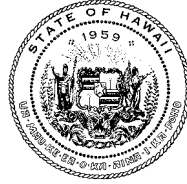


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To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Thursday, February 23, 2012  
Time: 9:00 a.m.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. No. 2489, S.D. 1, Relating to the Militia

The Department of Taxation (Department) appreciates the intent of S.B. 2489, S.D. 1 and offers the following comments for your consideration.

S.B. 2489, S.D. 1 establishes a new tax credit for taxpayers who maintain employee insurance coverage for National Guardsman employees who are on active duty.

To give the provision added clarity and to make the provision easier to administer, the Department recommends section 1 of the bill be amended to read as follows:

**"235- Employer tax credit; national guard employee insurance coverage.** (a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter a credit equal to the cost of employee insurance coverage for employees who are members of the national guard for the duration of the national guards' state active duty.

(b) If the tax credit claimed by the taxpayer under this section exceeds the amount of the income tax payments due from the taxpayer, the excess credit over payments due shall be paid to the taxpayer; and provided that no refunds or payments on account of the tax credit allowed by this section shall be made for amounts less than \$1.

(c) The director of taxation shall prepare such forms as may be necessary to claim a credit under this section, may require proof of the claim for the tax credit, and may adopt rules pursuant to chapter 91.

(d) All of the provisions relating to assessments and refunds under this chapter and under section 231-23(c)(1) shall apply to the tax credit under this section.

(e) Claims for the tax credit under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed."

Note that the proposed language above is necessary for implementation of a refundable tax credit. If instead, the Committee desires to implement a nonrefundable tax credit, replace the proposed subsection (e) above with the following provision:

(e) All claims for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

Thank you for the opportunity to provide comments.

Presentation to the Committee On Ways and Means  
Thursday, February 23, 2012, at 9:00 a.m.  
Testimony on Bill S.B. 2489, SD1

**In Support**

TO: The Honorable David Y. Ige, Chair  
The Honorable Michelle N. Kidani, Vice Chair  
Members of the Committee

My name is Gary Y. Fujitani, Executive Director of the Hawaii Bankers Association (HBA), testifying in support of the intent of SB 2507, SD1. HBA is the trade association that represents FDIC insured depository institutions operating branches in Hawaii.

The bill establishes an employer income tax credit for taxpayers who maintain employee insurance coverage for National Guard members for the duration of the national guards' active duty including active service for nonemergency purposes. Also expands the rights granted to National Guard members to incorporate rights granted under the Servicemembers Civil Relief Act and the Uniformed Services Employment and Reemployment Rights Act.

SECTION 1 of the bill provides for employer tax credit for business covered under HRS Chapter 235 Income Tax Law. However, banks are covered under Chapter 241 Taxation of Banks and Other Financial Corporations. Therefore, **we ask that this bill be amended to include similar language in chapter 241 as banks are Chapter 241 taxpayers and as a large employer group should also be entitled to the tax credit.**

Thank you for this opportunity to testify.



Gary Y. Fujitani  
Executive Director

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February 23, 2012

Senator David Y. Ige, Chair  
and members of the Senate Committee on Ways and Means  
Hawaii State Capitol  
Honolulu, Hawaii 96813

Re: **Senate Bill 2489, SD 1 (Militia)**  
**Hearing Date/Time: Thursday, February 23, 2012, 9:00 a.m.**

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** ("HFSA"). The HFSA is a trade association for Hawaii's consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

**The HFSA supports of the intent of this Bill.**

The purposes of this Bill are to: (a) establish an employer income tax credit for taxpayers who maintain employee insurance coverage for national guard members for the duration of the national guards' active duty; (b) expand the powers of the Governor and Governor's designee in calling the national guard into active duty; (c) allow the adjutant general to order the national guard into active service for nonemergency purposes that are necessary and attendant to the mission of the Department of Defense; and (d) expand the rights granted to national guard members to incorporate rights granted under the Servicemembers Civil Relief Act and the Uniformed Services Employment and Reemployment Rights Act.

Our testimony is focusing solely on Section 1 of this Bill. That Section creates an employer tax credit for businesses which are subject to HRS Chapter 235 (Income Tax Law). That Section does not cover employers such as financial services loan companies and banks. Financial services loan companies and banks are not subject to HRS Chapter 235, but are instead subject to HRS Chapter 241 (Taxation of Banks and Other Financial Corporations).

This Bill should be amended to add language in HRS Chapter 241, similar to what is in Section 1 of this Bill. This will enable these of types of employers to obtain the same tax credit as employers who are covered by HRS Chapter 235.

Thank you for considering our testimony.

  
MARVIN S.C. DANG

(MSCD/hfsa)