

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

STANLEY SHIRAKI  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
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**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 2597  
RELATING TO GENERAL EXCISE TAX ON INSURANCE PRODUCERS**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 10, 2010**

**TIME: 4PM**

**ROOM: 308**

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This measure increases the general excise tax on insurance producers from 0.15% to 4%.

The Department of Taxation (Department) supports this measure.

Currently, there is only one industry that enjoys the lowest general excise tax rate on commissions earned from selling goods or services. This industry is the insurance sales industry, which enjoys a general excise tax rate of 0.15%—more than twenty six-times lower than the ordinary four percent rate on other commission income.

Commission-earning counterparts in other industries include stockbrokers and real estate brokers, who earn commission income on the proceeds from sales, but pay general excise tax at the rate of 4%. This disparity in the taxation of commission salespersons is unwarranted, especially during the current budget crisis.

The purpose of this measure is to provide fairness in the assessment of the general excise tax on those that earn proceeds in the form of commissions by adjusting the general excise tax on insurance producers.

This measure will result in a revenue gain of approximately \$20.6 million per year.



**ISLAND INSURANCE  
COMPANIES**

February 10, 2010

The Honorable Marcus R. Oshiro, Chair  
House Committee on Finance  
State House of Representatives  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**Re: H.B. 2597 - Relating to General Excise Tax on Producers**

Dear Chair Oshiro:

I am the Chairman and CEO of Island Insurance Company, Ltd., a locally-owned and operated property and casualty insurance company doing business in Hawaii for more than 70 years. We provide insurance coverage for more than 60,000 policyholders and 5,000 businesses throughout the state. Our insurance policies are offered through hundreds of independent insurance producers who receive commission-based compensation for their services.

Island Insurance opposes **H.B. 2597 - Relating to General Excise Tax on Producers** which would increase the general excise tax rate on insurance commissions paid to insurance producers from 0.15% to 4%.

This bill is based upon a flawed and erroneous premise.

H.B. 2597 suggests that the 0.15% general excise tax rate assessed on insurance commissions paid to producers is unfair and disparate since other commission-earners like real estate brokers and securities brokers pay general excise tax at a rate of 4%. It implies that insurance producers are not shouldering their fair share of the tax burden, especially in these difficult financial times.

The fact is the general fund has not been deprived of the revenue that would have been derived from the GET on commissions. When the Legislature in 1978 reduced the GET on insurance commissions to 0.15%, it shifted the tax burden from the insurance producers to the insurance companies by increasing the rates of premium tax assessed on insurance premiums. In other words, there was no revenue loss since any difference in GET revenue was captured by the increase in the premium tax.

The Legislature did this because, unlike other industries like real estate and securities, insurance is strictly regulated. Insurance companies are not allowed to charge consumers



whatever price they think the market may bear. Instead, they must obtain prior approval from the Insurance Division for the rates they use to establish premium charges to consumers. Likewise insurance producers are not permitted to add-on GET charges to the cost of insurance policies sold by them to consumers. This regulatory regime protects consumers from potential abuses in the pricing of insurance products. It ensures that when a consumer receives a premium quote on an insurance policy, that quote captures the total cost to be paid by the consumer.

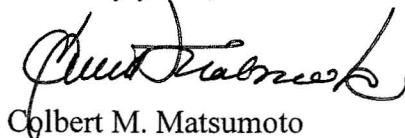
Without reviewing the history behind the 0.15% GET rate assessed on insurance commissions, it is easy to assert that somehow insurance producers have enjoyed disparate treatment and are not bearing their fair share of taxes. The legislative history proves otherwise. To ignore the transfer of the GET tax burden to the premium tax in 1978 and now impose a 4% GET on insurance commissions would truly constitute unfair treatment and a form of "double" taxation. It would also undermine any justification for Hawaii's premium tax being by far the highest among the 50 states with a rate of 4.265% assessed on the gross premiums collected for property and casualty insurance policies.<sup>1</sup>

Please do not ignore the legislative actions taken in 1978 that establish the rationale for why insurance producers today are assessed at a lower GET rate on their insurance commission income. The Legislature at that time did not give insurance producers a "special break." They made sure that the insurance industry was assessed its fair share of the tax burden in the context of the unique regulatory system governing insurance.

Contrary to the premises set forth in H.B. 2597 as justifying the proposed legislation, it is the enactment of this bill that would be unfair and impose a disparate tax burden on our industry.

Based upon these concerns, I respectfully request that H.B No. 2597 be held in committee and not advanced for further consideration.

Sincerely yours,



Colbert M. Matsumoto

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<sup>1</sup> Hawaii's premium tax is at least 40% higher than that of 46 other states and the District of Columbia. In fact Hawaii's premium tax is more than 20% higher than the 3.5% premium tax rate in Nevada, the second highest in the country.



**Mutual  
Underwriters**

February 9, 2010

**HOUSE OF REPRESENTATIVES**

**COMMITTEE ON FINANCE**

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.C. Aquino	Rep. Scott Y. Nishimoto
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Rep. Denny Coffman	Rep. Kyle Yamashita
Rep. Sharon Har	Rep. Lynn Finnegan
Rep. Chris Lee	Rep. Gene Ward
Rep. Gilbert S.C. Keith Agaran	

**RE: HOUSE BILL 2597**

**Relating to General Excise Tax increase on Insurance Producers.**

Good Afternoon Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for the opportunity to submit written testimony on HB 2597. **Mutual Underwriters Insurance Agency strongly oppose HB 2597.** Established in 1958, our company has grown to a full service insurance agency with 75 current Insurance Producers and branch office in Hilo, Kona, Maui and two in Oahu. Insurance Producers are prohibited by law, (HRS 431:10-218 Stated Premium Must include all charges) to pass on any taxes to their clients.

Historically, in 1979, after an in depth study was done by the Office of the Legislative Reference Bureau, with the cooperation and assistance of the Department of Taxation and the Department of Regulatory Agencies, the Legislature decided to increase the Premium Tax "In Lieu" of charging the General Excise Tax on insurance commission.

The Premium Tax paid by the insurance companies was increased to offset the loss of tax revenue when the GET rate for insurance commission went from 4.0% to .15%. The premium Tax is built in the Premium rate/charge and the Consumer pays the Insurance Premium for the Insurance Coverage.

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KUNIA OFFICE

94-615 KUPUOHI STREET, SUITE 102 • WAIPAHU, HAWAII 96797 • TELEPHONE (808) 688-2222 • FAX: (808) 688-0769



**Mutual  
Underwriters**

**HB2597  
Page 2**

HB2597 will place additional financial burden on our Agency and Insurance Producers. Due to the weak economy, we were force to close several offices last year and laid-off several employees. Our insured are having a hard time making it and some are closing their businesses. Mutual Underwriters is doing their best to service their increasing needs, but coupled with a rise in Unemployment Tax; the increase in GET would mean more layoffs.

The impact by increasing the rate from .15% to 4% translates to an actual tax increase to an astronomical 2600% or 26 times what we are currently paying.

Again, **Mutual Underwriters strongly oppose HB 2597**. Thank You for the opportunity to submit our written testimony. Should you have any additional questions, please do not hesitate to call me at 532-2888.

Sincerely,

**Mutual Underwriters**

**Business Insurance Services, Inc.**

615 Piikoi Street #1901

Honolulu, HI 96814

Tel: (808) 592-5023 Fax: (808) 592-5008

February 9, 2010

**TO:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

**FR:** Bob Gordon----Independent Insurance Agent

**RE:** HB 2597- Relating to General Excise Tax on Insurance  
Producers

As a property and casualty insurance agent since 1970, I thought I would write and express my concern over the pending legislation to increase our general excise tax.

At first glance, it would seem that we pay a small amount of excise tax and although that is true, my clients already pay this tax that is built into their premium and we pay the difference to even out to the excise tax that all consumers pay.

To charge us another 4%plus would be grossly unfair as we are not allowed to pass this tax on to the consumer. Even if we were allowed to pass this on, it would be grossly unfair to my many clients as they already pay this tax that is built into the rate for their policies. The percent charged for the excise may seem small, but it is not. Especially since we are already looking at a future increase in our Federal Tax rate.

I believe if you are to tax someone, it should be fair to all and in this case it is not. The excise tax is already being paid. Please consider this when making your decision.

Thank you.



**JERRY HAY, INC.**  
GENERAL INSURANCE

February 9, 2010

Marcus R Oshiro  
415 S Beretania St  
Honolulu HI 96813  
Conference Rm 308

Dear Mr. Oshiro

I am writing to you to express my opposition to HB 2597.

I am the president of a locally owned independent insurance agency that has been in business in Hawaii since 1967. We currently employ just over two dozen people. With the economy in its current state, we have found it necessary to reduce expenses by cutting benefits to our people. We did this rather than reducing staff in the hope of keeping all of the families that depend on us afloat in these difficult times. An increase in the GET would create a financial hardship in addition to its being unfair to insurance agents.

For as long as I have been in the insurance industry, our insurance carriers have been required to pay a tax on all premiums. Our insurance agency and I have been required to pay GET on commissions, without the ability to pass this tax on to our clients. As far as I know, no other industry is taxed in this manner or to this degree. In 1979 the State increased the premium tax to what is now the highest in the country, in lieu of increasing the excise tax on commissions. Now, I understand that the State is considering increasing the GET tax by 2,600 percent. The premium tax was increased to include GET on commissions, now the State wants to charge for GET again. No other industry has to pay this tax twice.

As for me personally, a year ago I brought my son-in-law into the business and am concerned that I will not be able to keep him employed should these changes be approved. He is the major of the support for my daughter and grand children. I consider myself one of the lucky ones in that my daughter and grand children all of which were born and raised here, are still able to live in Hawaii. It would be a loss to me and the State if they were forced to move to the mainland just to get by.

In the interest of fairness, we are a contributing member of the community, providing jobs and paying more than our share of the taxes. We already pay this tax by way of the premium tax and it is not fair to make us pay it twice.

Please do what you can to prevent this change with the understanding that is the right thing to do.

Errol Hopkins

President  
Jerry Hay, Inc.

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1163 S. Beretania Street  
Honolulu, Hawaii 96814  
PHONE 808.536.1933  
FAX 808.527.8843  
www.AskOxy.com



OCCIDENTAL  
UNDERWRITERS

February 9, 2010

Chairman Marcus R. Oshiro  
House Finance Committee  
Hawaii State Capitol, Room 306  
415 South Beretania Street  
Honolulu, HI 96813

Re: HB 2597

Dear Chairman Oshiro,

As both the President & CEO of Occidental Underwriters of Hawaii, Ltd. and a concerned constituent, I oppose HB 2597. Any tax increase at this time is bad and allowing this bill to pass will negatively affect my agency by having to cut more of our staff. With the downturn in the economy, we had no choice but to reorganize and downsize parts of our business in 2009. By passing this bill you will leave us no choice but to once again, tighten our belts and terminate additional positions.

As you may know, we are not allowed to pass on our taxes like other industries. Hawaii Insurance Laws prohibits any additional charges, fees or other considerations once the premium has been approved by the Insurance Commissioner. In other words, the stated premium must include all charges. This law protects the consumer.

The insurance companies we represent are levied a high premium tax rate to make up for any loss in State revenues.

Please consider all the constituents you will negatively affect by passing this bill. Thank you in advance for your consideration in this matter.

Sincerely,

Gordon Kagawa  
President and CEO

GK:jk

*Insurance & Investments*

Securities offered through Transamerica Financial Advisors, Inc. A registered Broker/Dealer and Investment Advisors. Member FINRA/SIPC.



Ron McQuaid, CIC  
President

February 9, 2010

**MEMORANDUM**

To: Rep. Marcus R. Oshiro

From: Ron McQuaid,

Subject: HB 2597 Relating to General Excise Tax on Insurance Producers

I'm presenting this testimony on behalf of not just myself or our agency's producers but on the welfare of the insurance agents in the State of Hawaii as a whole.

This issue was brought before the legislature in past years with powerful influence that gave reason to the variance. Our general excise taxes are already paid within the context of the premiums charged to our customers. We do not and cannot pass the general excise tax on to our customers. When a consumer in Hawaii purchases an automobile or hurricane policy, they pay the exact premium shown on their policy. The taxes are built-in to the premium, therefore, already collected and paid by the insurance carriers admitted in the State of Hawaii.

To double tax our industry will be a devastating levy on local insurance agency businesses who are trying to maintain themselves in this difficult economic climate. This whole bill is counterintuitive that will lead to counter-productive results and undesirable outcomes. In many cases, it will be too much for our small local agencies to pay and thus, will cause business closures and significant layoffs.

I own and operate a new insurance agency in town. We would like to think of ourselves as the future for Hawaii's insurance industry. As many agencies are maturing with their agents nearing retirement, we formed TransPacific Insurance Group to be the next generation of insurance agencies. However, with government actions such as this, it will be impossible for us bear the costs now to move forward towards the future. In no way can we afford an additional tax levy of 4% on top of our decreasing profits with increased labor and operational costs.

I oppose this bill that will cause my company significant hardship and a potential layoff of a forty-year old worker making \$35,000 per year with medical benefits. I will have no choice but to terminate an employee to make up for this difference in costs. Again, counterintuitive, counterproductive.....

Please support opposing this bill.

