

STAND. COM. REP. NO.

2964

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 1985
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1985 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to facilitate the timely access to state tax information by requiring the Department of Taxation to publish and submit to the Legislature specified annual and biennial reports on income patterns and tax credits.

Your Committee conducted a public hearing on a proposed draft of this measure. The purpose of the proposed draft is to eliminate the tax deduction for certain political campaign contributions, increase the cigarette tax, increase certain insurance producer license fees, and temporarily increase insurance premium tax rates.

Your Committee received written testimony in support of this proposed measure from the American Cancer Society, the American Heart Association, the American Lung Association, the Coalition for a Tobacco-Free Hawaii, the Hawaii Primary Care Association, and the Hawaii COPD Coalition. Testimony in opposition to the proposed measure were submitted by the Department of Commerce and Consumer Affairs, the American Council of Life Insurers, the Government Employees Insurance Company, the Hawaii Insurers Council, the National Association of Insurance and Financial Advisors, Prudential Financial, State Farm Insurance Companies, TK Family Enterprises, USAA, and twelve concerned individuals. The

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Department of Taxation, the Hawaii Independent Insurance Agents Association, Retail Liquor Dealers Association of Hawaii, and the Tax Foundation of Hawaii commented on the proposed measure. The written testimony may be reviewed on the Legislature's website.

Your Committee finds that increasing insurance fees and taxes would place a greater financial burden on Hawaii's insurance industry. Your Committee also finds that the insurance industry is already required to make substantial contributions to the general fund in the form of taxes, fees, and assessments, as well as the underwriting of various special funds.

Your Committee has amended this measure by replacing its contents with the contents of the proposed draft, and amending the proposed draft by:

- (1) Specifying that the repeal of the tax deduction for political contributions shall apply to taxable years beginning after December 31, 2010;
- (2) Making a conforming amendment to repeal section 11-226, Hawaii Revised Statutes, relating to tax deductions for political contributions;
- (3) Deleting provisions regarding increases in insurance premium tax rates;
- (4) Providing that increases in insurance producer license fees shall sunset on July 1, 2013;
- (5) Specifying that amendments made to section 235-7, Hawaii Revised Statutes, shall not be repealed when that section is reenacted on January 1, 2013, pursuant to Act 166, Session Laws of Hawaii 2007;
- (6) Changing the effective date to January 1, 2050, to facilitate further discussion on the measure; and
- (7) Making technical nonsubstantive amendments for purposes of style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1985, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as H.B. No. 1985, S.D. 1, and
be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 1985	Committee Referral: WAM	Date: 3-29-10		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Pass, unamended 2312</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div style="text-align: center;"><input type="checkbox"/> Hold 2310</div> <div style="text-align: center;"><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
GALUTERIA, Brickwood	/			
HEE, Clayton				/
HOOSER, Gary L.	/			
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred	/			
TOTAL	11	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: <div style="display: flex; justify-content: space-between; font-size: small;"> <div>Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency</div> <div>Goldenrod Committee File Copy</div> </div>				

*Only one measure per Record of Votes