, Woodmen of the World members have provided over 3,000 meals, thousands of dollars in funding, and hundreds of hours in service to the homeless through partnerships with the River Life Mission in China Town and Lanakila Meals on Wheels.

No State in the union taxes fraternal benefit societies. Fraternals have been recognized as tax-exempt non-profit entities by the federal government and all 50 states for more than a century. In 2009, members of Hawaii's fraternal benefit societies contributed more than 85,000 hours of volunteer service valued at over $1.7 million and made direct financial contributions of over $400,000 to schools, charities, and community service organizations in this State.

Our estimates indicate that the state would generate less than $380,000 in new tax revenues by applying the 4 percent general excise tax to fraternal benefit societies. These revenues would have a negligible impact on the state budget.

Taxing fraternals, on the other hand, would severely threaten their ability to provide volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help people in Hawaii enhance their lives and their communities. Volunteering is the key to fraternalism – fraternals don't just donate money, they do the work. The economic equation simply does not add up. The people of Hawaii and the state government receive far more benefit from the fraternal tax exemption than they would if societies were subject to the general excise tax.

Paragraph 23 of Section 3 of HB 1270 would also repeal the exemption from Hawaii's general excise tax on proceeds payable under a life insurance policy and disability or annuity contract by reason of the insured's death and on amounts received other than by reason of a decedent's death (eg., cash surrender value of a policy) under a life insurance, disability income policy and long term care insurance contract ("Insurance Proceeds").

Taxing Insurance Proceeds is unprecedented. No state in the country taxes insurance proceeds.

Families use after tax dollars to pay the premiums for this insurance. To impose yet another tax when the insurance is paid punishes those who take responsible steps to plan for and protect their own financial future and the financial security of their families and others who are dependent upon them for their financial support and well being. Life, disability and long term care insurance provide individuals with this protection.

Further, taxing amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts is inappropriate. These amounts include, for example, payment of the policy's "cash value" (investment portion) in the life insurance contract, sums paid as a policy loan and as an accelerated death benefit; and in the case of annuities, the annuity payments themselves which consist in part of the purchaser's investment in the contract. These payments are not taxed because they do not constitute gross income. Taxing these payments would be akin to taxing both the corpus and interest earned on a savings account.

For the foregoing reasons, AFA strongly opposes HB 1270 and requests that this Committee defer passage of this bill.

Sincerely yours,

CHAR HAMILTON
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Attorneys At Law, A Law Corporation

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Dennis C.H. Kim, MBA, CLU
Chartered Financial Consultant

February 23, 2011

TO: House Finance Committee
Hawaii State Legislature

RE: HB1270 Testimony

I have been a licensed insurance agent and financial planner since 1974 and am submitting this testimony on behalf of my clients numbering over two thousand. Very few of my clients are considered very wealthy, and in fact the majority of them are considered middle income or even lower income families. I have settled many death claims, disability claims, and other claims on behalf of those clients over the years. The tax exemption you are considering to eliminate has been one of the biggest help to these individuals and families to keep their financial heads above water.

If this bill is passed, I foresee more financial stress for these families to the point where many may have to turn to either charitable organizations or the government agencies to help them out. Let me share a couple of examples:

1. A young couple buys a new home which already stretches their financial means. Let's say the mortgage is $300,000 after the down payment and closing costs. Because they don't have a lot of disposable income to support their family as well as pay the mortgage, they buy a $300,000 term insurance policy. Unfortunately the husband dies after five years. Luckily the insurance policy pays the balance of the mortgage and perhaps there is a few dollars left over for his family because the death benefit is exempt from taxes.

   If your bill is passed and the same situation applies, they now have to pay either GET or Income Tax (1099). So this family has just lost its major breadwinner, has a very high income for that year (income + death benefit) and has to pay taxes. Let's say the amount of tax comes to 8%. The amount of the actual funds available to pay off the mortgage is now $276,000. If the mortgage balance is not below this amount, the family cannot pay off the mortgage and worse yet, may even have to sell or foreclose since there will not be enough funds to make ends meet.

2. A small business partnership: In partnerships or corporations, everyone brings something to the table. Normally one partner is the "Brains" and the other is the "Hands." The "Brains" has the ideas and runs the administration and PR for the firm, while the "Hands" runs the production, labor, etc. Both are equally important to the company. Should either of these partners die, the company would immediately go into financial stress. Many times the partners have pledged personal assets to the banks to get business loans (much

like the mortgages in example #1 above), and they are operating on a very slim profit margin. If either becomes disabled, the same thing happens. So they buy insurance to cover themselves and their key employees or to provide a way to continue the business while they are looking for a replacement partner. Again current exemptions on the insurance proceeds keep the business running and the employees employed.

If the exemptions are eliminated, the money that will pay the taxes might very well spell the death knell for that business since the funds that would carry the business has to be split between the company and the government. In this event all employees now go on unemployment, and maybe in the future on government support, the cost of which is unthinkable to me. In this scenario, the income from taxes is far exceeded by the cost burden on government programs to help these employees.

I could give many more examples of the negative effects eliminating the current tax exemptions on life, health, disability, and long term care insurance would bring to my clientele. In addition, my experience has been that most individuals and businesses are underinsured rather than over-insured. So even now many clients are experiencing these financial stresses without the elimination of the exemptions they enjoy. What this bill would do is to magnify their problems.

It is my hope that your committee will see the impact this bill would have on the constituents you and I serve. Please do not let this bill go out of committee.

Sincerely yours,

Dennis C.H. Kim, MBA, CLU, ChFC, LUTCF
Chartered Financial Consultant

The Honorable Chair Oshiro and Committee Members:

Prudential Financial respectfully opposes HB 1270 because if enacted it will: subject the insurance industry to *"double"* taxation by repealing the income tax exemption for insurance companies, and create -- the first of its kind in the country -- tax on insurance policy proceeds.

HB 1270 will subject the insurance industry to *"double"* taxation by repealing the income tax exemption for insurance companies. This "exemption" is a misnomer because the insurance industry is ***not*** exempt from taxation; but rather, insurers already pay a gross receipts tax which typically triggers substantially greater revenue for the State of Hawaii than we would be obligated to pay with a corporate income tax.

Under Hawaii's premium tax:

- Insurers pay the tax on all gross premiums
- Insurers pay the tax whether or not the company earns a profit
- Insures pay the tax without deductions for claims or expenses
- Insurers would have to pay a corporate net income tax of more than 15.8% to generate the $25.4 million it pays in gross premium taxes

Today, Hawaii's premium tax of 2.75% is among the highest in the nation -- the national average is 1.9%. To subject insurers to an additional tax is patently unfair to Hawaii consumers.

While we understand the critical fiscal crisis in the State of Hawaii, we believe that the double taxation of the insurance industry may very well have the unintended consequence of reducing the tax-revenue generated as consumers (in tough financial times) faced with higher premium costs elect to assume the risk of no insurance as opposed to incurring greater costs to protect their families.

We also oppose HB 1270 because it's provisions would subject insurance proceeds – other than a death benefit – to Hawaii's general excise tax. Because of the strong public policy to encourage families to have adequate protections, no state in the country has a similar tax on insurance proceeds. Again, while we can appreciate the need to generate revenue, we believe that this first in the nation taxation may actually quell insurance sales and have the unintended consequence of causing more and more individuals to "gamble" without insurance as opposed to taking steps to provide prudent protection for their families.

Again, we appreciate the significant fiscal challenges facing Hawaii. However, we believe that the changes contemplated by HB1270 will actually undermine the critical role that life insurance plays in empowering individuals to meet their individual needs. If the proposed changes undermine consumer willingness to purchase insurance products, then HB1270 could actually erode tax-revenue, reduce consumer protections and thereby effectively shift the responsibility from individuals to the State.

For all of these reasons, we respectfully oppose HB 1270.

**MARKHAM INSURANCE SERVICES**

**165 KEAWE STREET**

**HILO, HAWAII 96720**

**808.935.8795**

As an agent who has witnessed the critical benefits provided by life insurance products to families, businesses, and employees, I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses. Because of the protection, savings and benefits provided by these policies, the U.S. Congress and the fifty states have set laws that regulate their use and exclude proceeds from taxation.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on in-force policies should be avoided and the premiums that were used to purchase these types of plans have already paid taxes on the money.

Meanwhile, coporate owned life insurance policies keep businesses running and protect jobs in the event of a death of key owners or employees and also finance and secure important employee and retirement benefits. Taxing proceeds would impair jobs and benefits. Life insurance products owned by individuals or by businesses are particularly important now in this difficult economic climate. The products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and also limit the exposure of Hawaii's government for addressing these needs. Never in the history of our nation have we been exposed financially and economically since the Great Depression and this bill would be the death of small and large business.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products --a policy that is also followed by the U.S. government and by the laws of every other state.

Thank you for the opportunity to share and explain my views on this important measure.

Steven Markham

House Committee on FINANCE
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

**Hearing Date: February 25, 2011 – AGENDA #8 -- 6:00 pm**

**RE: House Bill 1270 – Relating to Taxation**

Chair Oshiro, Vice Chair Lee, and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

**We are strongly opposed to Section 3** in HB 1270, that will repeal tax credits and exemptions on December 31, 2012. We are especially concerned with Section 237-24.7(1), (2), and (3), HRS, under Section 3(26) of the measure. We

Section 237-24.7(1),(2), and (3), HRS, allows for exemption from the general excise tax on proceeds from a life insurance policy after the death of the insured and amounts received from endowments. Also included in this repeal are disability income insurance proceeds and long term care insurance benefits.

When consumers purchase these kinds of insurance policies, they were of the understanding that the proceeds would be **tax free**. Premiums are paid on these insurance policies for many years – many for decades.