Mahalo,

Ron McQuaid, CIC  
President



## Thornton & Associates

800 Bethel St. Suite 200, Honolulu, HI 96813 PHONE: 808-526-9263 FAX: 808-792-5363 EMAIL:ryan@ia-hawaii.com

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February 9, 2010

To: Rep. Marcus R. Oshiro, Chair & Rep. Marilyn B. Lee, Vice-Chair  
Committee on Finance

Fr: Ryan Thornton, Business Owner, Independent Insurance Agent

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

Aloha Honorable Representatives,

I am a small business owner and I am compelled to add my voice in protest to this proposed legislation. My revenues are directly proportionate to the premiums my client's pay. As my commercial insurance customers' have seen their revenues dry up, the premiums that they pay have dwindled.

I have already seen my revenues decrease in correlation with the slowing economy, for example, one of my customers is a general contractor in Kona. Two years ago he paid a combined \$100,000 in premium for his general liability, workers' compensation, auto insurance, and property insurance. My commission for that premium was roughly 10% or \$10,000. Today that same contractor pays \$6,000 annually for those same policies, and still my commission is 10% or \$600.

I feel as though I am being unfairly targeted by this legislation. I am a small business and I employ four individuals to assist me in the servicing of my clients from Hanalei to Kau. At a time when I already must work harder for an average of 40% less revenue than I was earning for the same effort 4 years ago, I cannot afford an increase in my GET.

Neither can I pass along an increase in my GET to my customers. My customer's will not bear the burden of an increase in the GET, I alone with my employees will feel this burden. An increase in the GET for me means that my employees, their families, and my family will receive less each month. Please preserve the GET levels at their current rate and take care to preserve my already decimated industry from further taxation.

Sincerely,

Ryan Thornton  
Owner, Agent

**Andrew Ku**  
**Allstate Insurance Company**  
1314 South King Street Suite 752  
Honolulu, Hawaii 96814  
Ph: 593-8342 Fax: 593-9273

February 10, 2010

Re: HB2597 – Relating to General Excise Tax on Insurance Producers

Dear Committee on Finance,

As a taxpayer and a small business owner for last 9 years, I want to share with you what this GE Tax increase will do to my insurance business.

Due to declining economy and auto insurance rate decrease 'mandated' by the insurance commissioner last year, I reluctantly have to consider firing one of my 3 full time employees who have been with me for a combined 21+ years. If this GE Tax Increase passes, the question will now be not if but how many to let go. And this will be the same scenario for most insurance agents in Hawaii.

I also want to point out that currently 4.25% premium taxes are paid by insurance industry today to address the GE Tax for insurance producers. With the GE Tax increase, this premium may go away which will reflect almost zero net gain for the State.

Please oppose this bill.

Sincerely,

Andrew Ku Agency  
Allstate Insurance Company

Dear Rep. Marcus R. Oshiro, Rep. Marilyn B. Lee, and Honorable Members of the Committee on Finance,

We are a husband and wife team of independent insurance agents and we **oppose** HB 2597, Relating to General Excise Tax on Insurance Producers.

At first glance, HB 2597 may seem like a fair, common sense tax increase, especially at a time when The State is struggling to balance its budget and maintain services. We are definitely not opposed to paying our fair share of taxes, however, HB 2597 is anything but fair.

Unlike other professionals and businesses, independent agents are not allowed by law to pass any of the General Excise Tax back to our clients. Although it may seem like our industry is benefiting from a lower tax rate and The State is losing valuable tax revenue, the reality is that insurance companies include a Premium Tax in the premium charged to consumers. The Premium Tax insurance companies pay was increased to offset the loss of tax revenue when the GET rate for an independent agent's commission went from 4.0% to 0.15%.

As young agents just beginning our careers in the business, we are not financially able to absorb the additional tax burden. Increasing the rate from 0.15% to 4% will increase our taxes by 2600%, or by 26 times what we are currently paying.

The cost of living in Hawaii, especially on Maui, is very high and we are by no means extravagant individuals. We bring our lunch to work nearly every day. We drive a Toyota Prius to save on the cost of gas in our daily commute from Kula to Wailuku, and when visiting clients. We pay an \$800 plus medical insurance premium every month. We are willing to grin and bear these burdens in order to live and survive in Hawaii. We are not willing to bear the burden of additional taxes already paid by the insurance companies.

Sincerely,

Spencer W.H. Lau and Kristl J. Ito-Lau  
Independent Agents of Atlas Insurance Agency, Inc.

# Memorandum

February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

From: Ladd Y. Tsutsuse  
Independent Insurance Agent  
Business Insurance Services Inc.

Re: HB 2597 – General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference  
Room 308

The purpose of the memorandum is to express my opposition of House Bill 2597; which proposes to increase the GET tax on insurance policy commissions.

My professional experience in the property and casualty insurance field spans over 20 years, and have witnessed the hard and soft swings in the industry over the years.

My customer base ranges from small sole proprietor operations, specialty contractors, cattle ranches, ground tour services, handicap services to car dealerships; all of which has been affected by the hard economic times we have faced during the past three years.

The proposal to increase the GET tax on insurance commissions will have a detrimental financial impact all the businesses in Hawaii, as many of them have been operating on the edge just trying to survive through the hard times. HB 2597 proposes to increase the GET tax by as much as 26 times, which will surely put many out of business.

Personally, my income for 2009 was less than \$40,000; much due to many of my customers going out of business or not being able to pay their expenses. One of my largest customers made the Hawaii Top 250 for years; but has since downsized over 90%, filed for bankruptcy and is currently tied up in various lawsuits.

While they have been loyal to me through the years, the decrease in revenue from an account like this has severely affected my income for the past three years.

Should HB 2597 become law, I may not be able to continue as an independent insurance agent, as they increase in taxes paid will surely hurt my family as well as my loyal customers.

We oppose HB 2597 and kindly suggest that you recommend this bill not be passed.

## WILLIAM F. JONES INSURANCE AGENCY, INC.

All Lines Of Insurance

P.O. Box 1539

Kailua-Kona, Hawaii 96745

Kuakini Commerce Center

Suite 201

Phone 808 329 3131 or FAX 329 3133

February 9, 2010

FAX 800 535 3859

Mr. Marcus R Oshiro

House Committee on Finance

Subject: HB 2597

I am both an insurance producer and a principal of an independent insurance agency. I am in opposition to above bill.

Most in insurance industry have seen reduction in income due to the economy. Our agency has tried hard to avoid layoffs but especially principals and to a lesser extent others have already seen major reductions in income. If we are forced to pay a 2600% tax increase we at the very least will not be able to do any hiring for a long time to come.

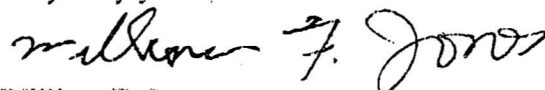
I have been in the agency side of insurance since 1972 doing primarily Property and Casualty.

In 1979 records will show that companies agreed to an increase in premium tax that compensated for lowering tax for agents as premium tax was easier to pass on. It is still best that premium tax agreed to in 1979 remain as the primary tax for insurance.

Insurance is highly regulated. We do not have ability to adjust commission income to offset tax increases levied by the state.

Our agency, and probably most other agencies, cannot afford additional expense of any kind at this time. We should not be singled out as a business that can afford a 2600% tax increase. We do not want to be forced to lay off people that would add to unemployment rolls.

Very truly yours,



William F. Jones



**Hawaii Insurance Consultants, Ltd.**  
Six Waterfront Plaza, 3rd Floor  
500 Ala Moana Blvd.  
Honolulu, Hawaii 96813  
808.543.9789  
808.528.2193 Fax  
1.877.543.9789 Neighbor Islands Toll-Free

February 10, 2010

**TO:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair

**FROM:** Earl N. Hisatomi, Vice President  
Hawaii Insurance Consultants, Ltd.

**RE:** HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00pm Conference Room 308

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My name is Earl Hisatomi, Vice President with Hawaii Insurance Consultants, Ltd and I'm submitting testimony in OPPOSITION to HB2597.

In the formulation of this bill, many have forgotten the reason for changing the General Excise Tax from 4% to the current .15%. Your fellow legislators in the 70's recognized that the insurance producer was prohibited by State Statutes (Section 431: 10-218) from passing any taxes on to their clients. The Legislators chose to reduce the taxes from 4% to .15% and to increase premium taxes paid by the insurance companies to offset the revenue loss. In lieu of the General Excise Tax, the legislators chose the premium tax alternative. I consider this the best approach to the issue and it should be retained.

Needless to say that if HB 2597 is enacted, that many insurance agencies and producers will have to examine their viability in the insurance business. Down-sizing, furloughs, staff reductions or "chucking it all in" will have to be major considerations, especially in a "soft" insurance market that we have been experiencing these past few years.

I strongly urge you to oppose this legislation.

Thank you for the opportunity to offer this testimony.



National Association of Insurance and Financial Advisors Hawaii  
516 Kawaihae Street, Suite E Honolulu, HI 96825  
Phone: 394-3451

### **House Committee on Finance**

Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

Date of Hearing: **Wednesday, February 10, 2010 – Agenda #3**  
Time: **4:00 pm**

RE: **House Bill 2597 – Relating to General Excise Tax on Insurance Producers**

Chair Oshiro, Vice Chair Lee and members of the Committee, my name is Cynthia Hayakawa Takenaka, Executive Director for the National Association of Insurance and Financial Advisors (NAIFA) Hawaii. Our organization is made up of insurance agents and financial advisors throughout Hawaii, who primarily sell life insurance, annuities, long term care insurance, disability income, and some members also sell property and casualty insurance.

**We are strongly opposed to HB 2597 that was introduced by the administration.** This bill will increase the general excise tax ("GET") on insurance commissions earned from the sale of insurance products from 0.15% to 4% -- a 2,600% increase.

Many insurance agents/producers although representing an insurance company or a multitude of insurance companies are not employees of the insurance company but operate as independent contractors and therefore subject to the GET. The contractual arrangements vary with the individuals and companies – some are employees and do not earn insurance commissions so are not subject to the GET.

**The GET rate on insurance commissions was set at 0.15% from 4% on general agents & subagents and from 2% on solicitors by the 1978 Legislature.** Back then, there was a tiered licensing structure but today, an insurance agent is known as a "producer" under Hawaii state law and all insurance commissions are taxed at 0.15%.

**The noteworthy point is that since there would be a loss in tax collection in the reduction of the GET rate on insurance commissions,** the Legislature decided after a Legislative Reference Bureau study by Lester Ishado titled, "A Study of Hawaii's General Excise Tax on Commissions" dated December 1977, Request No. 0578-A, via Senate Resolution No. 456, SD1 in 1977 – **that the premium tax would be increased on the insurance companies.** The premium tax is an "in lieu" tax of the GET.

The LRB/Ishado study looked at the commissions earned in other independent contractor sales occupations and **the statutory prohibitions imposed by government** on those occupations that couldn't "pass on" the GET. The study also stated that statutory constraints are very different from economic competition, business practices or customs or contractual constraints which may prevent other occupations with independent contractor status from passing on the GET.

The study had 4 alternative recommendations:

- Status quo – have agents continue to pay the GET at 4% & 2%;
- Reduce the GET rate to 0.15% (the actual tax burden if the tax was to be "passed on") or complete exemption from GET;
- Increase premium tax rate to make up for loss from GET from agents commissions;
- Allow the "passing on" of GET at 4% by amending the statute (discussion below).

The Legislature chose the 0.15% GET rate & to increase the premium tax on the insurance companies. The insurers in turn could include the tax liability into new premium rates that would need approval by the Insurance Commissioner.

In 1978, Governor Ariyoshi signed into law Act 144, effective January 1, 1979. The property & casualty premium tax rate was increased by 12.6% & the life insurance premium rate was increased by 9.3% in the 1978 legislation.

**This is a very unique and different way of paying the GET on insurance commissions as compared to how others pay the GET.** On the surface, the producers are paying 0.15% on their insurance commissions. **However, since 1979, the insurance companies took on the tax burden by including the loss in state revenue from insurance commissions, included it into the premium amount and indirectly passed it on to the policyholders.** The tax did get passed on to the insurance consumer but not in a visible way as when goods are purchased in Hawaii.

**Actual Tax Burden:** Why the 0.15% GET rate? A customer pays \$1.00 plus GET of 4 cents. The merchant is liable for \$1.04 or 4.16 cents in taxes. Since the customer already paid the 4 cents, the merchant pays 0.16 cents for the \$1.04 in income – the tax burden is 0.15%. The insurance commission GET rate is 0.15% -- **the actual tax burden of those who are able to pass on the tax.** This was back in 1978.

Underlying all this, is the very reason for the 0.15% tax rate on insurance commissions. Insurance agents worked on seeking equity and fairness for about 16 years prior to 1978 since they were **not** able to pass on the GET to customers/policyholders due to statutory prohibition as follows.

The Hawaii Insurance Code (Hawaii Revised Statutes Section 431:10-218) states:

**§431:10-218 Stated premium must include all charges.** (a) The premium stated in the policy shall be inclusive of all fees, charges, premiums, or other consideration charged for the



insurance or for its procurement. This subsection shall not apply to surety or group insurance contracts.

(b) No insurer or its officer, employee, producer, or other representative shall charge or receive any fee, compensation, or consideration for insurance which is not included in the premium specified in the policy. [L 1987, c 347, pt of §2; am L 2002, c 155, §45]

The law prohibits the "passing on" or "shifting" of the GET to the insurance consumer due to the **stated premium not including any extra charges**. The Insurance Commissioner approves premium rates & once that rate is set, no other charges. This section also relates to consumer protection.

