

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2155

S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2155 entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAXATION,"

begs leave to report as follows:

The purpose of this measure is to provide an exemption from general excise tax to managed care support contractors for reimbursements of costs or advances made pursuant to a contract for the administration of the federal TRICARE program.

Testimony in support of this measure was submitted by the Hawaii Medical Service Association. Comments on this measure were submitted by the Department of Taxation, the Tax Foundation of Hawaii, and one individual citizen.

Your Committee finds that every state, except one, currently exempts from tax reimbursements of costs or advances made pursuant to a contract for the administration of the federal TRICARE program. Thus far, the Department of Taxation has not collected any general excise taxes on those federal reimbursements. This measure would provide a statutory exemption for those reimbursements and help to ensure the continued availability of the TRICARE program to over 150,000 people in Hawaii who rely on the program.

Accordingly, it is the intent of your Committee to support a general excise tax exemption to managed care support contractors



who receive reimbursements for costs or advances made pursuant to a contract for the administration of the federal TRICARE program.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in an annual revenue loss to the State of \$3,600,000. Their methodology is as follows:

The Department of Taxation estimated that the annual reimbursements for such costs or advances are \$90,300,000. That total multiplied by the four per cent general excise tax rate is approximately \$3,600,000 per year.

Your Committee has amended this measure by:

- (1) Clarifying that the exemption from the general excise tax for managed care support contractors of the TRICARE program is for the reimbursement of costs or advances made to health care providers pursuant to a contract; and
- (2) Making a technical, nonsubstantive amendment for the purpose of clarity.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2155, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2155, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

  
\_\_\_\_\_  
CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:* <i>SB 2155</i>	Committee Referral: <i>EDT, WAM</i>	Date: <i>2/14/08</i>
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The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312     Pass, with amendments 2311     Hold 2310     Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	/			
ESPERO, Will (VC)	/			
BAKER, Rosalyn H.	/			
ENGLISH, J. Kalani				/
IGE, David Y.	/			
SLOM, Sam	/			
<b>TOTAL</b>	<i>5</i>			<i>1</i>

Recommendation:  Adopted     Not Adopted

Chair's or Designee's Signature: *Will Espero*

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\*Only one measure per Record of Votes