Consumers buy these kinds of insurance policies to take responsibility for themselves, their families, their businesses, their health and care. Beneficiaries can use the proceeds to replace income from the premature loss of the "breadwinner" by providing financial resources for the surviving family members. Proceeds can pay for living expenses, children's education funding, and continue a family business, just to name a few. It's these kinds of insurance policies that provide for self protection and savings and promotes personal responsibility along with less dependence on government programs.

Since 1913, the federal tax code has provided that death benefits are not subject to income tax. Premiums are paid with after tax dollars and no deduction for premiums paid. The protection afforded by life insurance is an important societal benefit that public policy has consistently validated.

**We ask that you continue to allow the exemptions for these insurance policies and remove the proposed repeal.**

This measure also asks for an evaluation report by the Department of Taxation on deductions, tax credits and tax exemptions to be completed in early 2012. We support the intent of this study.

Mahalo for allowing us to share our views.

Cynthia Takenaka, Executive Director
Ph: 394-3451

**HB 1270**
**RELATING TO TAXATION**
**Agenda 8**

**KEN HIRAKI**
**VICE PRESIDENT – GOVERNMENT & COMMUNITY AFFAIRS**
**HAWAIIAN TELCOM**

**FEBRUARY 25, 2011**

Chair Oshiro and Members of the Finance Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 1270, "Relating to Taxation." Hawaiian Telcom opposes provisions of this measure.

HB 1270 establishes the repeal of numerous tax credits and exemptions beginning on July 1, 2011. While recognizing the value of periodic reviews of Hawaii's tax code as a tool in the development of sensible tax policy, automatic repeal of the scope as proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed as to the financial and social consequences that this repeal will trigger.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 7, lines 15-16), which provides a tax credit for lifeline telephone service. Responding to the growing problem of "shut-ins", the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below $10,000.

For many of those enrolled in the program, the landline telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those that are disabled or seniors with their doctors, 911, or loved ones. There are close to 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and may be left without any means of communication in case of emergency.

In addition, Hawaiian Telcom opposes the repeal of Section 237-23, Hawaii Revised Statutes (page 5, lines 13-14), which provides a GET exemption for those companies which have already paid a Public Services Company Tax in lieu of the GET. Section 239-5, Hawaii Revised Statutes, explicitly states that the tax imposed from the PSC tax is in lieu of all other taxes. If the exemption in Section 237-23 is not retained, Hawaiian Telcom will essentially have to pay the same GET amount twice resulting in an unfair double taxation on the same gross income!

Finally, Hawaiian Telcom opposes the repeal of Section 235-110.7, Hawaii Revised Statutes (page 5, line 16), which provides a tax credit for the investment of capital goods and Section 237-23.5 Hawaii Revised Statutes (page 5, lines 15-17), which provides an exemption for services provided by related business entities. Repeal of these sections will remove meaningful financial incentives for our company to invest in new equipment and increase our cost of doing business which eventually will be passed on to local consumers.

Based on the aforementioned, we respectfully request that HB 1270 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provisions related to Sections 239-6.5, 235-110.7, 237-23 and 237-23.5.

Thank you for the opportunity to testify on this measure.

February 24, 2011

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

Re: HB 1270

Dear Chairman Oshiro:

On behalf of the Knights of Columbus, I would like to express our strong opposition to HB 1270, which would eliminate a wide variety of tax exemptions affecting many charitable, educational and other groups in Hawaii. Two of its provisions would adversely impact fraternal benefit societies, including ours, and our members.

One provision of HB 1270 would repeal the tax exemption for fraternal benefit societies, diminishing our ability to support the many charitable activities that lie at the heart of our service to the communities in which we live. The other would impose taxes on the proceeds from life insurance policies as well as annuities and disability policies, a step that is without precedent anywhere in the United States. Obviously, this provision would also affect many outside the fraternal system as well as our own members, but it is particularly troubling to us because providing such protection was a central reason that fraternal societies were formed in the 19th Century. It was a classic instance of civil society stepping in to meet an urgent societal need without relying on government to meet that need. We continue to do so, on a non-profit basis, to this day, benefiting our individual members and society at large. The degree to which society benefits from our activity has been well-documented in a 2010 study by Georgetown University Professor Phillip Swagel, *Economic and Societal Impacts of Fraternal Benefit Societies* (http://www.kofc.org/un/en/news/releases/detail/gtown_whitepaper.html).

Repealing the general excise tax exemption granted to 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.

I would also like to point out that the section in HB 1270 directing the Hawaii Department of Taxation to conduct a study of whether these exemptions might be modified or continued contains no provision under which those who stand to lose their tax exempt status are entitled to present the case for continued exemption. Only the views of "technical experts" and various governmental agencies are to be solicited. Surely those directly affected by the bill should have an opportunity to be heard.

The Knights of Columbus was formed in Connecticut in 1882 to provide mutual aid and assistance to our members and their families, as well as to provide charitable assistance to the sick, disabled and needy. We promote both social and intellectual fellowship among our members and their families and engage in educational, religious and community-based charitable works. The Knights of Columbus has grown from a few members in a single council in Connecticut in 1882 to more than 1.8 million members in over 14,000 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 the Northern Mariana Islands.

The 1,600 members of the Knights of Columbus in Hawaii belong to 23 local councils, and last year they donated 69,000 hours of their time to volunteer service in their communities. They also donated more than $86,000 to charity.

During the year ended December 31, 2009 our total contributions to charity at all levels reached $151,105,867 – exceeding the previous year's total by $1 million dollars. This figure includes $34,627,896 donated by the Knights of Columbus headquarters and $116,477,971 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 69,251,926. During the past decade, the Knights of Columbus has donated a total of nearly $1.367 billion to charity, and provided nearly 639 million hours of volunteer service in support of charitable causes. Further details concerning the charitable activities of the Knights of Columbus can be found on our website at www.kofc.org. See also the *2010 Annual Report of the Supreme Knight* (http://www.kofc.org/un/en/resources/communications/report_2010.pdf).

We believe that HB 1270 would adversely affect vital elements of civil society while raising very little tax revenue and exacting a high societal cost. We ask that you reject the bill.

Sincerely,

Carl A. Anderson
Supreme Knight

# "Economic and Social Impacts of Fraternal Benefit Societies"
## Phillip L. Swagel

## Georgetown University: McDonough School of Business

*Key Findings*

With federal and state governments facing severe budget deficits as far as the eye can see, budget decision-makers are looking carefully for ways to curb spending and raise revenue. In making these difficult decisions, policymakers must balance fiscal concerns against the important returns to American families and the U.S. economy from public investments.

Georgetown University's McDonough School of Business has found substantial economic and social returns from government investment in the fraternal benefit society model. The Georgetown study — authored by Phillip Swagel, a Georgetown professor and former Assistant Secretary for Economic Policy at the U.S. Treasury Department— shows that these not-for-profit mutual aid organizations, created more than a century ago to serve the financial and social needs of communities around the nation, today yield some **$3.4 billion in annual returns to the country.**

This return on investment, the Georgetown study explains, occurs through the direct impact of fraternal benefit organizations' charitable and volunteer activities, and through the value of the indirect positive impacts they make by building social capital that strengthens local communities around the country. This $3.4 billion return each year compares to an annual cost of $50 million from the tax provisions that make possible the nation's 70 fraternal

benefit societies. The U.S. government thus sees a **68-fold annual return on its investment** in the fraternal

benefit system. To generate this conclusion, the first-of-its-kind study focuses on the largest two U.S. fraternal benefit societies, the Knights of Columbus and Thrivent Financial for Lutherans with 1.3 million and 2.6 million nationwide members, respectively.

Like other fraternal benefit societies, the Knights and Thrivent are organized around a "common bond." The two societies operate as social and charitable organizations whose missions are to provide financial security for their members as well as help their members give back to society through charitable giving and volunteerism. According to the Georgetown study, fraternal benefit organizations such as the Knights and Thrivent operate through community-based member networks, making them uniquely positioned to identify and effectively respond to pressing local needs.

**The Georgetown study shows that fraternal benefit societies are perhaps a lesser-known, but highly effective**

**private sector economic and social support system.** Fraternal benefit organizations contribute to society in a wide range of ways, from acting as a first-response network in the face of natural disasters to providing the largest non-governmental source of funding for Habitat for Humanity; and, from assisting families struggling with medical bills to improving financial literacy at the local level.

As the fraternal benefit system could **not be easily replicated by government entities,** support for the successful fraternal benefit society model —and the significant contributions it yields by strengthening communities across the United States— is all the more important in today's fragile national economy.

