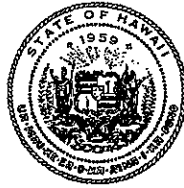


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LATE

To: The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance

Date: Thursday, March 29, 2012

Time: 10:00 a.m.

Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2101 S.D. 1 H.D. 1 Relating to the Tricare Program

The Department of Taxation (Department) supports S.B. 2101 HD1.

This measure repeals the sunset date for Act 70, Session Laws of Hawaii 2009 which is scheduled to take effect on December 31, 2013. The purpose of this measure is to remove the sunset date contained in Act 70 to make the exemption permanent.

Tricare is a program established by the United States Department of Defense (DOD) to provide managed medical care to military members and their dependents. Act 70, Session Laws of Hawaii 2009, provided an exemption to Tricare from the general excise tax on amounts received from the DOD which Tricare pays out to third party service providers.

These funds are not considered to be a reimbursement excluded from the general excise tax because the DOD funds Tricare in advance of the actual medical services being provided, by estimating the amount required to meet the medical services that will be required by military personnel and their dependents.

Thank you for the opportunity to provide comments.