

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 2489 SD2
A BILL FOR AN ACT RELATING TO TUITION ASSISTANCE

PRESENTATION TO THE
HOUSE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS

BY

MAJOR GENERAL DARRYLL D. M. WONG
ADJUTANT GENERAL
March 14, 2012

Chair Aquino, Vice-Chair Cullen and Committee Members:

I am Major General Darryll D. M. Wong, State Adjutant General. I am testifying on Senate Bill 2489 SD2.

We strongly support Senate Bill 2489 SD2, since this measure establishes an employer income tax credit for taxpayers who maintain employee insurance coverage for National Guard personnel for the duration of their active duty tour. Second, it expands the powers of the governor and the governor's designee in calling the National Guard into active duty. Also, this measure allows the Adjutant General to order the National Guard into active service for non-emergency purposes that are necessary to complete the mission of the department of defense. Lastly, it expands the rights of National Guard members granted under the Service-members Civil Relief Act and the Uniformed Services Employment and Reemployment Rights Act.

Thank you for the opportunity to provide testimony in strong support of this measure. Are there any questions?

NEIL ABERCROMBIE
GOVERNOR

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LT. GOVERNOR



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To: The Honorable Henry J.C. Aquino, Chair
and Members of the House Committee on Public Safety & Military Affairs

Date: Wednesday, March 14, 2012

Time: 10:30 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2489, S.D. 2, Relating to the Militia

The Department of Taxation (Department) appreciates the intent of S.B. 2489, S.D. 2 and offers the following comments for your consideration.

S.B. 2489, S.D. 2 establishes a new tax credit for taxpayers who maintain employee insurance coverage for National Guardsman employees who are on active duty.

The Department previously submitted testimony suggesting language to make the bill's provisions easier to administer. The Senate took those suggestions into consideration and they are reflected in this version of the measure. The Department also notes that it would be able to implement this credit if it is effective for tax years beginning after December 31, 2012 as currently written in the bill.

Thank you for the opportunity to provide comments.



March 11, 2012

**TESTIMONY IN SUPPORT OF SENATE BILL 2489
RELATING TO THE MILITIA**

**SENATE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS
HEARING ON WEDNESDAY, MARCH 14TH, AT 10:30 AM IN CONFERENCE
ROOM 309**

Aloha Chair Aquino: The Oahu Veterans Council's delegates are honored to serve at the pleasure of our veterans and their families. Our Legislative Committee voted unanimously to support SB 2489.

We are sincerely grateful for your efforts to

- establish an employer income tax credit for taxpayers who maintain employee insurance coverage for national guard personnel, for the duration of their active duty,
- expand the rights granted to national guard personnel
- incorporate rights granted under the Federal Servicemembers Civil Relief Act and the Uniformed Services Employment and Reemployment Rights Act.

The Oahu Veterans Council respectfully urges your committee to consider passing Senate Bill 2489 as written; mahalo for allowing us to testify, regarding this extremely important issue.

Dennis Egge

Dennis Egge; Chairman, Legislative Committee



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Presentation to the Committee on Public Safety & Military Affairs
Wednesday, March 14, 2012, at 10:30 a.m.
Testimony on Bill S.B. 2489, SD2

Support the Intent

TO: The Honorable Henry J.C. Aquino, Chair
The Honorable Ty Cullen, 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 2489, SD2. 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 and for your consideration of our request.

A handwritten signature in black ink, appearing to read 'Gary Y. Fujitani', with a horizontal line drawn through the end of the signature.

Gary Y. Fujitani
Executive Director

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Employer tax credit for insurance coverage

BILL NUMBER: SB 2489, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow employers/taxpayers to claim a tax credit for the amount of the actual expenses incurred by the taxpayer to maintain employee insurance coverage for members of the National Guard for the duration of the Guards' state active duty.

Credits in excess of the taxpayer's net income tax liability shall be refunded provided such amounts are in excess of \$1. Requires all claims, including any amended claims, to 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 comply with the foregoing provision shall constitute a waiver of the right to claim the credit. Directs the director of taxation to prepare any forms that may be necessary to claim a credit under this section, may also require the taxpayer to furnish information to ascertain the validity of the claims for credit, and may adopt rules necessary to effectuate the purposes of this section pursuant to HRS chapter 91.

Makes other nontax amendments relating to the militia.

EFFECTIVE DATE: July 1, 2050; applicable to tax years beginning after December 31, 2012

STAFF COMMENTS: This measure proposes an income tax credit equal to the amount paid by an employer to maintain insurance coverage for members of the National Guard for the duration of the National Guard's active duty. The adoption of this measure would provide a tax benefit to certain employers without their need for tax relief. Depending on the types and kinds of insurance, the amount of the credit could be substantial. On the other hand, the credit could be discriminatory between employers who offer a multitude of insurance coverages versus the employer who can offer only the legally required insurances such as prepaid healthcare and workers' compensation.

Current law does not require employers to provide insurance coverage for employees who take leave for other than personal medical reasons. Under the prepaid healthcare act, such coverage is required for a period of three months if the employee is taking leave to address a personal medical problem such as maternity leave. It should be remembered that the tax system is a poor means of achieving such social goals. Providing such credits against the state income tax merely reduces state revenues which may necessitate a shift in the tax burden to other taxpayers who are not able to claim the credit. Tax credits that have absolutely no relationship to the burden of taxes imposed on the employer/taxpayer and the taxpayer's ability or inability to pay those taxes cannot be justified. This credit is nothing more than a subsidy of an employer who is able to maintain insurance coverage for the active duty National Guard member.

Digested 3/12/12

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March 14, 2012

Rep. Henry J.C. Aquino, Chair
and members of the House Committee on Public Safety & Military Affairs
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **Senate Bill 2489, SD 2 (Militia)**
Hearing Date/Time: Wednesday, March 14, 2012, 10:30 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.

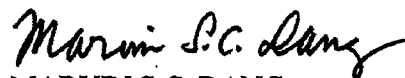
The HFSA supports of the intent of this Bill, but recommends that it be amended.

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 guard members' 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. Section 1 creates an employer tax credit for businesses which are subject to HRS Chapter 235 (Income Tax Law). Section 1 should, but does not, cover employers such as financial services loan companies and banks. That's because 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 to HRS Chapter 241, similar to what is being added to HRS Chapter 235 in Section 1 of this Bill. Our proposed amendment will enable employers such as financial services loan companies and banks 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
Attorney for Hawaii Financial Services Association

(MSCD/hfsa)