There's another section in Hawaii's insurance code to further reinforce 431:10-218, HRS:

**§431:10-220 Policy must contain entire contract.** (a) No agreement in conflict with, modifying, or extending any contract of insurance shall be valid unless in writing and made a part of the policy.

(b) No insurer or its representatives shall make any insurance contract or agreement relative thereto that is not plainly expressed in the policy.

(c) The requirements of this section shall not apply to the granting of additional benefits to all policyholders of the insurer, or a class or classes of them, which do not require increases in premium rates or reduction or restrictions of coverage. [L 1987, c 347, pt of §2]

Although it looks as if there's a "favorable" GET rate on insurance commissions – the fact is that the GET has been and continue to be paid by the premium tax that was the trade off back in 1978.

- In 1978, \$728,406 was collected from insurance commissions;
- In 1979 after the insurance commission tax rate was reduced, \$358,497 was collected
- Premium taxes received in 1978 was \$17.2 million;
- **In 1979 after the premium tax rate was increased, \$21.4 million was collected;** in 1980 \$23.5 million was collected; in 1981 \$25.9 million was collected.
- There is a significant difference between 1978 & 1979 tax collections since there was about \$2 million gain per year from 1976 to 1977 and 1977 to 1978. The 1980 collection was \$23.5 million and the 1981 collection was \$25.9 million.

Since the GET cannot be passed on to the insurance consumer due to statutory prohibition, the fact remains that the premium tax was increased to offset the loss in revenue from the lowered tax rate on insurance commissions. There was no loss to state coffers in 1979 when the law was changed. The GET on insurance commissions are paid differently from others subject to the GET. The criticism of this lowered tax rate is unfair due to the lack of understanding of the highly regulated business of insurance.

Insurance is a financial product unlike the sale of goods. In addition to the insurance part of the policy, it's also regulated for consumer protection issues, it's determining which insurance product best suits the clients' needs – assessing financial worth and risk, recommending plans to insure applicable risks and insurers set premium rates with the Insurance Commissioner's approval.

The 1978 legislation was about equity and fairness. HB 2597 is double taxation.

We ask that this measure not move forward.

Mahalo for this opportunity in sharing our viewpoint.

February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

From: David Kinoshita  
Independent insurance agent through Business Insurance  
Services, Inc.

**Re: HB2597 – Relating to General Excise Tax on Insurance**

I have been an independent insurance agent since 1988. Over the past 5 years, as an insurance agent specializing in servicing Hawaii's businesses, as my customers benefited from the 5 consecutive Workers Compensation insurance rate reductions which reduced the insurance premium they had to pay. To further benefit my insurance customers, we researched additional ways to reduce their insurance premiums. The better I was able to help my customers reduce their insurance expense, the more I actually reduced my income. That is OK. As independent agents, we should pride ourselves in being able to be of service to our customers.

And, as their businesses' gross sales decreased and the payroll of their employees decreased, my income as an independent agent reduced by near the same percentage. In this recession, independent agents have suffered alongside many of Hawaii's businesses, working harder for less income.

But, now, HB2597, if passed will **unfairly discriminate against independent agents**. While most of Hawaii's businesses are assessed a 4% GET tax, these same businesses are allowed to pass this cost onto consumers of their products. However, independent insurance agents by insurance law are prohibited to pass onto consumers, the 4% of the GET tax. In effect, if passed, HB2597 will have independent agents pay .0416 GET tax rate, or 26 times .0016. This is very unfair. I ask that you reconsider this bill and support what is fair. Please oppose HB2597. Thank you for your consideration.

**Testimony to the House Finance Committee**  
**Wednesday, Feb. 10, 2010 4:00 p.m.**  
**Conference Room 308, State Capitol**

**Re: House Bill 2597 Relating to General Excise Tax on Insurance Producers**

Chair Oshiro, Vice-Chair Lee, and committee members:

We are providing testimony on behalf of a group of 55 independent State Farm Insurance Agents and small business owners. We are opposed to HB 2597.

As a group, we currently provide 160 full time positions and 23 part time positions throughout the State of Hawaii. Increasing the GET 2667% on Insurance Producers as proposed will have a tremendous impact on our businesses as we are prohibited from passing on this additional tax to our customers. As a result, we anticipate this will have the following impact on our businesses:

- 14 full time positions will be eliminated
- 19 full time positions will become part time
- 8 part time positions will be eliminated
- 30 additional full time positions which were planned will not be filled.

So, although we are only 55 small business owners, your proposed increase will affect 71 employment positions in the State of Hawaii within our group alone. The impact of this increase to the State of Hawaii for all independent insurance agents is substantial.

The following is additional information with respect to the proposed GET increase for Insurance Producers:

- Insurers already pay premium taxes on insurance premiums at a rate of 4.265% for P&C insurers and 2.75% for life insurers.
- The current tax rate is at 0.15% for insurance commissions because law prohibits "passing on" the GET to the consumer.
- This current 0.15% rate is based on the actual tax burden of those who are able to pass on the tax. The rate was reduced in 1979 because the higher rate was an unfair burden to insurance agents who could not, by law, pass the tax onto the consumer.
- To offset the reduction in insurance commission taxes, the insurance premium tax rates were increased in 1978. This increase more than offset the reduction in GET taxes on insurance commissions. GET on insurance commissions decreased by \$370,000 between 1978 and 1979 after the rate decrease. Insurance premium taxes increased by \$4.2 million between 1978 and 1979 after the rate increase. Total revenues from insurance premium taxes for 2008 were \$103.4 million according to the Insurance Commissioners report.
- Independent insurance agents are small business owners who will have to carry the burden of this 2667% increase on their own.

Thank you for the opportunity to testify.

We'd be happy to answer any questions. Please direct your questions to Margaret Yamashita at 783-7663.

Respectfully Submitted,

Anita Diniega  
Brandon Bell  
Cary Ichinose  
Chad Santiago  
Charmaine Yee-Hollison  
Cindy Perkins  
Darrellyn Lemke  
Dean Nomura  
Dee Ann Lee  
Dennis Sumimoto  
Frelynn Kahalehili  
Gary Nakamura  
Guy Matsumoto  
Iris Kuwaye  
Jay Kaneshige  
Kaina Kauahi  
Kelly Harada  
Ken Chun  
Wayne Midro  
Kevin Takahashi  
Kiha Tirrell  
Lance Migita  
Larry Bolibol  
Larry Welsch  
Les Mitsuka  
Lori Pasion  
Scott Harada  
Herb Fujikawa  
Cynthia Frost  
Eric Kaneda

Will Liu  
Mark Middleton  
Mark Rich  
Nathan Tachino  
Nelson Fukuhara  
Paul MacDonald  
Randy Nishii  
Rayna Man  
Rich DeSa  
Ron Ohira  
Rosten Tsuha  
Roy Burnett  
Ryan Souza  
Sandy Gomes  
Scott Saito  
Shelli Toguchi  
Skip Koenig  
Susan Ihle  
Tina Tay  
Toni Lathrop-Lee  
Wayde Omura  
Wayne Yamauchi  
Wendell Leong  
Wes Stewart  
Margaret Yamashita



February 9, 2010

TO: Committee on Finance  
Representative Marcus R. Oshiro, Chairperson  
Representative Marilyn B. Lee, Vice Chairperson

FROM: Gregory H. Tsuda, CPCU; an Independent Insurance Agent

RE: HB2597 – Related to General Excise Tax on Insurance Producers

HEARING: Wednesday, February 10, 2010 at 4:00 PM; Conference Room 308

I am an independent insurance agent licensed to sell Property & Casualty and Life & Disability insurance in the State of Hawaii. I have been licensed since 1974 and count numerous individuals and businesses as my clients and over the years they have become my personal friends.

I am opposed to the passage of HB2597 because it would place an unfair tax burden on me as an individual. It is unfair because unlike retail establishments I cannot pass the tax on to my clients and my income is already being taxed as a self-employed professional.

If such a tax were in place in 2008, my General Excise Tax would have increased by 2,556% based on a gross income of \$77,700. That would be an additional \$3,000 tax burden on top of the Federal & State income and Sales taxes that I already have to pay. That tax burden would be \$3,500 this year based on my estimated General Excise Tax filings for 2009.

The increased tax burden would be sufficient to make me consider changing jobs or working for a salary. If I change jobs, my clients would have to find another insurance agent and with more and more people purchasing insurance over the internet there are fewer and fewer qualified individuals entering the sales force. If I decide to work for a salary, then my salary is not subject to the General Excise Tax. Either way, the consumer or the State of Hawaii would ultimately lose.

I will follow with interest the progress of this bill.

Yours truly,

A handwritten signature in black ink, appearing to read "Gregory H. Tsuda". The signature is fluid and cursive, with a large loop at the end.

Gregory H. Tsuda

**BUSINESS INSURANCE SERVICES, INC**  
**615 PIKOI STREET 1901, HONOLULU HI 96814**  
**TEL: 808-592-5038 FAX: 628-6964**

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February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

Fr: Stanley S. Yamagata, Jr.  
Independent Property and Casualty Agent

Re: HB2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 p.m. Conference Room 308

My name is Stanley S. Yamagata, Jr. an independent insurance agent for over 40 years. During that time I have been a property and casualty agent assisting individual families and businesses. I have developed a close association with my customers who believe in my honesty and credibility. I have already been talking to a few of my customers of the unfairness if bill HB2567 is passed. We, in effect would be taxed 26 times more than what we are paying now. Trust that I will not be a silent minority in this matter.



**JERRY HAY, INC.**  
GENERAL INSURANCE

Feb. 10, 2010

Mr. Marcus R. Oshiro, Chairman  
House Committee on Finance  
FAX: 586-6001

RE: HB 2597

Dear Mr. Oshiro,

I am an independent insurance agent with Jerry Hay Inc. I feel that this bill would be detrimental to me and my industry, and I am opposed to it.

As you may know we cannot pass on the general excise tax(GET) to our policy holders, by the law that was enacted in 1979. My income has gone down in 2009 by 20% and I expect the same in 2010 due to the tough economic times that my clients are going through in Hawaii. The insurance companies can pass the general excise tax increase along to us but we cannot pass it along to our clients.

Please do the right thing and kill this bill. The focus should be on cutting State government and not taxing its citizens.

Sincerely,

Robert S. Ostrem, Jr.  
Insurance Agent



**Business Insurance Services, Inc.**

615 Piikoi Street #1901

Honolulu, HI 96814

Tel: (808) 592-4057

Fax: (808) 356-3306

jshiraki@bisihi.com

February 9, 2010

**TO:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

**FR:** Jennifer J. Shiraki

**RE:** HB 2597 – GET Tax on Insurance Producers

As a new insurance producer, making a mere \$30,000 annually, this bill will put a huge burden on my finances. Another 4% tax added on top of the .15% will be the straw that broke the horse's back. There is no way that I can survive financially with this added expense. Should this 4% tax be added on, and I am unable to pass it to the consumer, this will be a huge financial burden. I may have to go on welfare.



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**House Committee on Finance**

Emailed testimony to: FINtestimony @capitol.hawaii.gov

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

From: Karen Hong, Finance Insurance, Ltd.

Date: Wednesday, February 10, 2010, 4:00 pm  
Conference Room 308

Subject: Opposition of **HB 2597 – Relating to General Excise Tax on Insurance Producers**

I am an independent insurance agent working on commission at Finance Insurance, Ltd.

I consider myself a small businessperson who works in a regulated industry. I am the last link in a long chain of events when a person or business buys insurance coverage.

Unlike other commissioned sales people, HRS 431:10-218 prohibits us from passing any taxes on to our clients. The premium itself must contain all charges including taxes. The insurance commissioner needs to see all costs so he or she can determine if the rate is adequate to pay the losses and make sure the insurer is solvent.

In a retail sale, the full tax is paid for by the customer as the last step. In insurance transactions, the tax is already included.

For example, a real estate salesperson can negotiate their commission with the client to include any taxes they will need to pay. If they need to pay 4%; they can charge 7%. Insurance agents are not allowed to do so since the premium is fixed at the company level by the insurance commissioner. The expenses are also fixed within the premiums, so any negotiation of commissions, (which will happen should this law pass), will cause premiums to increase.

So, if the tax is collected within the premium, then to charge 4% at each level (company, agency and agent) is collecting the tax three times over.

I pay a Hawaii State income tax and consider commissions as my wages. I can deduct the amount I pay in GE tax, but it's a deduction, not a tax credit. This will definitely affect my net income.



FINANCE INSURANCE LTD.

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If the objective is to be fair and have all sales people pay the same GE tax, you would need to allow the agent to pass on the tax to the consumer. Would it also be fair to collect it in the premium at the company level a second time and the insurance agency level a third time? I think not. The entire insurance rating system would have to be revamped to be fair.

Such a drastic increase in taxes (2600%) especially to a selected few will cause hardship among those still trying to make a living selling insurance on a personal basis.

Thank you for the opportunity to testify in opposition of HB 2597.

Please feel free to contact me at 808-522-2095 if you have any questions.

# Fax Memorandum

**To:** Marcus Oshiro, Chairman-House Committee on Finance  
**Fax:** 586-6001  
**From:** Tay W. Perry, Vice President, Jerry Hay, Inc.  
**Date:** February 9, 2010  
**Re:** HB 2597 and Related Bills

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I have been an insurance agent in Hawaii since 1960. I am also a principal in a local insurance agency that employs over 23 persons. I am testifying against the above bill(s)

The State Legislature reduce the GET tax on insurance commissions from 2% to .15% when the effort of the state was to raise the GET to 4%. Underlying this action is the fact that the insurance companies pay a 4% premium tax on all premiums in the state. Incidentally, this premium tax is the highest of any state in the United States. The companies pay this tax on behalf of the producers, because the producers are prohibited by law to add the GET on their commissions to the amount that the public pays for their insurance. The .15% amount is to bring the total tax on premiums to the level that other GET taxpayers pay due to the tax on the tax collected. WE maintain that the insurance industry already pays their fair share of state taxes and the further increase of these taxes would be unfair.