Among the noteworthy highlights of the Georgetown study:

- **Thrivent Financial for Lutherans and the Knights of Columbus alone generate $1.8 billion in direct value from volunteering and charitable contributions *(including nearly 70 million in volunteer hours)* and $1.6 billion in indirect value from improved social capital brought about through the activities of fraternal benefit society members – for a total of $3.4 billion annually.**
    - The federal tax exemption under which fraternal benefit societies have long operated sustains the fraternal benefit model and the societies' community activities.
    - Government could not afford the costs of filling the needs currently met by the Knights, Thrivent and the fraternal benefit system. Thus, it is important now more than ever to ensure **fraternal benefit societies exist to help address these growing gaps.**

- **Fraternal benefit societies, like Thrivent and the Knights, have served their original purpose for over a century, and today they continue to serve modern communities and create social capital in a way that is relevant to the evolving needs of families throughout the U.S.**
    - Despite reports of a decline in social and civic engagement in America, fraternal benefit societies represent a successful, modern-day model which builds social capital, an important community asset resulting from individuals with a common bond coming together for a common purpose to serve the greater good.
    - A wide range of economic research on social capital shows that social networks that give rise to increased trust and group cohesion are associated with better economic outcomes such as higher incomes, increased personal satisfaction, and lower incidence of social ills such as criminal activity throughout the communities they serve.
        - This positive societal multiplier effect **reflects the leveraging impact of the community-based member networks created by fraternal benefit societies.**

- **Fraternal benefit societies and their members are already on the ground in communities across the nation, uniquely positioned to have impact.**
    - The economic and social contributions of fraternal benefit societies are made possible by the unique mix of local energy and knowledge with national infrastructure and resources – **a combination with compounding benefits that could not be replaced by government programs at any level.**
    - Governments can provide money (less so in the current deficit environment) but are not as effective at providing energy and volunteers. Moreover, any government would take years to be able to build the same intricate infrastructure of local member groups (i.e., chapters, councils or lodges) that ensures that fraternal benefit societies' charitable activities are targeted to the greatest needs of communities.
    - By leveraging the time and contributions of their members, and through mobilizing their community-based member networks, fraternal benefit societies such as Thrivent and the Knights make a much bigger – and qualitatively different – impact than a typical corporate donation to a charitable cause. **The charitable and voluntary activities of these benefit societies are precisely the core of their fraternal mission.**

**HB 1270**

**RELATING TO TAXATION**

**JOEL K. MATSUNAGA**
**CHIEF OPERATING OFFICER & EXECUTIVE VP**
**HAWAII BIOENERGY, LLC**

**FEBRUARY 25, 2011**

Chair Oshiro and Members of the Committee on Finance:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on HB 1270, "Relating to Taxation."

## SUMMARY

Hawaii BioEnergy ("HBE") opposes HB 1270 in its current form, which could potentially result in the repeal of incentives that could help foster biofuels production in Hawaii. HBE asserts that the Ethanol Facility Tax Credit (Section 235-110.3), the General Excise Tax Exemption for Certain Scientific Contracts with the US (Section 237-36), and the High Technology Business Investment Tax Credit (Section 241-4.8) contained in this bill are critical to helping jumpstart Hawaii's bio-based economy. However, HBE is aware of and sensitive to the budget deficits and fiscal constraints of the state government and recognizes that some tax credits, including the Ethanol Facility Credit, have gone unutilized. However, the Ethanol Facility Credit if applied to biofuels more broadly, as is proposed in various other measures before this legislature, would help attract investment into a range of alternative fuels capable of helping Hawaii meet its alternative energy goals. Therefore, HBE respectfully suggests that those tax credits which are found to have gone unutilized, be amended and scheduled to sunrise January 1, 2013. Such a temporary suspension would free up needed funds in the near term while not adversely impacting biofuel development plans currently underway.

## HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of their land to address Hawaii's existing and growing energy needs.

One of the biofuel alternatives that HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae, with the company already engaged in Phase II of a Hawaii-based, DARPA-funded algae project. Along with providing a local, renewable, and lower-carbon fuel source, expanded algae-based biofuel production will benefit the agriculture industry by providing a local source of protein for animal feed, fertilizers and other products. The general excise tax exemption for scientific contracts applies to these types of cutting edge and innovative projects and helps to reduce the substantially higher land and operational costs associated with doing business in Hawaii as compared to other areas on the mainland. I can attest from first-hand experience that Hawaii's exemption for these projects from the GET has made a difference in scientific projects being sited here in Hawaii, rather than on the mainland or other locations. Eliminating the exemption will be comparable to raising the costs of doing projects such as our microalgae to jet fuel project in Hawaii, which could discourage the continuation of projects here or siting future projects in Hawaii.

In addition to HBE's on-going algae-based biofuel projects, the company is moving forward with plans to develop locally produced high density fuels from sweet sorghum, eucalyptus and/or other dedicated energy crops. The feedstocks and conversion production pathways under consideration hold tremendous potential to displace fossil fuel imports given their relatively low input requirements, exceptionally high yields, and capacity to produce a portfolio of products including liquid fuels for transport and power generation while contributing feed, and other bio-based co-products to the local market. The Ethanol Facility Credit, if broadened to apply to a wider range of biofuels as is proposed in several other bills before this legislature, could help offset upfront capital costs and foster investments in the production of bio-based alternatives to fossil fuels.

In addition to the clear environmental and energy security benefits that local production would bring to bear, fostering Hawaii's biofuel industry would also provide needed economic stimulus to the state through direct investment, job creation, and demand for goods and services. Based on an independent analysis commissioned by HBE, it's projected that a large-scale agricultural operation coupled with biofuels facility could provide up to 1,400 new direct, indirect and induced jobs, over $115 million in value added or new wealth, and over $17 million in annual tax revenue from combined indirect business and personal income taxes. Such benefits could be multiplied through additional investments in large-scale biofuels facilities supported through supports such as the facility tax credit and general excise tax exemption.

While the environmental, energy security and economic benefits are clear, the state's ability to secure the substantial capital required for large-scale commercial facilities requires providing a degree of assurance to private investors that they will be able to recover their investment within a reasonable time horizon. Potentially limiting producers' and project developers' access to a combination of federal and state supports could potentially constrain the nascent industry's potential and limit development.

## CONCLUDING REMARKS

Hawaii is an extremely attractive environment for a variety of biofuels projects, including cutting edge algae projects and those that integrate sustainable, dedicated energy feedstocks. However, the substantially higher land and operational costs in Hawaii relative to other areas on the mainland can be prohibitive for investors. Maintaining the facility credit, the general excise tax exemption for scientific projects, and the high technology business investment tax credit will be critical to maintaining Hawaii's relative attractiveness for high tech and other innovative investments.

HBE is moving forward with projects that will help provide renewable and sustainable sources of energy for Hawaii and believes that HB 1270 may unnecessarily constrain biofuels development in the state and may hinder the development of Hawaii's bio-based renewable energy economy by limiting access to both federal and state support.

Based on the aforementioned, Hawaii BioEnergy respectfully requests your support in opposing HB 1270 in its current form. Thank you for the opportunity to testify.

# TESTIMONY OF WILLIAM G. MEYER, III

HEARING DATE/TIME: Friday, February 25, 2011
6:00 p.m. in Conference Room 308

TO: House Committee on Finance

**RE: Testimony re HB1270**

Dear Chair, Vice-Chair and Committee Members:

My name is William G. Meyer, III. I have practiced intellectual property, entertainment and business law in Honolulu for over 30 years and represent both local and major motion picture and television production companies and other members of the creative community.

I strongly **oppose** that portion of HB1270 which, if passed, would sunset Act 88 on December 31, 2012.

The threat of sun setting Act 88, and indeed the sunsetting of Act 88, will decimate the motion picture and television industry in the State of Hawaii, an industry which last year provided approximately $400,000,000 in direct economic activity at a time when all other sectors of the economy, other than tourism, are in decline. In addition, you are familiar with the positive synergistic effect the entertainment industry has on the tourism industry and, accordingly, damaging the motion picture and television industry will likewise damage the tourism industry. Please save these vital industries by killing the portion of HB 1270 that sunsets Act 88.

Respectfully submitted,

**/s/ William G. Meyer, III**

William G. Meyer, III

Testimony before the
House Committee on
Finance
Agenda #8

H. B. 1270 - Relating to Taxation
2/25/2011, 6 p.m., Conference Room 308

By: Lon K. Okada
Hawaiian Electric Industries, Inc.

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

My name is Lon Okada and I am submitting testimony on behalf of Hawaiian Electric Industries ("HEI") and its subsidiaries, including Hawaiian Electric Company, Inc. and American Savings Bank.

HB 1270 proposes to repeal various income tax credits and general excise tax ("GET") exemptions effective 12/31/2012. HB 1270 further requires the Department of Taxation ("DOT") to perform an economic evaluation of these proposed repealed provisions prior to the convening of the 2012 Legislative session.

Although HB 1270's intent of re-evaluating credits and exemptions is commendable, the global repeal of the credits and exemptions, with an abbreviated timeframe for review by the DOT, is tantamount to a presumption that all these provisions have little current justification. Furthermore, HB 1270's establishment of a sunset date on these exemptions and credits prior to review by DOT is premature. Therefore, HEI opposes this bill.

The DOT would be tasked with reviewing the multitude of provisions and must affirmatively propose their continuance to the Legislature. This would be a monumental task for the Department of Taxation to undertake in one year when these credits and exemptions have been developed over decades and were presumptively enacted for rational and justifiable reasons at the time. An example of one of these exemptions is the GET exemption for public service companies and public utilities. This exemption exists to prevent the double taxation of receipts from these entities that would otherwise be passed on to Hawaii's residents.

HB 1270's repeal of various income tax credits attempts to address the need to increase sources of revenue. However, many of these credits serve to stimulate economic activity. The repeal of the capital goods credit, renewable energy technology credit and low income housing credit will have a direct and immediate impact on Hawaii's businesses and economic activity in a time when the economy needs to be stimulated.

For the foregoing reasons, HEI opposes HB 1270.

February 24, 2011

To: House Finance Committee

As an agent who has been witness to the crucial role life insurance and disability income insurance benefits play in the lives of my clients and their families, I am extremely concerned about the harmful impact HB 1270 would have on them. Imposing a tax on death benefits and disability income benefits implies these benefits are a windfall. This is not true! These policies were purchased and the benefits represent responsible financial planning used by families to pay for their living expenses including mortgages, education expenses, child care cost, etc. Imposing a tax on death benefits and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients – families that have lost loved ones and those suffering from a disability.

Every state realizes the value of these products and no other state in the union taxes the proceeds from life insurance and individual disability income insurance. Whether a loved one unexpectedly dies or an injury or illness to a household breadwinner results in prolonged unemployment, my clients rely on the protection life insurance and disability income insurance proceeds provide at their most vulnerable times.

