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HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 798 PROPOSED HD 1 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION
(OR DESIGNEE)

COMMITTEE: FIN

DATE: FEBRUARY 25, 2011

TIME: 6:00PM

POSITION: SUPPORT

Proposed
This measure assesses the general excise tax (GET) on certain life insurance proceeds paid to corporations, banks, and others that are not related to the insured.

The Department supports this measure because it taxes business receipts that should be taxable under a gross receipts tax. Under a gross receipts system of taxation, all receipts are taxed uniformly. Exemptions should be limited. Currently, corporate insurance payouts are exempt from the GET, which erodes the GET tax base. Taxing corporate life insurance amounts for GET purposes is sound tax policy because these amounts are, after all, business receipts. Thus, the Department supports amending the GET law to tax corporate life insurance.

REVENUE GAIN—This measure will result in revenue gain as follows:

- FY2012, \$45,000;
- FY2013, \$90,000;
- FY2014, \$135,000,
- FY2015, \$180,000; and
- FY2016, \$225,000.