The proposed increase to 4% will amount to a 2,670% increase in the tax which is unheard of in recent history..

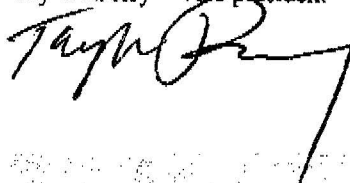
This increase will have an effect on our agency operation in that we have been fighting economic decline and trying to hold on to our employees who have been doing their best to make enough to retain their jobs. If this bill becomes law we may have to lay off 15 to 20% of our employees If the economy does not improve.

The ability to pass on the tax to the consumers by the producers would be difficult even if state law allowed it. Many of the insurance companies who do direct billing would not be readily able to handle these transactions due to different commission rates on different types of policies.

We request that you review the actions of the 1979 legislative action and the related legal activity before you recommend the enactment of this bill.

Respectfully submitted,

Tay W. Perry - Vice president



**HIIA*****Hawaii Independent Insurance Agents Association***

Faxed to 586-6001

February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

From: Sonia M. Leong, Executive Director  
Hawaii Independent Insurance Agents Association

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

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Dear Chair Oshiro & Members of the Committee on Finance:

My name is Sonia Leong, Executive Director of the Hawaii Independent Insurance Agents Association. HIIA is a non profit trade association of Property & Casualty Producers with over 600 producers and staff. We are also the state affiliate for the Independent Insurance Agents & Brokers of America founded in 1896. Our independent producers represent more than one insurance company which allows our clients a wide choice of coverage and distinguishes us from company-employed agents.

The Hawaii Independent Insurance Agents Association (HIIA) is submitting testimony in **opposition** to HB2597 which proposes to increase the GET on insurance commission to 4%.

While we understand that the bill's intent is to seek parity among the different industries, we must explain the history of the relationship between the "in lieu" premium tax paid by the insurance companies and the general excise tax paid by the insurance producers to show that the insurance producers are paying their fair share.

- After completing an depth study done by the Office of the Legislative Reference Bureau with cooperation from the Department of Taxation and Department of Regulatory Agencies, the Legislature decided to increase the "in lieu" premium tax paid by the insurance companies to offset the revenue lost by adjusting the GET rate for insurance producers. The premium tax is imbedded in the rates when the insurance product is sold by our independent producer.
- Insurance premium rates are highly regulated and reviewed by the State Insurance Division. The Premium tax rate varies by the line of business and the companies file once a year. In year ending 2009, \$93,720,023 was paid in Premium Tax.
- Unlike other professional services and product sales, Insurance producers are prohibited by law to pass on any taxes to their clients.
- The impact of increasing the rate from 0.15% to 4% translates to an actual tax increase to 26 times over what they are currently paying. Many of the producers will not be able to stay in business.

Thank you for the opportunity to testify.

Phone: (808) 531-3125 • Fax: (808) 531-9995 • Email: [hiaa@hawaii.rr.com](mailto:hiaa@hawaii.rr.com)  
84 North King Street, Honolulu, Hawaii 96817



**JERRY HAY, INC.**  
GENERAL INSURANCE

2/9/2010

Mr. Marcus R. Oshiro Chairman  
House Committee on Finance

Subject: HB 2597

I am both an insurance producer and a principal in an independent insurance agency, and I stand in opposition to the above bill.

In 1979 the legislature in its wisdom reduced the amount of general excise tax (GET) paid by insurance producers from 4% to .15%. At that time we were (and still are) unable to pass this cost along to our policy holders by law. At that time the State increased the amount of premium tax paid by the insurance companies to make up the difference in the loss of income to the State. The insurance companies in the State of Hawaii pay the highest premium tax rate of any other state in the nation. They have taken on the burden of paying for their independent agents because they can pass it along with increases in premiums. Agents cannot.

Increasing the GET tax rate to 4% is in essence a 2600% increase in our taxes. The impact will be severe both on a personal level and on a corporate level. The agency will be forced to cut the commission level to the agents and possibly lay off support staff. This is particularly difficult as we are already experiencing salary freezes and our agents have had their income reduced due to the current economic downturn. Personally I saw a 13% decrease in income in 2009 and expect to see another 15% decrease in 2010. This is before the increase in taxes. We have figured that the additional cost to the agency will be approximately \$65,000. This is in addition to the proposed increase in unemployment tax that the State is planning to levy.

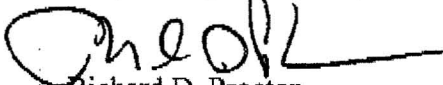
If the State were to enable us to pass this additional cost along, it would create an administrative nightmare. Much of our commission income is generated by direct billings from the insurance company to the policyholder. Some of these billings are generated from the mainland. These companies would not be able or willing to adjust their billings to reflect the additional commission charged on each policy. These commissions vary by type of policy. They are not uniform. They range from 5% to 20% of the total premium for property and casualty policies. The average commission for Jerry Hay, Inc. is 11.5%. Bottom line is that we could not pass it along consistently, even if we were able to.

In summary, the insurance industry is highly regulated by the State, and we do not have the ability to adjust our commission income to offset tax increases levied by the state. The premium tax paid by the admitted insurance carriers is intended to pick up the excise tax that is not paid by their agents. The agencies cannot afford to incur additional

Page 2

expense at this time because of the downturn in the economy coupled with a reduction in premiums due to competition. Insurance agencies are like any other business when it comes to meeting payroll; paying rent; and paying taxes. We should not be unfairly singled out as the type of business that can afford this unreasonable tax increase. This bill is unfair to our industry and to me personally.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "R. Proctor", with a long horizontal line extending to the right.

Richard D. Proctor  
Vice President

Date: 02-09-2010  
From: Serry Shih Shao, CLU, ChFC, CFP  
To: Financial Committee  
Hawaii State Legislature  
Re: HB2597

My name is Serry Shih Shao, a life and health insurance broker with Pacific Insurance Services, LLC. I have been selling life and health insurance since 1991. I oppose the HB2597. The low GET rate of .015% on my insurance commission income has been the main key to help me surviving in the insurance business since 1991. In this difficult economic time, increasing the insurance commission GET rate from 0.15% to 4%, a one time 2,600% jump, is a pay cut to all the insurance agents and brokers. Please be aware that unlike GET from selling other products, the GET from selling insurance products cannot be passed to the consumers because the Hawaii insurance laws prohibit any additional charges, fees or other considerations once the premium approved by the Hawaii State Insurance Commissioner. The insurance agents and brokers have to pay them from their own pockets. In addition, selling insurance is a commission only job. Almost all of the insurance agents and brokers (including myself) are self-employed. Agents and brokers never claim any un-employment benefits although we do not have any production in many months or even a year. The lower GE tax on our commission income truly help us to prepare for the rainy days.

Sincerely,

Serry Shih Shao, CLU, ChFC, CFP



HOUSE OF REPRESENTATIVES  
THE TWENTY-FIFTH LEGISLATURE  
REGULAR SESSION OF 2010  
FINANCE COMMITTEE

February 8, 2010

For Hearing 4:00 PM Wednesday February 10, 2010 Conference Room 308

RE: HB2597

The Honorable Representative Marcus R. Oshiro, Chair  
The Honorable Representative Manlyn B. Lee, Vice Chair

To the Honorable Chair, Vice Chair, and Finance Committee Members,

RE: HB2597. I OPPOSE the increase in taxation for insurance agents, brokers and representatives on Commission Income.

First is the question of total taxation on income. We already pay an income tax on our commissions. Second, although most of us begrudgingly accepted the imposition of an "excise" tax on our commissions of .15%, one that we cannot by State Law pass on to the general public, the NET EFFECT of the .15% EXCISE TAX is the same for us as it is for others who can pass it on. Further, insurance companies, who operate in Hawaii, have an increased tax burden imposed in 1978 to make up for any revenue loss this .15% represented.

A typical business collects the 4% excise tax and itself is charged an additional 4% on that collection. The 4% collection charged the enterprise on the tax collection amounts to a net .16% net tax on the business. The .15% we pay is an acceptable amount when you look at it and if you are looking for FAIRNESS, then increase our share to .16% that others pay and not to an unsustainable 4%.

What you are proposing is an **unconscionable 2600%** increase in our taxation and a further burden to many who have already seen reduced commissions due to the extremely poor economy suffered by this State.

We oppose this unreasonable and morally unacceptable tax burden to insurance agents, brokers and representatives who already are working in a very poor business environment.

Much Aloha,

Tom Lodge, ChFC, CLU  
16-1596 Pahoa Hwy  
Keeau, HI 96749  
808 982-4747  
808 960-3394 Cell

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:05 AM  
**To:** FINTestimony  
**Cc:** dk@dchkim.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Dennis C.H. kim  
Organization: Individual  
Address: 94-309 Maialohe Place Mililani, Hawaii  
Phone: (808)625-2500  
E-mail: [dk@dchkim.com](mailto:dk@dchkim.com)  
Submitted on: 2/9/2010

### Comments:

This is an amended testimony that was just submitted. The second paragraph was not clear enough.

My name is Dennis C.H. Kim and I am a resident of Mililani. I have been in the insurance business since 1974 and feel that this bill is anything but fair.

Has there been any other tax that has been increased by over 2000%?

I was in the business when the current tax rate was agreed upon between the insurance companies and individual producers. The "fairness" was that the tax burden on most insurance businesses and commissioned agents could not be passed on to clients since the State of Hawaii regulate insurance rates. Yes, it is true that some sales people choose not to pass on the sales tax, but the point is they CAN pass it on, while we CANNOT. So the tax burden that most businesses really pay is .16%. On top of that the compromise was also to allow the state to tax insurance companies a premium tax which they then included in their rate structure. So your plan to increase both the premium tax on insurance companies and on individual producers seem to be anything but fair.

I am probably a few years away from retiring from this great industry, so I am not testifying against this bill for myself. I just want fairness for those who follow me including my son who I am training to take over my business. Having been a manager for Beneficial Life Insurance Company for most of my thirty-five years in this industry, I have seen many new agents struggle to make ends meet when they first enter the insurance field. This tax will add to their financial burden, and may even become a reason for them to leave this business. If enough agents leave, then the public will suffer because there will be less agents providing this valuable product to clients.

I have many more feelings about this bill, but do not have time or space to provide even more detail, so I'll close here.

All I want is FAIRNESS, which this bill does not provide.

Melville D.K. Jones  
2145 Wells St, Ste 405  
Wailuku, HI 96793

RE: HB2597 – Increase in Insurance Agents GET

To Whom It May Concern;

I am opposed to the HB2597 for the following reasons. The increase in the GET from .15% to 4% is unfair. The reason for the unfairness is I am not able to pass on this "TAX INCREASE" to the end user, the consumer. The mechanics of our business makes it impossible to pass on this tax (monthly recurring premiums, renewal commission, commission charge backs, policy changes that affect premiums/commissions, policy cancellations).

The tax on the original product (insurance) is computed in the insurance premium and is paid through the Insurance Premium Tax which is paid by the carriers we represent (which by the way is already the highest in the country). Our .15% represents our "right to do business in Hawaii" portion of the GET tax.

If you buy a \$1.00 bottle of water in "my" store, you (consumer) must pay the 4% state tax on your purchase or \$1.04 for your water. I as the store owner am able to pass on that tax to you and now I am required to pay my 4% on that 4% I collected "for right to do business in Hawaii" which is equivalent to the current GET of .15%. An in depth study was done 1979 regarding an insurance agents GET tax basis which in essence said by right we should NOT have to pay any GET as it is imputed in the actual premium already collected. However in fairness we are paying our fair share of the GET at .15%.

If we are held to the GET increase of 4% the impact on my business as well the local insurance marketplace would be detrimental. I will have to adjust my current and future business model and will most likely reduce consumption by cutting back on purchases for my business like new equipment and possible not increasing my staff or worst reducing my current staff through layoffs.

Increases in our GET, as well as an increase in the Insurance Premium Tax will mostly likely force carriers to re-think their opportunities in the Hawaii market place. We have only recently been seeing carriers "wanting to do business here where the market is small but the potential profitability is great. With these increases it will result in carriers leaving the State and limiting the choices available to the consumer.