Premiums paid to life insurance and disability income insurance are paid for with after-tax dollars. A tax on these proceeds would, in effect, mean that my client's would face double taxation and see a reduction in benefits when they are needed at their most crucial time. In addition, disability income insurance is a financial product bought by and intended for the use of the policyholder. There are no other instances where products bought by a consumer are taxed again at the time of use.

In the wake of the worst economic crisis since the Great Depression, American families have a renewed interest in ensuring their financial security. It is poor public policy to impose taxes on the very products families and persons with disabilities count on to protect their financial security. Taxing life insurance and disability income insurance proceeds sends the wrong message and would penalize those who take the responsible steps to plan for their own financial future. Lawmakers should not jeopardize the financial protection of Hawaiians in an attempt to remedy the state's budget deficit. I urge you to protect my clients and your constituents who have taken the responsibility for their financial future and oppose HB 1270.

Thank you for your attention to the matter and for your continued work on behalf of the citizens of Hawaii.

Sincerely,

Thomas J McTigue
Managing Director
Northwestern Mutual

Aloha,

I'm Derrick "Zui" Kim and I've been working in the life insurance industry for just over four years following my graduation from college on the mainland. Since coming into this business I've helped over 200 individuals and families draft financial plans to protect their assets from hardships and pitfalls including premature passing. Due to my young age the majority of my clients are young and growing families. These families are stretched financially living in Hawaii, yet love their family enough to sacrifice some of their wants now to protect their family's future with life insurance. Taxing these death benefits of life insurance would jeopardize the already unfortunate lifestyle of the widow's family. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Taxing these benefits at such an emotional time in their lives could be devastatingly harmful to the family.

I humbly ask that you oppose HB1270 and protect the families of Hawaii. Hawaii should continue their current wise tax policy on not taxing benefits from life insurance. A policy that is continuous from the US government and the laws of all 50 states.

Mahalo for taking the time to read my opinion on this matter.

After almost 3 years of experience as an insurance agent I have seen many cases and the direct impact on individuals and their families. The House Bill 1270 is quite alarming because it would change the way that families with insurance products as safety nets would be protected. These are extremely complicated products and are very confusing for the layman to understand. Unless you are a high ranking politician with natural genius to these sorts of things, it could take years of study to learn the various types of policies within a line of insurance. Then another few years to master the implications of a different line insurance. For this reason clients really have to trust their agent. Well I as an agent have promised clients that benefits received from these policies, should such a tragedy happen, would be received on a tax free basis. These people have built retirement plans off of this idea and to change the rules on them mid plan is going to be devastating. Sure the younger ones can handle it but what about those that are already retired or disabled. How are they to cover their deficit now that they are being taxed?

Furthermore, corporate owned life insurance policies provide a similar benefit to personal life insurance policies and should be protected as well. Any economist would argue that a healthy business environment is critical to a healthy economy. If we had to operate in a terrorist state, like those in Mexico, it would obviously be difficult to run a profitable business. Many businesses would close or move their show to a more stable business environment. I know that Hawaii is not the most business friendly state but I think that the people of Hawaii have been recently dedicated to changing this tarnished reputation. Please do not change taxation of these products as it will just make our state seem more anti-business. This will not help our reputation in being one of the least desirable places to start a corporation.

I am completely against the Hawaii government going back on their promises, especially this one. If you want to change the future that is ok but please do not change the past. With this reasoning I at least beg of you not to change the rules on in-force policies. Future products, market dynamics and economies will change to adapt to whatever rules are put in place and the younger families will be able to adapt as well. However this bill will really punish the elderly, disabled and most vulnerable people in our society. This bill is a horrible mistake especially if enacted in its entirety.

-August Lins

I am a second generation insurance agent and have been in business for myself for 15 years. I have witnessed the critical benefits provided by life insurance products to families, businesses, and employees, I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses. Because of the protection, savings and benefits provided by these policies, the U.S. Congress and the fifty states have set laws that regulate their use and exclude proceeds from taxation.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. My client base are regular working class employees, including two counties (Hawai'i and Maui), they are not so called "high net worth individuals" but people like you and me who want to be able to leave a legacy through vehicles such as life insurance. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on in-force policies should be avoided.

Meanwhile, corporate owned life insurance policies keep businesses running and protect jobs in the event of a death of key owners or employees and also finance and secure important employee and retirement benefits. Personally my father and I have purchased such insurance to help with the continuity of our business. But also so that we may continue to employ our vital employees and their families in addition to servicing our many clients statewide. Taxing proceeds would impair jobs and benefits. Life insurance products owned by individuals or by businesses are particularly important now in this difficult economic climate. The products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and also limit the exposure of Hawaii's government for addressing these needs.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products -- a policy that is also followed by the U.S. government and by the laws of every other state.

Mahalo plenty for allowing me to share my view of the bill.

Jesse Markham
Aja Benefits Consultants
Honolulu, HI

I am a second generation insurance agent and have been in business for myself for 15 years. I have witnessed the critical benefits provided by life insurance products to families, businesses, and employees, I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses. Because of the protection, savings and benefits provided by these policies, the U.S. Congress and the fifty states have set laws that regulate their use and exclude proceeds from taxation.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. My client base are regular working class employees, including two counties (Hawai'i and Maui), they are not so called "high net worth individuals" but people like you and me who want to be able to leave a legacy through vehicles such as life insurance. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on in-force policies should be avoided.

Meanwhile, corporate owned life insurance policies keep businesses running and protect jobs in the event of a death of key owners or employees and also finance and secure important employee and retirement benefits. Personally my father and I have purchased such insurance to help with the continuity of our business. But also so that we may continue to employ our vital employees and their families in addition to servicing our many clients statewide. Taxing proceeds would impair jobs and benefits. Life insurance products owned by individuals or by businesses are particularly important now in this difficult economic climate. The products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and also limit the exposure of Hawaii's government for addressing these needs.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products -- a policy that is also followed by the U.S. government and by the laws of every other state.

Mahalo plenty for allowing me to share my view of the bill.

Jesse Markham
Aja Benefits Consultants
Honolulu, HI

Regarding HB 1270

As an agent in the life insurance industry I've witnessed the importance of life insurance benefits to families, businesses, and employees,

The proposal of House Bill 1270 is very concerning because it will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on policies should be avoided.

Meanwhile, corporate owned life insurance policies keep businesses running and protect jobs in the event of a death of key owners or employees and also finance and secure important employee and retirement benefits. Taxing proceeds would impair jobs and benefits. Life insurance products owned by individuals or by businesses are particularly important now in this difficult economic climate. The products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and limit the exposure of Hawaii's government for addressing these needs.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products --a policy that is also followed by the U.S. government and by the laws of every other state.

Sincerely,

Jeffrey Ling, CFP®

1001 Bishop Street, #2600
Honolulu, HI 96813

Dear House Finance Committee

I have been in the life insurance business for 20 years. I have provided life insurance coverage for several hundred individuals in Hawaii. Over the course of my career I had the privilege of delivering death benefits to families whose husband, wife, father, mother, sister, brother, and child had passed away. Some benefits were large, some were small, but the money received from the insurance policy provided the financial support desperately needed for that family.

The first question I'm asked when I deliver the money is – do I pay taxes? My answer is no, the funds is entirely tax free.

I can't imagine what it will do to a family if they have to pay taxes on a $500,000 benefit that was designed to pay-off a mortgage loan and other debts. Or a widow who is 75 yrs old receiving a $25,000 death benefit from her husband's policy, and having to pay taxes on the proceeds.

For these reasons I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii families and businesses.

Folks in Hawaii purchase life insurance to protect their families from financial hardship. Life insurance is the only product available that is income tax free. There is no other product that provides financial safety and guaranteed money as do life insurance.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on in-force policies should be avoided.

Meanwhile, corporate owned life insurance policies keep businesses running and protect jobs in the event of a death of key owners or employees and also finance and secure important employee and retirement benefits. Taxing proceeds would impair jobs and benefits. Life insurance products owned by individuals or by businesses are particularly important now in this difficult economic climate. The products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and also limit the exposure of Hawaii's government for addressing these needs.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products --a policy that is also followed by the U.S. government and by the laws of every other state.

Mahalo for this opportunity to share my view.

John D.Cornillez
PO Box 1245
Kapaau,HI 96755

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 2:21 PM
**To:** FINTestimony
**Cc:** atiller@sunetric.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Alex Tiller
Organization: Sunetric
Address:
Phone:
E-mail: atiller@sunetric.com
Submitted on: 2/24/2011

Comments:
I strongly oppose this bill.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 3:26 PM
**To:** FINTestimony
**Cc:** hppaexec@gmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kathleen Bissell
Organization: Liberty Mutual
Address:
Phone:
E-mail: hppaexec@gmail.com
Submitted on: 2/25/2011

Comments:
HB 1270 would extend the Hawaii state income tax to insurance companies and we believe that HB 1270 would ultimately and negatively impact consumers and businesses by increasing insurance costs. We respectfully oppose this measure.

# FINTestimony

**~rom:** mailinglist@capitol.hawaii.gov
**ent:** Friday, February 25, 2011 9:49 AM
**To:** FINTestimony
**Cc:** jluikwan@amghi.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: James Lui-Kwan
Organization: NAIFA Hawaii
Address:
Phone:
E-mail: jluikwan@amghi.com
Submitted on: 2/25/2011

Comments:
As an insurance industry sales professional concerned with the welfare of our most vulnerable residents, I am opposed to HB1270. It would be unconscionable to tax the recipients, both family and business beneficiaries, of life insurance proceeds at the death of our insureds, or at his/her disability, or at a time when there is a need for long term care. Our responsible clients have been blessed with a tax exempt status on these proceeds for as long as one can remember, both at the Federal as well as the State(s) level....and for the most oble and justifiable of reasons. And granted, tax laws change as required to support our general citizenry. However, to place this tax burden on these individuals at quite possibly their most desperate hour is to say the least, as I have already stated "unconscionable". Most of our clients do not "enrich" themselves by purchasing insurance protection....they are simply replacing income or assets that will have been "lost" due to to their unfortunate circumstances. And quite frankly, many of our insureds are not even adequately protected...with very few exceptions, most of our clients have a limited budget to purchase insurance and pay premiums, resulting in their being under-insured by the time a claim occurs. So bear in mind that whatever nominal amount would be gained by the State via this taxation, may well result in an even more dire financial burden on, and consequences to our already faltering government programs. In other words, in the long run it may cost us a lot more as a society, than will ever be gained by this 4% tax.