# Memorandum

**To:** Hawaii State Legislature

**CC:**

**From:** Steven R Markham

**Date:** 2/9/2010

**Re:** HB 2597

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I would like to address the proposed bill as I reflect on how it will directly impact not just my personal practice but to my employees and constituents. The proposed bill will have an immediate impact in the following areas:

1. I currently employ two individuals and pay them a modest salary of \$27,000 and \$23,000 per year. If the bill is passed than my first adjustment would be to cut salary and hours. I cannot generate more commission with the state of the economy this year and even into 2011 to make up for the new tax.
2. This now has a trickledown effect on my employee's compensation and taxable income. Simply said, they will have their hours reduced to facilitate the "new tax" burden that I will be assessed.
3. The GE Tax on insurance commissions was lowered to 0.15% in 1979 and the premium taxes on the companies were increased to make up for the loss in revenue, why then do we need to tax the producer again. This is another example of double and triple taxation.
4. The GE cannot be "passed on" to the policyholders/insurance clients unlike other professions or independent contractors or when products are sold in Hawaii.
5. Hawaii insurance laws prohibit any additional charges, fees or other considerations once the premium has been approved by the Insurance Commissioner. The stated premium must include all charges. This is also a consumer protection issue. **This is a 2,600% increase in the GET rate from 0.15% to 4%!**
6. The producers' GE tax rate on insurance commissions is a very unique way of paying the GE tax. Yes, the 0.15% is the actual burden of the 4% GE tax rate that you pay, but the **insurance companies were levied a higher premium tax rate to make up for that loss in revenue from insurance commissions back in 1978 when the law was changed.**

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 9:12 AM  
**To:** FINTestimony  
**Cc:** cmitsui@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Cory Mitsui  
Organization: Individual  
Address: 615 Piikoi St, Ste 1901 Honolulu, Hi 96814  
Phone: (808) 592-4229  
E-mail: [cmitsui@bisihi.com](mailto:cmitsui@bisihi.com)  
Submitted on: 2/9/2010

Comments:

I would like to make it clear that I OPPOSE this bill!

My name is Cory Mitsui and I have been in the insurance industry for 10 years. I have successfully completed the education and experience requirements to hold the designation of CFP.

The reason that I am in opposition of this bill is that it will do more harm than good. First, I understand that the insurance companies were already increased in order to makeup for the lower GET on insurance producers. Second, we as insurance producers are not able to pass on taxes to our insureds and will not be able to make up the difference. Essentially what this will lead to is a double taxation that the consumer will ultimately pay.

If the tax goes through, medium sized companies like mine (with over 100 employees) will need to either cut positions or fold altogether due to the increase in tax dollars. I'm sure the loss of jobs would hurt the state more than the additional tax dollars would help.

Please reconsider this tax bill. Would you be able to handle a 2,600% increase in your tax bill? I am not.

Thank you for your time and consideration in this urgent matter.

To State of Hawaii  
Rep. Ken Ito & Rep. Pono Chong

RE: HB 2597

Hello,

My name is Wes Sakamoto and I live in Kaneohe. I realize the State of Hawaii is having its problems financially but that applies to all the citizens of Hawaii. It's well known that the State needs to raise capital to just operate just like any private company and just like the citizens of Hawaii need their income to survive in this beautiful state of ours. This letter is in regard to House Bill 2597, the adjustment of the general excise tax on Insurance Producers.

I make my living consulting with clients on financial matters which include life and health insurance, retirement, investing and long term care. All these area play a vital role not only in their future but also the State of Hawaii's future. A good portion of my income comes from insurance commissions and to understand the point I'm trying to make, let's see how insurance is taxed here.

Back in the late 70's, the State of Hawaii passed a law to have insurance agents pay a lower tax on their compensation as agents and tax the insurance company on the premium received from the customer. This in turn made it forbidden for us as agents to pass on our tax to the consumer since the State is already receiving income from the premium paid by the consumer. So the State allowed us to pay a lower excise tax because **we are forbidden to pass on any tax to the consumer**. You have to realize that the transaction is made by the consumer paying the insurance company. If we could, then the consumer will get double taxed, by the insurance company and by us, the agent. Is that right for the consumer to pay this? So since we can't pass on the tax, how do we cover the cost? You have to remember realtors and mortgage brokers have to opportunity to pass on their excise tax in the escrow process. We don't have that luxury. The consumer doesn't pay us. Just like when you buy a Hershey candy bar at the store, the transaction is made by the store receiving money from the customer for the candy bar so the store adds on a tax to the customer.. Hershey, the producer of the candy, doesn't pay a tax on the sale and can't pass on any tax.

Second, there are about 6,500 licensed resident agents that are affected by this but the approximately 31,000 non-resident agents are not. The non-resident agent doesn't pay the excise tax. Are you going to tax them also? If not, then that is not fair for the hard working local agent. That gives the out of state agent a better business opportunity here and we are taking the hit.

The one viable solution that is fair for all the insurance agents, resident or non-resident, is to increase our license fees. This will make it less attractive for non-resident's to do business here giving us a better opportunity to make a better living which in turn will lead to higher income tax revenue for the state.

I'm born and raised here and love Hawaii as a place to live and allow my son to grow up in an environment that is very friendly. But this tax will make me think about moving to another state like Nevada and operate as a non-resident agent so I don't have to pay 2 taxes, this higher excise tax and state income tax. As John Fink says, "Think about it."

Sincerely,

Wes Sakamoto  
(808) 527-8804

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**It:** Tuesday, February 09, 2010 9:36 AM  
**To:** FINTestimony  
**Cc:** sally@waydeomura.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Sally L. Iwamoto  
Organization: State Farm Insurance  
Address: 331 Hookahi St. 105 Wailuku, Hawaii  
Phone: 808-249-0990  
E-mail: [sally@waydeomura.com](mailto:sally@waydeomura.com)  
Submitted on: 2/9/2010

### Comments:

It is my understanding that in 1978 a premium tax was added to the insurance companies. this was to create additional income for the State of Hawaii, while keeping the GE Tax at 0.15% for insurance and securities producers. Since we cannot push the additional tax to the consumer it was put upon the insurance companies. Maybe this understanding has been lost over the years! Please do your research. After the last 2 years in Hawaii business has truly been affected and this tax increase will make it harder to support our families. We don't need any more unemployment in Hawaii! Mahalo, Sally L. Iwamoto

House of Representatives  
Finance Committee  
Hawaii State Legislature  
415 S. Beretania Street  
Honolulu, HI 96813

Re: Bill No. 2597

Dear House Finance Committee:

I am totally against the proposal to raise the excise tax from .005 to .04%. I'm an independent insurance agent who sells health and life plans. Since I operate my own business all overhead expenses like major medical, auto insurance, general liability, and estimated taxes are direct costs I bear each year. Business has been hard to come by this past year (due to many businesses cutting back on their payroll). I depend on businesses to sell our plans to their employees. But, many have turned down our program due to either laying off workers or cutting their work hours.

Increasing this tax 7 times means a reduction in my personal income, accordingly. For every dollar of commission I earn with this proposal my tax will be an additional \$.035 cents. Its been a hardship on our household income already with limited income From whatever sales I've generated. This proposal will only make things worse.

Sincerely,

Stafford M. Oyama  
31 Honi Place  
Hilo, HI 96720  
(808) 937-9744



**moshiro4-Lisa**

---

**From:** mailinglist@capitol.hawaii.gov  
**t:** Tuesday, February 09, 2010 9:49 AM  
**TO:** FINTestimony  
**Cc:** MONO@ASKOXY.COM  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: MILES M. ONO  
Organization: Individual  
Address: 1163 S. BERETANIA ST. HONOLULU, HI  
Phone: (808)536-1933  
E-mail: [MONO@ASKOXY.COM](mailto:MONO@ASKOXY.COM)  
Submitted on: 2/9/2010

**Comments:**

This bill should not be passed because the difference between taxes paid by insurance agents and other commissioned agents is already being paid by the increased premium taxes charged to the insurance companies. Our commissions also can't be passed on to our clients as is possible with these other agents because once a premium has been approved no additional charges or fees can be added. While I agree that more revenue needs to be generated by the State, I believe that a more fair and equitable avenue should be pursued instead of unfairly getting the insurance agents and, in so doing, unfairly increasing the tax burden of the insurance industry as a whole.

The House of Finance Committee

I am against House Bill 2597

I am against raising General Excise Tax on Insurance Producers from 0.15 to 4% for the following 5 reasons:

When the GE tax on insurance commissions was lowered to 0.15% in 1979, the premium taxes on the insurance companies were increased to make up for the loss in revenue.

Hawaii insurance laws prohibits any additional charges, fees or other considerations once the premium has been approved by the Insurance Commissioner. The stated premium must include all charges.

- Therefore, the GET cannot be "passed on" or "shifted" to the policyholders/insurance clients unlike other professions or independent contractors or when products are sold in Hawaii
- 
- \* A customer pays \$1.00 for an item. The GE tax of 4% is 4 cents. The merchant is then liable for \$1.04 that was collected. 4% of \$1.04 is 4.16 cents. The merchant is "out of pocket" 0.16 cents. The tax burden of 0.16 cents is equivalent to 0.15% -- the actual tax burden of those who can "pass on" the tax
- 
- \* The producers' GE tax rate on insurance commissions is a very unique way of paying the GE tax. Yes, the 0.15% is the actual burden of the 4% GE tax rate that you pay, but the insurance companies were levied a higher tax rate to make up for that loss in revenue back in 1978 when the law was changed.

I hope this will not affect all the contracts that have been already written.

- Blessings,
- 
- Jherrie Rubeyiat
- HC 3 Box 11029
- Keaau, Hi 96749
- ph: 808-966-4868
- Primerica Consultant
- 



## moshiro1-Ann

---

**m:** mailinglist@capitol.hawaii.gov  
**t:** Tuesday, February 09, 2010 10:23 AM  
**To:** FINTestimony  
**Cc:** pberry@fhb.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Patricia Berry  
Organization: Individual  
Address:  
Phone: 808 329-3008  
E-mail: [pberry@fhb.com](mailto:pberry@fhb.com)  
Submitted on: 2/9/2010

### Comments:

I am writing to oppose the increase in GE tax for insurance producers: THIS IS A 2600% INCREASE!! The current rate was set in 1978 because producers cannot pass tax to their clients(prohibited by law).In 1979 the premium taxes were increased to insurance companies to compensate for the lower rate for producers- premium tax paid by the consumer.  
I am an insurance producer working for First Hawaiian Bank. I hope you will be fair in your consideration of such a huge increase which is NOT justified. Mahalo

February 9, 2010

HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.C. Aquino	Rep. Scott Y. Nishimoto
Rep. Karen Leinani Awana	Rep. Roland D. Sagum, III
Rep. Tom Brower	Rep. James Kunane Tokioka
Rep. Isaac W. Choy	Rep. Jessica Wooley
Rep. Denny Coffman	Rep. Kyle T. Yamashita
Rep. Sharon E. Har	Rep. Lynn Finnegan
Rep. Gilbert S.C. Keith- Agaran	Rep. Gene Ward
Rep. Chris Lee	

Re: House Bill 2597  
Relating to General Excise Tax increase on Insurance Producers

Chairman Oshiro, Vice-Chair Lee and members of the House Finance Committee,

I am humbly submitting testimony on this bill because I think it completely misses the mark and unfairly adds taxes where a tax is already being collected.

I am a lifelong resident of Hawaii and have grown up in the Democratic tradition of helping those who need the help. In other words, paying taxes is not a bad thing.

I have been in life insurance sales since 1992 and cannot remember a tougher time for my clients and for the rest of the State. We are all in this together and linked as a community. What we do in the financial services industry, particularly in the insurance business is to provide security (i.e., CASH) when a family or business needs it the most. We provide long term financial security so a family can educate their children, remain in their homes and keep their businesses afloat after a fire or the death of a key employee.

Although it may not appear so, being a life insurance sales person is not easy. It is not always glamorous nor always lucrative, but it is always rewarding. When you have generations of clients saying thanks for helping them plan properly the rewards are obvious. **The big producers are always going to do well. However, this bill will impact the segment of insurance salespeople that work with the ordinary folks the most. With fewer agents helping clients you will see more people without proper planning and eventually becoming dependent on the State to bail them out. A vicious cycle, indeed.**

HB2597 is misguided in the fact that it seeks to increase the GET on commissions received by insurance agents. It appears that the goal was to levelize tax rates with other sales people, such as real estate agents and others. The problem however is that insurance agents cannot pass on the GET to their clients. Therefore in 1979, to mitigate a potential revenue loss, Insurance COMPANIES were required to make up the shortfall with increases in premium taxes. **Raising the GET for insurance agents is akin to taxing the counter help at McDonalds for passing over a hamburger.** The server cannot pass on the GET to the patron, especially when it is already being paid by the franchise owner.

I work with an insurance agency that has already had to close a branch office and lay off several people due to the slowdown in the economy. Our clients are having a hard time making it and some are closing their businesses. We are doing our best to service their increasing needs, but coupled with a rise in the Unemployment Tax, the increase in the GET would mean more layoffs, fewer employees doing even more work and clients not getting the service or advice that they need.

I strongly urge you to review why insurance agents pay 0.15% GET and then you will understand that an increase is misguided, a double tax and a measure that will surely impact our ability to help others in the community.

Sincerely,

Russell C. Lo  
Chartered Life underwriter  
Chartered Financial Consultant  
[Russell@mutualunderwriters.com](mailto:Russell@mutualunderwriters.com)  
(808) 532-2888 x101

**TESTIMONY**

***Kirby C.W. Leong, CLU (ph. 527-8826)  
Agent for Life, Disability, & Long Term Care insurance  
Occidental Underwriters of Hawaii, Ltd.***

***Via FAX (586-6001) To: House Finance Committee  
RE: HB 2597 Relating to GET on insurance producers***

Example:

On gross income of \$50,000...I now pay \$75 in GET

On the same income with the new tax rate ...I will pay \$2000.

$\$2000/\$75 = 2666\%$  increase.

How can you justify a 2666% increase in anything? Is this fair? Would you legislators vote for this, especially if you had other expenses that, as an independent businessman seem to creep up each year? We have rent, Errors and Omissions Insurance, Medical insurance, of course we pay for our own life & disability insurance, auto, long term care, as well as office supplies, etc. Just to name a few.