I hereby respectfully state my opposition to HB Bill 1270. Mahalo for this opportunity to share my view on this matter.

**FINTestimony**

| | |
|---|---|
| **⁻rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Friday, February 25, 2011 10:07 AM |
| **To:** | FINTestimony |
| **Cc:** | bart_mack@us.aflac.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Bart Mack
Organization: Individual
Address:
Phone:
E-mail: bart_mack@us.aflac.com
Submitted on: 2/25/2011

Comments:

## FINTestimony

**"rom:** mailinglist@capitol.hawaii.gov
**ent:** Friday, February 25, 2011 4:57 PM
**fo:** FINTestimony
**Cc:** jerry@hawaiifinancialstore.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Gerald R Wilson
Organization: Individual
Address:
Phone:
E-mail: jerry@hawaiifinancialstore.com
Submitted on: 2/25/2011

Comments:
I have been in the insurance industry for nearly 40 years in Hawaii and I would like to specifically address section 237-24.7 of the code in the proposed bill. The taxation of life and disability insurance paid for with after tax dollars is beyond normal reason. You are proposing the taxation of benefits when the parties insured are in the greatest need. Do you wish to have everyone on the welfare rolls? If I want to protect either myself thru disability coverage or life insurance for my family or business, why should the state enalize me for this protection. I would think you should be encouraging people to buy coverage to relieve the state of having more people who have no money on the streets. The prudent man covers risks to his health and welfare. This is not some tax dodge but benefits paid at the time of greatest need. Therefore, I am very much against this portion of the bill regarding benefits under the life and disability insurance area.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 9:39 AM
**To:** FINTestimony
**Cc:** bumeda@highland.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Bruce
Organization: Individual
Address:
Phone:
E-mail: bumeda@highland.com
Submitted on: 2/25/2011

Comments:
To All this May Concern:

As a producer for over thirty years, I have never had a beneficiary not accept a benefit check from a insurance carrier. If this Bill passes, my condolence to the family or busisness will be followed by an explanation as to why The State of Hawaii has benefited from the death or disability of the insured.

If this Bill passes, your constituents will be taxed TWICE! They pay premiums with after tax money and would pay a tax on the proceeds received. This does not seem fair.

For these reasons, I humbly ask that you oppose HB1270.

Thank you for your time.

Bruce Umeda

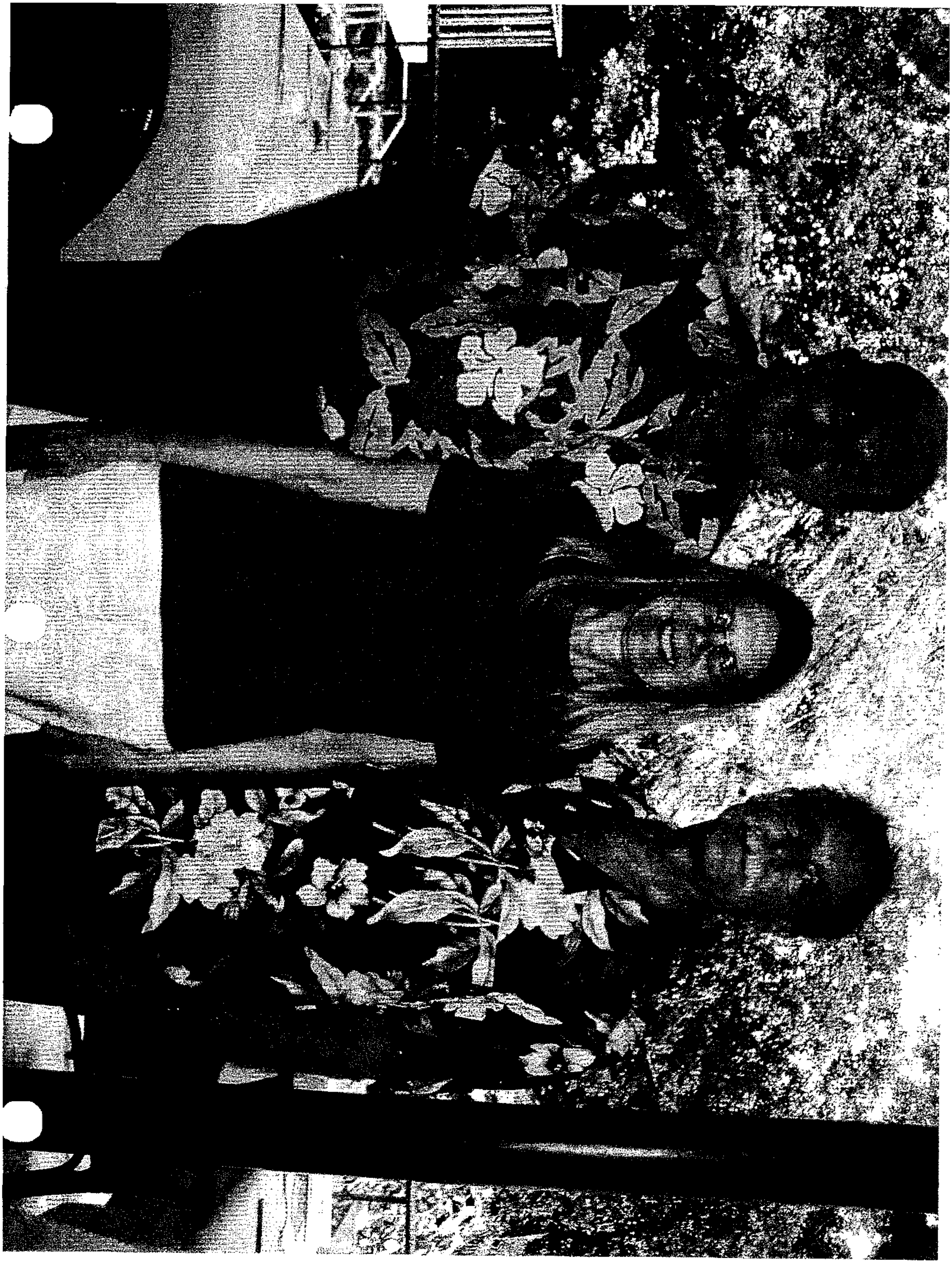
## FINTestimony

**‾rom:** mailinglist@capitol.hawaii.gov
**ent:** Friday, February 25, 2011 5:46 PM
**ſo:** FINTestimony
**Cc:** benefitcap@gmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM
**Attachments:** 001.JPG

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: richard morris
Organization: Individual
Address:
Phone:
E-mail: benefitcap@gmail.com
Submitted on: 2/25/2011

Comments:
the full ramifications must be understood. it is clear from reading this bill that it needs much more contemplation.



## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 10:56 AM
**To:** FINTestimony
**Cc:** dfelice@sunetric.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: David Felice
Organization: Individual
Address:
Phone:
E-mail: dfelice@sunetric.com
Submitted on: 2/25/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 11:12 AM
**To:** FINTestimony
**Cc:** siwamoto@royalstate.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Sally L. Iwamoto
Organization: Individual
Address:
Phone:
E-mail: siwamoto@royalstate.com
Submitted on: 2/25/2011

Comments:
I oppose HB1270. think of the families and businesses who have taken their hard earned after tax money to protect their families via life insurance, disability insurance, Long Term Care ins and annuities. If someone is grieving over a death etc. that person doesn't need to be worrying about taxes and if the coverage will be enough after being taxed! Think of your own family or business. If you are in a long term care facility do you need to be worrying about taxes and where that money will come from? Please leave keep these important coverages tax free to the beneficiaries of these policies.
Mahalo!

## FINTestimony

**˜rom:** mailinglist@capitol.hawaii.gov
**ent:** Friday, February 25, 2011 10:28 AM
**To:** FINTestimony
**Cc:** mckjane@hotmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Jane McKee
Organization: Individual
Address:
Phone:
E-mail: mckjane@hotmail.com
Submitted on: 2/25/2011

Comments:

## FINTestimony

**¯rom:** mailinglist@capitol.hawaii.gov
**ent:** Friday, February 25, 2011 9:52 AM
**To:** FINTestimony
**Cc:** peteramelotte@hawaii.rr.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: comments only
Testifier will be present: No
Submitted by: Peter Amelotte
Organization: Individual
Address:
Phone:
E-mail: peteramelotte@hawaii.rr.com
Submitted on: 2/25/2011

Comments:
It is my understanding that all insurance companies pay a tax to the State of Hawaii for doing business in this state. If individual agents are taxed additionally on their commissions, this would represent double taxation for an insurance sale.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 8:26 AM
**To:** FINTestimony
**Cc:** laurie@spectrumhawaii.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Laurie Chun
Organization: Individual
Address:
Phone:
E-mail: laurie@spectrumhawaii.com
Submitted on: 2/25/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 8:26 AM
**To:** FINTestimony
**Cc:** adelia@spectrumhawaii.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Adelia Chung
Organization: Individual
Address:
Phone:
E-mail: adelia@spectrumhawaii.com
Submitted on: 2/25/2011

Comments:

**FINTestimony**

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 7:21 AM
**To:** FINTestimony
**Cc:** peter@sunetric.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Peter Fletter
Organization: Individual
Address:
Phone:
E-mail: peter@sunetric.com
Submitted on: 2/25/2011

Comments:
Removing support for one of the few high growth business sectors over the last 3 years in Hawaii would be a huge mistake. The solar industry is just beginning to ramp up for Hawaii's committment to the Clean Energy Initiaitive of 70% renewable energy by 2030 and ending the renewable energy tax credit support will destroy this momentum. DBEDT has confirmed that every $1 spent on REITC has returned more than a $1 to the state in taxes and mainland money that stays in Hawaii. Please say NO to this measure. Mahalo.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 11:30 PM
**To:** FINTestimony
**Cc:** qchee@jhnetwork.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Queenie M. Chee
Organization: Individual
Address:
Phone:
E-mail: qchee@jhnetwork.com
Submitted on: 2/24/2011

Comments:
Having been a life insurance agent for over twenty years, I have seen how life insurance has helped business owners through their rough times.

When times were tough for an architectural firm in the 1990's, and even the banks had frozen their line of credit, cash values from their key person policies were used to help with their overhead expenses to get through the setback. This was their backup. To tax this source of emergency funds, which they paid for with aftertax dollars, would diminish the kokua that it was meant to be.

If you had experience in having to make ends meet and run your own business, and made the effort for contingency planning, you would realize the adverse effect HB1270 would have.

Please oppose the passage of such a bill.

Respectfully submitted,
Queenie Mow Chee

**~rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 3:57 PM
**To:** FINTestimony
**Cc:** ppowers@hawaii.rr.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Patrick Powers
Organization: Individual
Address:
Phone:
E-mail: ppowers@hawaii.rr.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 5:03 PM
**To:** FINTestimony
**Cc:** paul.tanigawa@pyramidins.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Paul Tanigawa
Organization: Individual
Address:
Phone:
E-mail: paul.tanigawa@pyramidins.com
Submitted on: 2/24/2011

Comments:
I have witnessed the benefits provided by life insurance products to individuals, families and businesses and urge to oppose the passing of HB1270. Should this bill pass, great harm will be done to the above. Even the U.S. Government and other states do not tax proceeds from life and disability insurance products. Because of the harm taxing benefits would create and do, I respectfully ask that you oppose HB 1270.
Aloha,
Paul Tanigawa

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 5:00 PM
**To:** FINTestimony
**Cc:** rkamemoto@tfamail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Ryan Kamemoto
Organization: Individual
Address:
Phone:
E-mail: rkamemoto@tfamail.com
Submitted on: 2/24/2011

Comments:
I strongly oppose the proposed tax on life insurance and disability/health insurance benefits. This tax will only serve to hurt those that 1) are the most in need--those suffering from a tragic loss or health issue, 2) the lower and middle class who have taken the due diligence to do the right thing and protect themselves and their families. I also need to mention that the insurance was often paid with after-tax dollars.
This bill will leave those who have chosen inaction unfairly advantaged.

If we are looking to tax those who have taken action to protect themselves and not tax those who have not done so, then we have failed in our job to serve for the greater good of the people.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 4:18 PM
**To:** FINTestimony
**Cc:** finandandy@hawaii.rr.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Darsi Jackson
Organization: Individual
Address:
Phone:
E-mail: finandandy@hawaii.rr.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 4:00 PM
**To:** FINTestimony
**Cc:** kirkcummings1@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kirk Cummings
Organization: Individual
Address:
Phone:
E-mail: kirkcummings1@yahoo.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**~rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 4:28 PM
**To:** FINTestimony
**Cc:** mschwabenland@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Mike Schwabenland
Organization: Individual
Address:
Phone:
E-mail: mschwabenland@yahoo.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 4:32 PM
**To:** FINTestimony
**Cc:** mandmmaui@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Mary Schwabenland
Organization: Individual
Address:
Phone:
E-mail: mandmmaui@yahoo.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

| | |
|---|---|
| **‾rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 4:30 PM |
| **To:** | FINTestimony |
| **Cc:** | vanessa@iwado.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Vanessa Schwabenland
Organization: Individual
Address:
Phone:
E-mail: vanessa@iwado.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:48 PM
**To:** FINTestimony
**Cc:** brettphillips@hawaii.rr.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Brett Phillips
Organization: Individual
Address:
Phone:
E-mail: brettphillips@hawaii.rr.com
Submitted on: 2/24/2011

Comments:

**FINTestimony**

| | |
|---|---|
| **¯rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 3:53 PM |
| **To:** | FINTestimony |
| **Cc:** | ryouree@sagenetworks.net |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Robert Youree
Organization: Individual
Address:
Phone:
E-mail: ryouree@sagenetworks.net
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:41 PM
**To:** FINTestimony
**Cc:** stellabluer@aol.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: John Moore
Organization: Individual
Address:
Phone:
E-mail: stellabluer@aol.com
Submitted on: 2/24/2011

Comments:

**FINTestimony**

| | |
|---|---|
| **From:** | mailinglist@capitol.hawaii.gov |
| **Sent:** | Thursday, February 24, 2011 3:30 PM |
| **To:** | FINTestimony |
| **Cc:** | jvallerosr@sunetric.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: John Vallero Sr.
Organization: Individual
Address:
Phone:
E-mail: jvallerosr@sunetric.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:35 PM
**To:** FINTestimony
**Cc:** myongjv@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Myong Vallero
Organization: Individual
Address:
Phone:
E-mail: myongjv@yahoo.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:34 PM
**To:** FINTestimony
**Cc:** donlof@hawaiiantel.net
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Donald Lofland
Organization: Individual
Address:
Phone:
E-mail: donlof@hawaiiantel.net
Submitted on: 2/24/2011

Comments:

## FINTestimony

**n:** mailinglist@capitol.hawaii.gov
**ꜱent:** Thursday, February 24, 2011 3:09 PM
**To:** FINTestimony
**Cc:** matthew@ocupop.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Matthew McVickar
Organization: Individual
Address:
Phone:
E-mail: matthew@ocupop.com
Submitted on: 2/24/2011

Comments:

**FINTestimony**

| | |
|---|---|
| **m:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 3:09 PM |
| **To:** | FINTestimony |
| **Cc:** | tberger@sunetric.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Tamara Berger
Organization: Individual
Address:
Phone:
E-mail: tberger@sunetric.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:22 PM
**To:** FINTestimony
**Cc:** stejeda@sunetric.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Sebastian Tejeda
Organization:
Address:
Phone:
E-mail: stejeda@sunetric.com
Submitted on: 2/24/2011

Comments:

**FINTestimony**

| | |
|---|---|
| **From:** | mailinglist@capitol.hawaii.gov |
| **Sent:** | Thursday, February 24, 2011 3:30 PM |
| **To:** | FINTestimony |
| **Cc:** | MKHPhillips@gmail.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Marda Phillips CLU ChFC
Organization: Individual
Address:
Phone:
E-mail: MKHPhillips@gmail.com
Submitted on: 2/24/2011

Comments:
Increasing the GE tax due on Insurance company products would cause me to close my business.
Please do NOT pass this bill.
It will do irrevocable damage to many.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 3:38 PM
**To:** FINTestimony
**Cc:** rpericas@sunetric.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Rachael Pericas
Organization: Individual
Address:
Phone:
E-mail: rpericas@sunetric.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 2:11 PM
To: FINTestimony
Cc: sam.sheth@veritypoint.com
Subject: Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Sam Sheth
Organization: Individual
Address:
Phone:
E-mail: sam.sheth@veritypoint.com
Submitted on: 2/24/2011

Comments:
As an agent who has witnessed the critical benefits provided by life insurance products, I urge you to vote against H.B. 1270 because it would be very harmful to individuals, families, businesses and employees and could also cost jobs, impair state revenue and increase Hawaii's exposure to the financial protection needs of its citizens. The proposed legislation would tax life insurance and disability proceeds—something that neither the federal government nor any state does because of the important benefits that these products provide. For the following reasons, I urge you to vote against H.B. 1270.

H.B. 1270 Would Hurt Hawaii Citizens and Businesses

Families and individuals purchase life insurance and disability products with after-tax dollars to provide financial security for their families. Even if a beloved family member dies or becomes disabled and no longer work, these products can enable families to pay their bills, purchase their homes, provide the education and needs of their children, as well assist with financial needs associated with retirement. Approximately 570,000 state residents own life insurance policies.

Businesses purchase life insurance to keep businesses running and protect jobs in the even to the death of key owners or employees and also finance and secure important employee benefits, including broad-based health, disability, survivor and supplemental retirement benefits. Life insurance proceeds are needed to protect jobs that could otherwise be lost and to make sure that employees and their families can rely on the security of the benefits that have been promised to them. Hawaii insurable interest laws and section 101(j) of the Internal Revenue Code, and extensive rules of bank regulators, all ensure the responsible use of life insurance by businesses and financial institutions.

The Tax Proposed by H.B. 1270 is Unfair

Individuals, families and businesses all purchase life insurance with after-tax dollars for very important purposes—to tax the proceeds from the policies they purchased would be grossly unfair and is not done by any state or by the federal government.

H.B. 1270 Would Cost Jobs & Could Reduce State Revenues & Increase Costs

2,000 jobs provided directly by the life insurance industry and another 2,000 jobs supported by the life insurance industry could be threatened. As noted above, life insurance products play a major role in keeping small businesses running after the death of a key employee. Further, the life insurance industry invests approximately $20 billion in Hawaii's economy, with about $10 billion in stocks and bonds that help finance business development, job creation and services in the state. The use of life insurance products also directly contribute to state revenues through the collection of state premium taxes. To the extent, that H.B. 1270 impairs efforts of Hawaii families and businesses to secure their financial protection and security, the state government faces significant increased financial exposure to address such needs.