As our bottom line shrinks due to higher expenses, our commissions are also shrinking. I remember first year commissions of 80% with 8% renewals. We are now at 50-60% commissions with 0-2% renewals (depending on the carrier and contract). Much of that due to the State Premium Tax carriers now have to pay.

I love my work. My intent is to continue to represent my clients and "Be of Service" to the people of the State of Hawaii, just as I have been for the past 30 years. Could I sustain this proposed 2666% hike, yes. But is it fair when our industry already pays State Premium Taxes (since 1978)? Absolutely not.

However, if this passes, I will need to reduce expenses elsewhere. Shall I cut my advertising costs? But this will lower production and lower my standard of living. Perhaps not eat out as much? Go to fewer movies? Spend less, basically.

Or shall I cut my employee benefits. Maybe not provide as much retirement benefits? Maybe cut out parking?

You get the idea...An increase of this magnitude will have a far-reaching impact on my business and many other producers who rely on this most precious industry, who strive to protect the well-being and financial security of our clients.

I am also concerned about the longevity of our industry when new agents have a hard enough time starting out much less being saddled with an unfair and unjust tax that most certainly will eat into their bottom line. We need to attract younger agents that want to continue our legacy of good work for the people of Hawaii.

*Faxed to 586-6001*

**HIIA**

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**From:** Patrick Kudlich [omia@hawaii.rr.com]  
**Sent:** Tuesday, February 09, 2010 3:10 PM  
**To:** hiaa@hawaii.rr.com  
**Cc:** hiaa@hawaii.rr.com  
**Subject:** HB2597 - OPPOSE

To: REPRESENTATIVE MARCUS R. OSHIRO – CHAIR  
REPRESENTATIVE MARILYN B. LEE, VICE CHAIR  
COMMITTEE ON FINANCE

Fr: Patrick F. Kudlich – Independent Insurance Agent/  
President of Ocean Marine Insurance Agency, Inc.

RE: HB 2597 – RELATING TO GENERAL EXCISE TAX ON INSURANCE PRODUCERS  
Hearing on Wednesday, February 10, 2010, 4:00pm Conference Room 308

I am Patrick F. Kudlich and have been in the insurance business for the past 40 years and the past 20 years owning my own agency. I specialize in the Maritime Industry, (i.e. Yacht, Pollution, Cargo, Commercial Marine Liability etc.) – as I own the corporation all our employees are on salary but the company income is based on commission income from our insurance carriers, which have already put a charge into the premium to the policy holder to cover this expense/compensation.

We are a small agency and can not afford a GET increase which is being proposed – if this bill is passed then it is like a 4% loss off income and we can not pass this loss to the consumer, UNLESS a law is PASSED where the agents and insurance companies can pass the 4%+ ONTO THE CONSUMER AS OTHER RETAILERS CAN you will see a bigger problem than you have ever seen.

I TRULY OPPOSE THIS BILL.

Patrick F. Kudlich  
President

Patrick F. Kudlich  
Ocean Marine Insurance Agency, Inc.  
735 Bishop Street, Suite 327  
Honolulu, HI 96813  
Phone: 808-532-1000  
Fax: 808-532-1009

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2/9/2010

February 9, 2010

To: Representative Marcus R Oshiro, Chair  
Representative Marilyn B Lee, Vice Chair  
Committee on Finance

From: Linda Corra  
Commercial Underwriter, Jerry Hay Inc

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing Wednesday February 10, 2010 4:00PM  
Conference Room 308

I have been in the insurance business at the agency level for over 30 years. I had worked 16 years in Wyoming as an agent/producer and agency manager and have been employed for 14 years here in Hawaii as a Commercial Lines Service Underwriter.

Never in my years in business have I seen such profound economic challenges to my profession.

In the placement of insurance coverages for our clients, I have seen premium levels plummeting, along with earned commissions. Our income generally fluctuates pretty wildly with changing insurance market conditions, but I have yet to have seen this bottom of the insurance marketplace go so low so fast and stay at this level for so long. The low premiums combined with the current economic conditions place my agency employer in jeopardy.

Personally, I am not a commissioned agent. I am a salaried employee. I have seen a large decrease in my income over the past year. I do not expect to see any increase in my salary for 2010, and quite possibly beyond. My salary is paid from commissions that the producers and agency are paid on premiums for insurance that I work hard to place, keep and service. I pride myself on providing the best service at the best cost to our insureds – and my clients deserve the best. It will be a big loss to my agency and my clients if I am no longer able to provide this service when my agency can no longer afford to retain my expertise.

You justify your increase of 2600% with comparisons to Securities Brokers and Real Estate Brokers. Our business is not at all like the business of these services. Securities Brokers can move their clients to less extreme investments (such as from stocks to bonds) and still recognize a fairly level income. Real Estate brokers in Hawaii may have seen a slight decrease in sales during our current economic downturn, but generally speaking, housing values have accelerated greatly over the past 20 years. I think that the insurance market downturn, on the other hand, has been spiraling downward for close to 10 years.



We also need to consider the intangible....insurance that you cannot hold in your hand, that does not create income, but is a definite need of businesses and individuals alike. It protects from unknown peril. It is not the house that your Real Estate Broker sold to you. It is not the stocks or bonds that you currently hold in your retirement account. It is a piece of paper, a guarantee. In current economic conditions, I see people struggling to pay their mortgage, and many are letting their insurance coverages lapse. Again, we lose income, and our clients lose valuable protection.

Some of our accounts will fail to pay their bill to our agency, and we will suffer as we always have from accounts receivable problems. We spend a good deal of time, effort and ultimately money trying to manage these receivables. I don't believe that this is a problem with most Real Estate brokers, or with Securities brokers.

If you let this bill go through, you jeopardize the independent agency system. As independent agents we act as a buffer and champion between our clients and our insurance companies. Should the insurance companies no longer have the independent agency system due to our financial ruin, we will see that they will write this business direct on terms more to their preferences. This will create a negative impact on the public that we will see for many years.

Please reconsider your position on this bill. It is bad for me, bad for my employer, and bad for the people of Hawaii.

Sincerely,

Linda Corra  
Commercial Lines Underwriter  
234 Opihikao Way  
Honolulu, HI 96825

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:59 PM  
**To:** FINTestimony  
**Cc:** gporter@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gay Porter  
Organization: Business Insurance Services, Inc.  
Address: 1080 Kilauea Avenue Hilo, HI  
Phone: 808-935-1867  
E-mail: [gporter@bisihi.com](mailto:gporter@bisihi.com)  
Submitted on: 2/9/2010

Comments:  
February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

Fr: Gay Porter, Branch Manager & independent agent  
Business Insurance Services, Inc. - Island of Hawaii

Re: HB 2597 - Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday February 10, 2010 4:00 p.m. Conference Room 308

My name is Gay Porter and I have been an independent insurance agent for 20 years in the State of Hawaii. I currently am the Big Island branch manager for Business Insurance Services, Inc. where we employ 7 agents and 7 staff. I have a broad base of clients ranging from doctors, lawyers, architects, restaurant owners, contractors, commercial building owners to the small mom and pop operations and people needing car and home insurance. I vehemently oppose HB 2597 because although we pay .0015 gross excise tax, an increase of more than 26 times would be more than our agency and individual agents could financially bear.

If this bill is not killed, it will destroy many insurance agencies who employ hundreds of people, who in turn, provide needed professional service to the people of Hawaii.

Agencies are already facing the huge unemployment tax increase as it is. But this pales in comparison to what HB 2597 will do.

Sincerely,

Gay Porter, CPCU, CIC, ARM  
Branch Manager

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair Committee on Finance  
Fr: Darren Tom- Independent Agent  
Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

Dear Representative Marcus Oshiro and Representative Marilyn Lee,

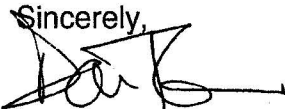
My name is Darren Tom and I work as an Independent Insurance Agent. I have worked in this industry since 2005 and I find my career very rewarding. I enjoy helping individuals and businesses find solutions and insurance for themselves. I work strictly on commissions and my job description is to service my clients as well as new clients. Often times, I work for the love of my job. If I do not make any sales, I do not get paid. Many times, clients come to me for my opinion on products and services rather than buying. I pride myself in servicing and helping others find solutions to their business or individual insurance.

I am currently married and I have 2 daughters, 4 years old and 9 months old. My wife is a homemaker and my 1<sup>st</sup> child will be attending Kindergarten (hopefully private school). The cost of living in Hawaii is at a high and it is a constant struggle to be able to put food on the table, clothes on my children's back, and a roof over my family's head. I want to raise my family in a healthy and safe environment.

I oppose the HB 2597 because with this added expense, it may add to the struggle to make sure my family is well taken care of. Since my income is the only income for our household, if the HB 2597 passes it will be very difficult to provide for my family. I do not want to be in debt or look for a new career that will be more secure. I chose this path of an insurance agent to help other people in creating an insurance plan that provides the best fit, the best value, and the most complete coverage against the unexpected.

Thank you for your consideration.

Sincerely,



Darren Tom  
Advantage Insurance  
Certified Agent  
808-306-8088  
dtom@advantage-ins.com

February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance  
Fr: Sharon R. Harwood, Agency Employee & Consumer  
Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

I have had the privilege of working in the insurance industry for over 35 years both at the Company side and for the past 30 years on the agency side. My husband and I are doing our best to survive during these tough economic times and have severely cut back on a lot of necessary items, unfortunately.

In 1979 the legislature in its wisdom reduced the amount of general excise tax (GET) paid by insurance producers from 4% to .15%. They did this with the understanding that the insurance companies were paying the 4% on the gross premiums and the producers would pay the .15% to make the State whole.

Increasing the GET tax rate for the agency as well as the producer to 4% is in essence a 2600% increase in our taxes. The impact will be severe both on a personal level and on a corporate level. The agency has figured that the additional cost will be approximately \$65,000. This is more than several of our individual salaries and I am afraid that I will have to make the decision to lay off one or possibly more support personnel. This is in addition to the proposed increase in unemployment tax that the State is planning to levy and I am not sure if that will cause further lay off consideration – compounding the UI problem.

If the State were to enable the industry to pass this tax along – as a consumer it would be one more increase to already increasing costs and personally I am not sure how we would be able to continue to survive. We own a home and we have to have Homeowner's insurance and Hurricane Insurance to satisfy our mortgage. The high values of homes have increased our insurance premiums to a high level and this tax would increase our costs even more. Not to mention Auto Insurance cost increases should the tax be passed along. As a consumer I AM already paying 4% in my premiums, taxing the Producers at 4% and having them pass it along would effectively double my tax burden for insurance.

In summary, the insurance industry is paying the 4.15% via the insurance companies and producer's commission. As a consumer I am paying this already every time I pay my insurance premiums. This bill is unfair to our industry and to me personally.

Respectfully Submitted,

Sharon R. Harwood  
Vice President  
Office Manager

**moshiro4-Lisa**

---

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 09, 2010 3:57 PM  
To: FINTestimony  
Cc: ghuihui@bisihi.com  
Subject: Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gavin Huihui  
Organization: Business Insurance Services, Inc.  
Address: 615 Piikoi St., Suite 1901 Honolulu, Hawaii 96814  
Phone: 808-592-5011  
E-mail: [ghuihui@bisihi.com](mailto:ghuihui@bisihi.com)  
Submitted on: 2/9/2010

Comments:

To:  
Representative Marcus R.Oshiro,Chair  
Representative Marilyn B. Lee, Vice- Chair

Fr: Gavin Huihui  
Account Executive  
Business Insurance Services, LLC

Re: HB 2597 - Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

My name is Gavin Huihui and I am a newly appointed Insurance Agent. I have been unemployed for the last year and recently started working for Business Insurance Services, Inc. as of January 1, 2010. I oppose HB 2597 because it is an unethical Bill. You cannot pass on a tax that has already been passed on and then pass it on again. The GET tax on insurance commissions will equal about 26 times more than the existing rate we currently pay. I personally don't want to see my Agency going under because of this taxation, which would probably put me on unemployment or even welfare. I have two kids and money is tight everyday!!!

Education involves listening to the facts and knowing right from wrong.

Aloha

## moshiro1-Ann

---

**From:** mailinglist@capitol.hawaii.gov  
**it:** Tuesday, February 09, 2010 3:53 PM  
**Subject:** FINTestimony  
**Cc:** jmarsh@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Joseph Marsh  
Organization: Individual  
Address: 1080 Kilauea Ave Hilo, HI  
Phone: 808-935-1888  
E-mail: [jmarsh@bisihi.com](mailto:jmarsh@bisihi.com)  
Submitted on: 2/9/2010

Comments:  
February 9, 2010

Address: To: Representative Marcus R. Oshiro, Chair

Representative Marilyn B. Lee, Vice-Chair

Committee on Finance

Fr: Joseph Marsh, Independent Agent

Re: HB 2597 - Relating to General Excise Tax on Insurance Producers

Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room

308

My name is Joseph Marsh and I am an Independent Agent licensed to sell Property & Casualty, and Life & Health Insurance. I have been helping people with their insurance needs for 3 years and have created relationships with over 500 individuals and businesses, most of which have become friends of mine.

I oppose HB-2597 due to the fact it is unconstitutional and discriminatory to single out one industry above all others to bear the burden of creating revenue for the States large deficit. The premium paid by the client has already included the GET tax paid by the insurance company and by adding another 4% tax is double taxation. The last thing our clients need is to pay an additional 4% tax on insurance when they are barely scraping by in this miserable economy. If the consumer pays \$1.00 plus a GET of \$.04 (4% GET), the merchant is liable for the \$.0416. Since the consumer already paid the \$.04, the merchant is liable for \$.0016 for the \$1.04 in income and so the tax burden is .15%.

The insurance companies have lowered rates and premiums to help with affordability of insurance and in turn you would like to impose a tax that will increase the cost of insurance for everyone to help balance a budget. All this will do is have a negative affect on our struggling economy. If this goes through, there will be more businesses shutting down and the people taking the chance to work, drive, or live with out insurance. Less premium paid means less tax paid. This bill will not work out as thought.

The state government should look at its own expenses and work force as a means to cut cost and create revenue. They need to become more efficient with less, in times like this, just like all Private Businesses are doing right now. How many state employees have been laid off compared to those in private business. How can you justify taxing those who work hard and sacrifice daily to survive this economy and in turn do nothing of the sort. The impact of increasing the rate from .15% to 4% translates to an actual tax increase to an amazing 2600% or 26 times the current rate. I can't think of one business that can sustain that type of cost in this economy right now.

This bill will negatively affect every single person that has any type of insurance, whether it is a personal auto policy or a business liability policy. If you drive a car, you will be paying more for your insurance. If you own a house, you will be paying more for your insurance. This bill affects everyone, not just the insurance industry. Increasing the tax is not the answer to our debt, becoming more efficient is. Time to re-think this one!

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**At:** Tuesday, February 09, 2010 3:52 PM  
FINTestimony  
**Cc:** dkobayashi@advantage-ins.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Davis Kobayashi  
Organization: Individual  
Address: 1585 Kapiolani Blvd #1120 Honolulu, HI 96814  
Phone: 808-216-7777  
E-mail: [dkobayashi@advantage-ins.com](mailto:dkobayashi@advantage-ins.com)  
Submitted on: 2/9/2010

### Comments:

**To:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair Committee on Finance  
**Fr:** Davis Kobayashi-Independent Agent, President of Advantage Insurance Services, Inc.  
**Re:** HB 2597-Relating to General Excise Tax on Insurance Producers  
**Hearing:** Wednesday, February 10, 2010 4pm Conference Room 308  
Dear Representative Marcus Oshiro and Representative Marilyn Lee, My name is Davis Kobayashi and I own Advantage Insurance Services, Inc. I have been in the insurance industry for 19 years, since I graduated high school. It is the only career that I have been associated with. I am a second generation insurance agent. I work strictly on commission as do my agents.  
I am currently married and have 2 children, 6 years old and 3 years old. My wife got laid off from her job last year and is having a difficult time finding another job. She already used up all of her unemployment benefits. The cost of living in Hawaii is not easy. It is a constant struggle to make ends meet on a single income.  
In the past couple of years the insurance market has become very soft and we as insurance agents have felt the pinch. Insurance Premium have dropped by 25-35%; therefore our income has dropped by that much as well. I feel the pinch as hard as anybody in this state. My main line of business is the Medicare Advantage Plans. I saw a 66% cut in commissions as a result of Medicare cuts. I have many fixed costs like commercial rent, payroll, mortgage, tuition, utilities, gas and food. I employ 14 insurance agents at Advantage Insurance Services, Inc. If HB 2597 passes than I will be forced to close my business and become a statistic like many in this state. I pay my taxes as responsible Hawaii resident. The taxes are paid by the Premium Tax built into the insurance premiums. HB2597 will increase my GET Tax by 2600%. This seems like a form of double tax.  
Please do NOT pass HB2597.  
Sincerely,

Davis Kobayashi  
President  
Advantage Insurance Services, Inc.  
808-216-7777  
[dkobayashi@advantage-ins.com](mailto:dkobayashi@advantage-ins.com)



**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**It:** Tuesday, February 09, 2010 1:50 PM  
**Cc:** FINTestimony  
**Subject:** kerigym4team@hotmail.com  
Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Keri Fernandez-Independent Agent  
Organization: Finance Insurance, Ltd.  
Address: 1164 Bishop St. #400 Honolulu, HI  
Phone: 522-5380  
E-mail: [kerigym4team@hotmail.com](mailto:kerigym4team@hotmail.com)  
Submitted on: 2/9/2010

**Comments:**

My name is Keri Fernandez and I work with my father, William Baird, who has been a Property & Casualty and Life Insurance Agent for over 60 years. Five years ago my father started grooming me to take over his book of business. Being a single mom for over 20 years and having no financial support from my children's father, I finally had a chance for a lucrative future as an Insurance Agent. My dream came true when I passed my Producer's Test in June 2009. My father is 80 years old now, and retirement is near for him. Unfortunately it is the generations to come and people like myself that will suffer the most if this new GE tax is imposed. I can barely make ends meet now. My dream of financial independence and continuing my family legacy will shatter! Even clients my father has had for over 40 years will suffer, because they will not only lose an Insurance Agent, but also a close friend. Therefore I "oppose" HB 2597. Please help us stay in business.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 10:48 AM  
**To:** FINTestimony  
**Cc:** MGoto@askoxy.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position:  
Testifier will be present: No  
Submitted by: Mark Goto  
Organization: Occidental  
Address: 1163 S. Beretania St Hon., HI  
Phone: 527-8807  
E-mail: [MGoto@askoxy.com](mailto:MGoto@askoxy.com)  
Submitted on: 2/9/2010

**Comments:**

The tax is fair as is. Do not change and raise another tax. We are having a hard time and you people are putting us out of business.

## COMMITTEE ON FINANCE

Representative Marcus R. Oshiro, Chair

Testifier: Wayne D. Sato, CLU  
Insurance International, Inc., President  
Estate and Financial Planner

To: Committed on Finance  
Representative Marcus R. Oshiro, Chair

Hearing Date: February 10, 2010

Hearing Time: 4:00 P M

Measure Number: H B 2597

Testimony Copy: 2

Dear Representative Marcus R. Oshiro, Chairperson,

I, Wayne D. Sato, hereby request that the proposed change in the general excise tax remain the same at .15% on gross income. Please review the following reasons for this request.

1. I will lose 25% of my staff of 4 employees especially during these difficult times of reduced commission due to the bad economic condition.
2. This increased tax will raise my tax by 2,600% which is an extreme increase to my business.

3. General excise tax was lowered to 0.15% in 1979 on insurance commission and premium tax was raised on the insurance company to make up the difference.
4. As agents, we do not have the ability to pass on these taxes to the consumers and therefore increasing our cost bases.

I sincerely feel that increasing the general excise tax to 4% will create a larger burden for the State of Hawaii to have another person unemployed.

My contact information as follows:

Email:	<u><a href="mailto:wdsato@insuranceinternationalinc.com">wdsato@insuranceinternationalinc.com</a></u>
Office phone:	(808) 961-3011
Fax number:	(808) 935-8185

Respectfully,

Wayne D. Sato, CLU

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 11:06 AM  
**To:** FINTestimony  
**Cc:** hg@hgcapitaladvisors.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM  
**Attachments:** HB 2597.doc

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Harold Green  
Organization: Individual  
Address:  
Phone: 808-521-4401  
E-mail: [hg@hgcapitaladvisors.com](mailto:hg@hgcapitaladvisors.com)  
Submitted on: 2/9/2010

Comments:

HB 2597

I'd like to testify as to why you shouldn't increase the excise tax for insurance producers. The insurance industry is one of the toughest industry's to work in and to provide a living for my family. I chose it because it is an honorable profession and without, the burden on our federal and state governments to provide more benefits to families in need would be astronomical!

Currently the commission on the products being sold by agents serves somewhat as a marketing fee. When you begin cutting into that revenue to generate taxes, there are less dollars available for marketing and servicing clients. When we have less for marketing and keeping clients, we make less money; therefore you will collect fewer taxes.

I've read the phrase "insurance producers enjoy the lowest excise tax rate". The interesting thing about this is the insurance companies pay a higher premium tax to make up for it. Also, unlike other goods and services bought and sold, we cannot pass on the GE tax to the policy holder.

I don't mind paying a higher tax to help my state stay a beautiful and great place to live. I believe in doing my fair share. But this, house bill is not fair! If you want to make it fair, change the laws so that no tax is to be passed on to the consumer! That idea alone will put more money in their pockets and when they have more they spend more! And when they spend more, you will collect the taxes that you need to make up the budget!

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**it:** Tuesday, February 09, 2010 11:11 AM  
FINTestimony  
**Cc:** ctagad@hawaii.rr.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Christina Tagad  
Organization: Individual  
Address: 1163 S Beretania Street Honolulu, HI 96814  
Phone: 808-527-8839  
E-mail: [ctagad@hawaii.rr.com](mailto:ctagad@hawaii.rr.com)  
Submitted on: 2/9/2010

Comments:

**moshiro1-Ann**

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**m:** mailinglist@capitol.hawaii.gov  
**it:** Tuesday, February 09, 2010 11:27 AM  
**To:** FINTestimony  
**Cc:** lana.oura@pyramidins.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lana S. Oura  
Organization: Individual  
Address: 554 Lii Way Wailuku, HI  
Phone: 808-244-5060  
E-mail: [lana.oura@pyramidins.com](mailto:lana.oura@pyramidins.com)  
Submitted on: 2/9/2010

**Comments:**

In 1978 insurance companies were levied a higher premium tax rate to make up for loss in revenue from insurance commissions. There were several reasons for this, including the fact that insurance producers are not allowed to pass the tax onto their customers like other industries. IS THIS TAX HIKE FAIR?  
NO! WILL IT FORCE INSURANCE PRODUCERS OUT OF BUSINESS? YES!



I wish to enter testimony in opposition of the proposed increase in the personal excise tax rate for insurance agents (HB2597). The evidence states that insurance agents are paying a lower tax rate when this is not true. This tax is already being paid through the gross premium tax as indicated below and increasing the tax for us as an individual is double taxation of the same dollars.

This increase will have a severe effect on my ability to keep my employees at the level I currently have and would add additional individuals to the unemployment rolls. As a small employer I pride myself on offering a healthy stable work environment for my employees. My goal is to keep them employed, but this increased tax will not allow me to do that. Thank you for considering my testimony.

Here is the background on the payment of the full excise tax on insurance premiums:

**§431:10-218 Stated premium must include all charges.** (a) The premium stated in the policy shall be inclusive of all fees, charges, premiums, or other consideration charged for the insurance or for its procurement. This subsection shall not apply to surety or group insurance contracts.

(b) No insurer or its officer, employee, producer, or other representative shall charge or receive any fee, compensation, or consideration for insurance which is not included in the premium specified in the policy. [L 1987, c 347, pt of §2; am L 2002, c 155, §45]

- The law prohibits the "passing on" or "shifting" of the GET to the insurance consumer due to the **stated premium must include all charges**. The Insurance Commissioner approves premium rates & once that rate is set, no other charges. This section is a consumer protection issue and ties in with approval of rates and has been part of the insurance code since the mid-50s at the very least.

In 1978, the Legislature passed Act 144 effective January 1, 1979. Act 144 signed by Gov. Ariyoshi on May 31, 1978, lowered the GET rate to 0.15% for general agents, sub-agents & solicitors – now, known as producers (§237-13(7), HRS) because the tax could not be passed on to the consumer.

- **To offset the loss in revenue from the reduction in the GET rate, the premium taxes were increased. For property and casualty – domestic insurers from 2.6325 to 2.9647% & for others, 3.8025 to 4.2824%. For domestic life insurers from 1.755 to 1.918 & for others 2.925 to 3.197.**
- In normal retail situations, the customer pays \$1.00 plus the tax of 4 cents (4% GET). The merchant is liable for \$1.04 or 4.16 cents in taxes. Since the customer already paid the 4 cents, the merchant pays 0.16 cents for the \$1.04 in income – the tax burden is 0.15%. That's why the insurance commission tax rate is 0.15% -- it's the actual tax burden of those who are able to pass on the tax.

Toni Lathrop-Lee, Mililani

**moshiro4-Lisa**

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**m:** mailinglist@capitol.hawaii.gov  
**sent:** Tuesday, February 09, 2010 12:20 PM  
**To:** FINTestimony  
**Cc:** gvoxland@finsvcs.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gretchen G Voxland, CLU, ChFC  
Organization: Naifa Maui  
Address: 353 Hanamau St #21 Kahului, HI  
Phone: 808-877-0456  
E-mail: [gvoxland@finsvcs.com](mailto:gvoxland@finsvcs.com)  
Submitted on: 2/9/2010

**Comments:**

The GE tax on insurance premiums is unfair - a double taxation as HI receives state tax on the premiums paid up front from the ins carrier. If a client cancels the policy -there is not a legal way for an ins agent to recoup GEt paid to the state. We would be paying taxes on nothing in those circumstances

## moshiro4-Lisa

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**m:** mailinglist@capitol.hawaii.gov  
**nt:** Tuesday, February 09, 2010 12:17 PM  
**To:** FINTestimony  
**Cc:** tmarkhonolulu@yahoo.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Thomas Mark  
Organization: Individual  
Address:  
Phone: 808-792-5999 x 165  
E-mail: [tmarkhonolulu@yahoo.com](mailto:tmarkhonolulu@yahoo.com)  
Submitted on: 2/9/2010

### Comments:

I have been a life insurance agent/producer since 1987. I AM OPPOSED TO HB2597. This is a 2600% tax increase. Overall business has already been impacted by the slowdown in the economy, and may continue to be for 2010 and 2011. The tax increase as proposed adds to my fixed costs. Hawaii insurance producers are prohibited from passing on the GE Tax so the entire tax must be paid by the producer. Even if the law were changed to allow passing on the tax, the tax could not be passed on to contracts already in force, since these are in-force contracts. The insurance companies I represent are also unlikely to allow me to pass on the tax to new or inforce business even if it is allowed by law.