## FINTestimony

| | |
|---|---|
| **~rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 2:13 PM |
| **fo:** | FINTestimony |
| **Cc:** | lposto@gmail.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Linda J. Posto, LUTCF, LTCP
Organization: Individual
Address:
Phone:
E-mail: lposto@gmail.com
Submitted on: 2/24/2011

Comments:
I am a financial advisor and insurance broker and as such I have witnessed the critical benefits provided by life insurance products to families, businesses, and employees. I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses. Because of the protection, savings and benefits provided by these policies, the U.S. Congress and the fifty states have et laws that regulate their use and exclude proceeds from taxation.

Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability.

When my clients purchased these kinds of policies, they did so with the understanding that the proceeds would be tax free. Imposing a tax on in-force policies should not be done.

Products are bought with after-tax dollars and are a proven way that individuals and businesses provide for the security of families and employees and also limit the exposure of Hawaii's government for addressing these needs.

For the reasons I described briefly above, I respectfully ask that you oppose H.B. 1270. Life insurance products provide vital benefits and taxing the proceeds would be very harmful. Hawaii should continue its own wise tax policy of not taxing the proceeds from life insurance products --a policy that is also followed by the U.S. government and by the laws of every other state.

Mahalo for this opportunity to share my view.

Linda J. Posto

## FINTestimony

**-rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 2:04 PM
**ſo:** FINTestimony
**Cc:** rhonda.miller@mullintbg.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM
**Attachments:** Testimony Against HB 1270.doc

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Rhonda Miller
Organization: Individual
Address:
Phone:
E-mail: rhonda.miller@mullintbg.com
Submitted on: 2/24/2011

Comments:
Please vote NO!!!

# SAMPLE TESTIMONY ON H.B. 1270

As an agent who has witnessed the critical benefits provided by life insurance products, I urge you to vote against H.B. 1270 because it would be very harmful to individuals, families, businesses and employees and could also cost jobs, impair state revenue and increase Hawaii's exposure to the financial protection needs of its citizens. The proposed legislation would tax life insurance and disability proceeds—something that neither the federal government nor any state does because of the important benefits that these products provide. For the following reasons, I urge you to vote against H.B. 1270.

<u>H.B. 1270 Would Hurt Hawaii Citizens and Businesses</u>

Families and individuals purchase life insurance and disability products with after-tax dollars to provide financial security for their families. Even if a beloved family member dies or becomes disabled and no longer work, these products can enable families to pay their bills, purchase their homes, provide the education and needs of their children, as well assist with financial needs associated with retirement. Approximately 570,000 state residents own life insurance policies.

Businesses purchase life insurance to keep businesses running and protect jobs in the even to the death of key owners or employees and also finance and secure important employee benefits, including broad-based health, disability, survivor and supplemental retirement benefits. Life insurance proceeds are needed to protect jobs that could otherwise be lost and to make sure that employees and their families can rely on the security of the benefits that have been promised to them. Hawaii insurable interest laws and section 101(j) of the Internal Revenue Code, and extensive rules of bank regulators, all ensure the responsible use of life insurance by businesses and financial institutions.

<u>The Tax Proposed by H.B. 1270 is Unfair</u>

Individuals, families and businesses all purchase life insurance with after-tax dollars for very important purposes—to tax the proceeds from the policies they purchased would be grossly unfair and is not done by any state or by the federal government.

<u>H.B. 1270 Would Cost Jobs & Could Reduce State Revenues & Increase Costs</u>

2,000 jobs provided directly by the life insurance industry and another 2,000 jobs supported by the life insurance industry could be threatened. As noted above, life insurance products play a major role in keeping small businesses running after the death of a key employee. Further, the life insurance industry invests approximately $20 billion in Hawaii's economy, with about $10 billion in stocks and bonds that help finance business development, job creation and services in the state. The use of life insurance products also directly contribute to state revenues through the collection of state premium taxes. To the extent, that H.B. 1270 impairs efforts of Hawaii families and businesses to secure their financial protection and security, the state government faces significant increased financial exposure to address such needs.

## FINTestimony

| | |
|---|---|
| n: | mailinglist@capitol.hawaii.gov |
| .t: | Thursday, February 24, 2011 1:42 PM |
| **To:** | FINTestimony |
| **Cc:** | dmorris@smlinc.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |
| **Attachments:** | Sample Testimony Against Hawaii Legislation to Tax Life Insurance Products -- HB 1270.doc |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Don Morris
Organization: Individual
Address:
Phone:
E-mail: dmorris@smlinc.com
Submitted on: 2/24/2011

Comments:

# SAMPLE TESTIMONY ON H.B. 1270

As an agent who has witnessed the critical benefits provided by life insurance products, I urge you to vote against H.B. 1270 because it would be very harmful to individuals, families, businesses and employees and could also cost jobs, impair state revenue and increase Hawaii's exposure to the financial protection needs of its citizens. The proposed legislation would tax life insurance and disability proceeds—something that neither the federal government nor any state does because of the important benefits that these products provide. For the following reasons, I urge you to vote against H.B. 1270.

H.B. 1270 Would Hurt Hawaii Citizens and Businesses

Families and individuals purchase life insurance and disability products with after-tax dollars to provide financial security for their families. Even if a beloved family member dies or becomes disabled and no longer work, these products can enable families to pay their bills, purchase their homes, provide the education and needs of their children, as well assist with financial needs associated with retirement. Approximately 570,000 state residents own life insurance policies.

Businesses purchase life insurance to keep businesses running and protect jobs in the even to the death of key owners or employees and also finance and secure important employee benefits, including broad-based health, disability, survivor and supplemental retirement benefits. Life insurance proceeds are needed to protect jobs that could otherwise be lost and to make sure that employees and their families can rely on the security of the benefits that have been promised to them. Hawaii insurable interest laws and section 101(j) of the Internal Revenue Code, and extensive rules of bank regulators, all ensure the responsible use of life insurance by businesses and financial institutions.

The Tax Proposed by H.B. 1270 is Unfair

Individuals, families and businesses all purchase life insurance with after-tax dollars for very important purposes—to tax the proceeds from the policies they purchased would be grossly unfair and is not done by any state or by the federal government.

H.B. 1270 Would Cost Jobs & Could Reduce State Revenues & Increase Costs

2,000 jobs provided directly by the life insurance industry and another 2,000 jobs supported by the life insurance industry could be threatened. As noted above, life insurance products play a major role in keeping small businesses running after the death of a key employee. Further, the life insurance industry invests approximately $20 billion in Hawaii's economy, with about $10 billion in stocks and bonds that help finance business development, job creation and services in the state. The use of life insurance products also directly contribute to state revenues through the collection of state premium taxes. To the extent, that H.B. 1270 impairs efforts of Hawaii families and businesses to secure their financial protection and security, the state government faces significant increased financial exposure to address such needs.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 1:16 PM
**To:** FINTestimony
**Cc:** genep@longmontgroup.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Eugene Peeples, IV, CLU
Organization: Individual
Address:
Phone:
E-mail: genep@longmontgroup.com
Submitted on: 2/24/2011

Comments:
As an insurance agent who has witnessed the critical benefits provided by life insurance products, I urge you to vote against H.B. 1270 because it would be very harmful to individuals, families, businesses and employees and could also cost jobs, impair state revenue and increase Hawaii's exposure to the financial protection needs of its citizens. The proposed legislation would tax life insurance and disability proceeds—something that neither the federal government nor any state does because of the important benefits that hese products provide. For the following reasons, I urge you to vote against H.B. 1270.

H.B. 1270 Would Hurt Hawaii Citizens and Businesses

Families and individuals purchase life insurance and disability products with after-tax dollars to provide financial security for their families. Even if a beloved family member dies or becomes disabled and no longer work, these products can enable families to pay their bills, purchase their homes, provide the education and needs of their children, as well assist with financial needs associated with retirement. Approximately 570,000 state residents own life insurance policies.

Businesses purchase life insurance to keep businesses running and protect jobs in the even to the death of key owners or employees and also finance and secure important employee benefits, including broad-based health, disability, survivor and supplemental retirement benefits. Life insurance proceeds are needed to protect jobs that could otherwise be lost and to make sure that employees and their families can rely on the security of the benefits that have been promised to them. Hawaii insurable interest laws and section 101(j) of the Internal Revenue Code, and extensive rules of bank regulators, all ensure the responsible use of life insurance by businesses and financial institutions.

The Tax Proposed by H.B. 1270 is Unfair

Individuals, families and businesses all purchase life insurance with after-tax dollars for very important purposes—to tax the proceeds from the policies they purchased would be grossly unfair and is not done by any state or by the federal government.

H.B. 1270 Would Cost Jobs & Could Reduce State Revenues & Increase Costs

2,000 jobs provided directly by the life insurance industry and another 2,000 jobs supported by the life insurance industry could be threatened. As noted above, life insurance products play a major role in keeping small businesses running after the death of a key employee. Further, the life insurance industry invests approximately $20 billion in Hawaii's economy, with about $10 billion in stocks and bonds that help finance business development, job creation and services in the state. The use of life insurance products also directly contribute to state revenues through the collection of state premium taxes. To the extent, that H.B. 1270 impairs efforts of Hawaii families and businesses to secure their financial protection and security, the state government faces significant increased financial exposure to address such needs.

## FINTestimony

**~rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 1:30 PM
**To:** FINTestimony
**Cc:** dtenn1@gmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Derek Tenn
Organization: Individual
Address:
Phone:
E-mail: dtenn1@gmail.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

**"rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 1:58 PM
**To:** FINTestimony
**Cc:** wtanaka@finsvcs.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Wayne Tanaka
Organization:
Address:
Phone:
E-mail: wtanaka@finsvcs.com
Submitted on: 2/24/2011

Comments:
As an agency manager, we have delivered to families and businesses many valuable benefits due to death, disability, or long term care needs. Therefore, I am not in support of HB 1270 as it will tax the proceeds of life, long term care, and disability income insurance policies owned by many individuals who are very important member of their families and/or businesses. Because of the protection and savings benefits these provided by these policies, the U.S. Congress and the fifty states have set laws that regulate their use and exclude proceeds from axation.

These policies provide benefits when people need it the most. It would help families and business transition during a time of great need. The emotional stress of the loss of a family member or key employee in a business can be compounded by financial stress. This could mean families could continue living in their homes and businesses could survive the loss of a key person in the business.
Taxing the proceeds of these benefits are counter to the expectations of our clients.

Your consideration to oppose the taxation of very important financial instruments will be greatly appreciated. Thank you for the opportunity of sharing my views.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 7:06 AM
**To:** FINTestimony
**Cc:** jeancprem@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Jean Prem
Organization: Individual
Address:
Phone:
E-mail: jeancprem@yahoo.com
Submitted on: 2/24/2011

Comments:
I have been an Insurance agent for 20 years in Hawaii. Imposing tax on proceeds from Life Insurance Long Term Care Insurance,and Disability Insurance is attacking your constituants at their most vulnarable times of their lives. These proceeds are meant to gives families a financial safety net while they are struggling to maintain their financial independence during those traumatic events. To impose taxation is exactly akin to 'kicking someone in the face when they are already down'.

**FINTestimony**

| | |
|---|---|
| **‾rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 8:10 AM |
| **To:** | FINTestimony |
| **Cc:** | jsegawa@askoxy.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Jason Segawa
Organization: Individual
Address:
Phone:
E-mail: jsegawa@askoxy.com
Submitted on: 2/24/2011

Comments:
I am very concerned about the harm that would be done by House Bill 1270 and urge you not to support this bill. H.B. 1270 will tax the proceeds of life insurance policies and disability income policies owned by Hawaii's families and businesses. Because of the protection, savings and benefits provided by these policies, the U.S. Congress and the fifty states have set laws that regulate their use and exclude proceeds from taxation.
Imposing a tax on death benefits, long term care and disability income benefits would eriously jeopardize the financial security and protection of my most vulnerable clients' ,amilies that have lost loved ones and those suffering from a disability.

Thank you for your time.

# FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 9:09 AM
**To:** FINTestimony
**Cc:** david_walker@us.aflac.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM
**Attachments:** I strongly urge the Committee to oppose HB1270.docx

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: David Walker
Organization: Individual
Address:
Phone:
E-mail: david_walker@us.aflac.com
Submitted on: 2/24/2011

Comments:

I strongly urge the Committee to oppose HB1270. This bill would tax proceeds of insurance- Life , Disability, Annuities, etc.

I don't have a bunch of statistics handy for you, just my own experiences. I've delivered claim checks to widows, the disabled, and the infirm. These claimants are often in desperate situations. Some are harassed by collection agencies within days of their loved one's demise. Their claim is usually the first step back to security. It seems cruel to balance the budget on the backs of people in these situations.

It also seems cruel to change the rules once the game has started. Policyholders have demonstrated responsibility and made arrangements to care for their loved ones. Taxing these benefits makes the whole proposition less attractive. When you tax responsibility you'll get less of it.

So, oppose this bill unless you really want to kick people while they're down.

Oppose this bill unless you want to discourage personal responsibility.

Oppose this bill unless you want increased dependency on the State.

Thank you for your consideration.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 9:28 AM
**To:** FINTestimony
**Cc:** wtoyomura@askoxy.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Wayne Toyomura
Organization: Individual
Address:
Phone:
E-mail: wtoyomura@askoxy.com
Submitted on: 2/24/2011

Comments:
I oppose this bill. Imposing a tax on death benefits, long term care and disability income benefits would seriously jeopardize the financial security and protection of my most vulnerable clients' families that have lost loved ones and those suffering from a disability. I do not know how you view insurance benefits but they are not purchased to get rich off of another family member's misfortune. They are to help the family get through the misfortune. Even then, the people who have purchased insurance may not receive sufficient benefits because of limited financial resources. I urge you not to implement this tax as it would be more hurtful to society than help it. Respectfully, Wayne Toyomura

**¯rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 6:33 PM
**To:** FINTestimony
**Cc:** mfuller@hawaii.nef.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Marie-Yolande Fuller
Organization: Individual
Address:
Phone:
E-mail: mfuller@hawaii.nef.com
Submitted on: 2/24/2011

Comments:
Dear Legislators,

I am writing to voice my concern about the harm that House Bill 1270 could incur to the People of Hawaii, whether individuals, business owners or employees.
Over the years , as a financial advisor,I have seen my client's financial security being seriously affected by the death or disability of a loved one. Imposing a tax on death enefits, disability income or long term care benefits would further jeopardize the financial well-being of those families whom had purchased those policies with the understanding that the proceeds would not be taxed.

In light of the current economic times, my clients purchased those financial products to protect their families as well as enable them to be self-sufficient and NOT RELY on Hawaii's Government for assistance with financial needs.

As for Corporate Owned Life Insurance, it allows businesses to keep going and people employed in case of the death of a key employee/ business owner, and finance or secure important employee and retirement benefits. Those products are also vital protection to the people of Hawaii and their businesses, not to mention it further limits the financial exposure to Hawaii's Goverment to address these needs.

I respectfully ask that you oppose House Bill 1270,in the best interest of all my clients and the People of Hawaii.

Thank you for your consideration.

Marie-Yolande Fuller, CFP,LUTCF, CLTC

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, February 25, 2011 10:18 AM
**To:** FINTestimony
**Cc:** rgoo31@gmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Ryan Goo
Organization: Individual
Address:
Phone:
E-mail: rgoo31@gmail.com
Submitted on: 2/25/2011

Comments:

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Thursday, February 24, 2011 6:34 PM
**To:** FINTestimony
**Cc:** mmatsumura@hawaii.nef.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Mark Matsumura
Organization: Individual
Address:
Phone:
E-mail: mmatsumura@hawaii.nef.com
Submitted on: 2/24/2011

Comments:
To tax proceeds from insurance claims is contradictory to what the government is trying to promote. Affordable health care for all. To Take away the long standing tax exemption will push bubble people to accept state run plans which will in turn be a further burden on tax payers. Policy holders pay premiums with after tax dollars and pay taxes on the benefits received and paid for by insurance proceeds. Adding yet another layer of taxes on the same dollar is not the path the legislature should be taking.

## FINTestimony

**⁻rom:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 5:51 PM
**ſo:** FINTestimony
**Cc:** Mggolldstein1@gmail.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael G Goldstein
Organization: Individual
Address:
Phone:
E-mail: Mggolldstein1@gmail.com
Submitted on: 2/24/2011

Comments:

## FINTestimony

| | |
|---|---|
| **rom:** | mailinglist@capitol.hawaii.gov |
| **ent:** | Thursday, February 24, 2011 5:30 PM |
| **To:** | FINTestimony |
| **Cc:** | mscherr@hawaii.rr.com |
| **Subject:** | Testimony for HB1270 on 2/25/2011 6:00:00 PM |

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael Scherr
Organization: Individual
Address:
Phone:
E-mail: mscherr@hawaii.rr.com
Submitted on: 2/24/2011

Comments:
I have worked in the Life & Disability business for 30 years. I can think of no greater harm being done than taking benfits away (taxing)from survivors that are dependents of a deceased person or income from a person who is disabled.
I am myself dependent on income from individual disability policies that I purchased many years ago. This income allows me to stay in my home & send my daughter to college. Along with my life insurance policies they were paid with after tax dollars & my dependents are ounting on the benefits. I cannot go out & buy additional coverage to make up for the loss, due to taxes, because I have been uninsurable for 20 years. This is true for many of my clients as well. It is, in my opinion, bad public policy to try to raise revenue from the most vulnerable among us; people who took their own money and initiative to buy policies to protect their families. These are people who otherwise may have to look to the state for income & other services.
The federal tax code does not tax these benefits for the above reasons. I respectfully urge Hawaii's lawmakers to do the same.

## FINTestimony

**From:** mailinglist@capitol.hawaii.gov
**ent:** Thursday, February 24, 2011 5:30 PM
**To:** FINTestimony
**Cc:** kekukuna@yahoo.com
**Subject:** Testimony for HB1270 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB1270

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kekukuna Irvine
Organization: Individual
Address:
Phone:
E-mail: kekukuna@yahoo.com
Submitted on: 2/24/2011

Comments:
These bills are not in the best interest of the people of Hawaii. They allude to making Renewable energy harder to attain and creates more barriers for people who are interested in installing renewable energy technologies. This does not help Hawaii become more energy independent nor does it help our state become more environmentally responsible. For a state that depends on tourism for its economic welfare, we should be pushing more and providing more resources and avenues for People, businesses, and the government to create a sustainable uture that will promote the beauty and value of Hawaii. I don't understand how the government could make a stand on becoming more energy independent and environmentally responsible and then attempts to sabotage and road block the execution of that plan through irresponsible and poor legislation. Seems like people want certain controls over this thriving resource and the people who support it,for god knows what. What is the purpose of these bills? What are these bill trying to accomplish? What are the existing problems in the current legislation regarding renewable energy and how does these bills solve these problem? They seem to cause more problems than to be solving. Very suspicious. I'm very dissatisfied with the judgment and expertise of our legislators in regards to bills like these. I expect greater discernment and wisdom from our elected officials. "Ua mau ke ea o ka aina i ka pono!"