The tax increase as proposed is a large increase to my fixed costs. I already pay 4% GE tax on the revenue my financial advisory business generates that is not insurance related. I have no ability to pass any of these costs to my clients, and the proposed tax increase on insurance commissions represents a large added cost my business must pay directly.

**moshiro4-Lisa**

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**m:** mailinglist@capitol.hawaii.gov  
**Content:** Tuesday, February 09, 2010 12:15 PM  
**To:** FINTestimony  
**Cc:** joyama@askoxy.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jan Oyama  
Organization: Individual  
Address:  
Phone:  
E-mail: [joyama@askoxy.com](mailto:joyama@askoxy.com)  
Submitted on: 2/9/2010

**Comments:**

My name is Jan Oyama. I have been agent for about 30 years in property & casualty. I have developed a lot of personal relationships with client base of over 1,000. I offer the best coverage at a reasonable cost. Most of clients have no recourse but to purchase coverage on the property due to contractual obligation.

I oppose this bill as it will not only increase my expenses but also increase the cost to my clients. In today's economy some of my clients need to receive reductions on contractual obligations requiring insurance coverage not increases.

I oppose this bill for the fact that it will have a negative impact on the general public.

Written Testimony of: Rito C. Saniatan  
HB2597

February 9, 2010

HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.C. Aquino	Rep. Scott Y. Nishimoto
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Rep. Chris Lee	Rep. Gene Ward
Rep. Gilbert S.C. Keith Agaran	

**RE: HOUSE BILL 2597**

**Relating to General Excise Tax increase on Insurance Producers.**

Good Afternoon Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for the opportunity to submit written testimony on HB 2597. My name is Rito C. Saniatan and I **strongly oppose HB 2597** due to the unfairly adds taxes where tax is already being collected. Insurance Producers are prohibited by law, (HRS 431:10-218 Stated Premium Must include all charges) to pass on any taxes to their clients.

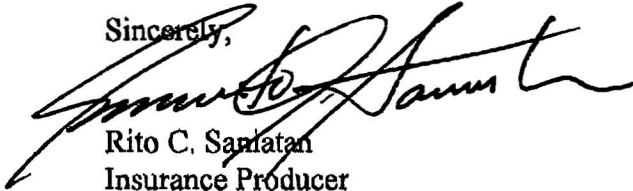
I have been an insurance producer for ALL Lines of insurance since 1992 and cannot remember a tougher time for my clients, for myself, and for the rest of the State. I truly understand the financial budget shortage for the State Treasury, but increasing the GE Tax on Insurance Producers is not the solution.

HB2597 is misguided in the fact that it seeks to increase the GET on commissions received by Insurance Producers. It appears that the goal was to levelize GET rates with other sales people, such as real estate agents and others. The problem however is that Insurance Producers cannot pass on the GET to their clients. Therefore in 1979, after an in depth study was done by the Office of the Legislative Reference Bureau, with the cooperation and assistance of the Department of Taxation and Department of Regulatory Agencies, the Legislature decided to increase the Premium Tax "In Lieu" of charging the GET on insurance commission. Insurance Premiums are highly regulated and cannot be adjusted unless a rate filing is submitted and approved by the State Insurance Division.

The impact by increasing the rate from .15% to 4% translates to an actual tax increase to an astronomical 2600% or 26 times what we are currently paying.

Again, I strongly oppose HB 2597. Thank You for the opportunity to submit my written testimony. Should you have any additional questions, please do not hesitate to call me at 688-2222.

Sincerely,



Rito C. Santatan  
Insurance Producer  
Manager, Mutual Underwriters Agency

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 1:34 PM  
**To:** FINTestimony  
jhirai@financeinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Janet Hirai  
Organization: Individual  
Address: 1164 Bishop St., Ste 400 Honolulu, HI 96813  
Phone: 8085222043  
E-mail: [jhirai@financeinsurance.com](mailto:jhirai@financeinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

I have been an agent for 7 years & have seen steady decline in income due to a slower economy and businesses closing down. To increase taxes at this time will cause a hardship to myself and my family. I've already been taking "paycuts". Please do not pass HB2597 as this will further reduce my already-smaller paycheck.

## moshiro1-Ann

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**m:** mailinglist@capitol.hawaii.gov  
**.t:** Tuesday, February 09, 2010 12:34 PM  
**To:** FINTestimony  
**Cc:** cstinger@pyramidins.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Chris Stinger  
Organization: Individual  
Address: 3200 Akala Dr. Kihei, HI 96753  
Phone: 808 283-8915  
E-mail: [cstinger@pyramidins.com](mailto:cstinger@pyramidins.com)  
Submitted on: 2/9/2010

### Comments:

We cannot afford any more cuts in our commissions/tax's. We are struggling to compete against the GEICO'S and Progressive direct market writers.  
Please appose this!



**moshiro4-Lisa**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 1:39 PM  
**To:** FINTestimony  
**Cc:** tyoung@financeinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Theodore Young  
Organization: Individual  
Address: 427 A Kilauea Ave Hilo, HI  
Phone: 808-933-7321  
E-mail: [tyoung@financeinsurance.com](mailto:tyoung@financeinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

I have been an insurance agent in Hawaii for the past 36 years. We have gone through this attack before. It had been decided that we would not be charged the same at the 4% tax because we cannot pass along the charges to our clients (your constituents). Until we can pass along any tax increases, it is unfair to consider any tax increases. The insurance industry plays an important part in the economic fabric on Hawaii. If rates had to be changed to accomodate tax increases, everyone would pay and suffer. Do not pass this easure.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 1:57 PM  
**To:** FINTestimony  
**Cc:** jprem@royalstate.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jean C prem  
Organization: Individual  
Address: 120 Pauahi St #201 Hilo, HI 96720  
Phone: 808-969-6482  
E-mail: [jprem@royalstate.com](mailto:jprem@royalstate.com)  
Submitted on: 2/9/2010

### Comments:

My whole business is down already because of all the lay offs, furloughs etc. Now, this 'tax' will only further hinder my ability to continue to be the the tax paying citizen I have been for the last 20 years in Hawaii. I could just quit the business and go on welfare! The "4%" is ALREADY being met by the Insurance companies as part of their premium cost...DON'T "PUNISH" THE SMALL BUSINESS PERSON...WE PAY YOUR SALARY!

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 1:57 PM  
**fo:** FINTestimony  
**Cc:** matthew.megorden@ubs.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Matt Megorden  
Organization: Individual  
Address:  
Phone: 808-526-6923  
E-mail: [matthew.megorden@ubs.com](mailto:matthew.megorden@ubs.com)  
Submitted on: 2/9/2010

### **Comments:**

I've been in the securities business for over 13 years and this 2600% increase in tax from 0.15% to 4% on our production is outrageous. Why should there be punitive measures taken against such a select group of tax paying citizens. Why is this tax on our commissions on production, but not on the commissions earned by salespeople in all industries. Our firm already pays tax in Hawaii (which is taken out of our pay through reduced payouts) and your additional tax on our production is a double taxation of the very citizens you are charged with protecting. PLEASE VOTE NO ON THIS BILL.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 1:53 PM  
**ro:** FINTestimony  
**Cc:** ghobbs@monarch-hi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Garry Hobbs  
Organization: Individual  
Address: 677 Ala Moana Blvd, #500 Honolulu HI  
Phone: 808-441-3151  
E-mail: [ghobbs@monarch-hi.com](mailto:ghobbs@monarch-hi.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose this bill because it is unfair and will cause me additional financial hardship. We are unable to pass this tax on to our clients. It will cause many agencies to lay off staff members.

**moshiro4-Lisa**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 1:53 PM  
**To:** FINTestimony  
**Cc:** ghobbs@monarch-hi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Garry Hobbs  
Organization: Individual  
Address: 677 Ala Moana Blvd, #500 Honolulu HI  
Phone: 808-441-3151  
E-mail: [ghobbs@monarch-hi.com](mailto:ghobbs@monarch-hi.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose this bill because it is unfair and will cause me additional financial hardship. We are unable to pass this tax on to our clients. It will cause many agencies to lay off staff members.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:06 PM  
**To:** FINTestimony  
**Cc:** rickh@monarch-hi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Rick Humphreys (Independent Agent)  
Organization: Individual  
Address: 677 Ala Moana Blvd. #500 Honolulu, HI 96813  
Phone: 8085372564  
E-mail: [rickh@monarch-hi.com](mailto:rickh@monarch-hi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Rick Humphreys and I've been a licensed property & casualty insurance agent in the State of Hawaii for more than 10 years. I am concerned that if this bill passes, I might not be able to sustain my business. Independent agents like myself are already suffering with the downturn in the economy. An increase in the GET to 4% would be devastating. Please remember that insurance agents are not allowed to pass on the GET to our customers by statute, so this bill places the tax liability solely on the shoulders of the insurance agent. There has to be a more balanced approach to addressing this issue which spreads the tax liability evenly to all who purchase insurance policies. May I suggest a review of the premium tax that is factored into every insurance premium and currently stands at 4.265%? The other option is to remove the statute and allow for insurance agents to pass through the GET to our customers similar to other professional service firms. Thank you for your consideration.

## Calen R. Matsuno

95-1095 Ainamakua Drive, Suite 3

Mililani, Hawaii 96789

Phone: 808-626-2290

Email: calen@advantage-hawaii.com

Date: February 9, 2010

Committee: Finance

Date of Hearing: 02/10/2010

Time of Hearing: 4:00 P.M.

Measure Number: **HB 2597** Relating to General Excise Tax on Insurance Producers

To the House Committee on Finance:

I absolutely agree that we all must pay our fair share in order to help us get out of this financial crisis. The money has to come from somewhere and I am not so naïve as to think that a solution will be achieved without increasing the taxes we all pay. However, the Governor's proposal to increase the general excise tax rate on insurance commissions from .15% to 4%, is hardly fair.

As you know, when the GE tax on insurance commissions was lowered to .15% in 1979, the premium taxes insurance companies had to pay were increased to make up for the loss of revenue. This, in my opinion was fair for the State of Hawaii, as it suffered no loss in revenue.

Again, I will say that I understand that we all must pay our fair share. However, what makes this bill unfair is that other businesses can legally pass on GE taxes to their customers. Insurance agents on the other hand are prohibited by state laws to pass GE taxes on to policyholders. How can this be fair to insurance agents? Not being able to pass on a 2,600% (.15% to 4%) increase in GE taxes on gross commissions (very big difference from net income) is devastating to a small business owner.

This year, I was going to hire another sales producer to help grow my agency. If this bill passes, I will not be able to afford to hire this new employee. In addition, I will actually have to lay off a part time employee that I was going to elevate to full time status this year.

The Governor suggests that this bill will raise in excess of 20 million dollars per year. Looking at it simply from a tax revenue standpoint, this would seem like a great idea. However, what has not been addressed and what I sincerely hope our legislature will consider, is the negative effects that many people will suffer should this bill be passed.

If this bill passes, many insurance agency employees will lose their jobs, many will have their hours and/or pay reduced, and there will be very few new hires. There are many insurance agencies who have already had to implement major cutbacks because of the increased unemployment premiums and the almost 60% drop in workers compensation premiums. (Worker's comp policies account for the largest premium volumes of many insurance agencies.) Those agencies will have nothing more to cut back on. Some insurance agencies will even end up closing.

Add all of that up and the reality is, the anticipated 20 plus million dollars this bill was supposed to generate, instead created a huge amount of unemployed workers, severely downsized businesses, decreased spending from all of these negatively affected individuals and businesses and sadly, the demise of some very good locally owned insurance agencies.

Most insurance agencies today, manage on a very small profit margin and survive largely due to the contingency bonuses that insurers pay out for good loss ratios. One large claim can result in no contingency bonus. Add a 2,600% increase in GE taxes that cannot be passed on to the policy holders and you end up with a broke insurance agency.

The ultimate cost to the majority of the State of Hawaii's insurance agents, insurance agencies and their employees, if this bill passes, will be devastating. Perhaps it is time for a change in the GE tax rates and the state insurance laws. However, this complicated situation deserves time and careful consideration by our lawmakers. Past experience tells us that we should not make critical decisions in haste. Obviously, this bill is not a prudent and fair solution. So, until one can be developed, please do not pass this bill.

Sincerely,

Calen R. Matsuno



## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 2:14 PM  
**To:** FINTestimony  
**Cc:** mcaloon@connorshawaii.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: James McAluney  
Organization: Individual  
Address: 500 ala moana Blvd. #2-303 honolulu, HI 96813  
Phone: 808 534 7309  
E-mail: [mcaloon@connorshawaii.com](mailto:mcaloon@connorshawaii.com)  
Submitted on: 2/9/2010

### Comments:

I live in Honolulu with my wife & 3 kids.  
I have been an independant insurance agent here for almost 14 years.

I pay about 8% of my income to the State of Hawaii.

If passed as written, HB 2597 will add an additional 4% to my state tax burden. That is a 0% increase over current levels.

UNLIKE others that collect the GE Tax for the State, I beleive that I am prohibited by HRS from passing this tax on to my insurance clients. thus putting the full burden on me. so my income will be taxed at a rate of at least 12%.  
(this NEW 4% will be based on gross amount of commissions, before my business expenses & other deductions)

Who among you would sign up for such an increase on your family?

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 2:23 PM  
**To:** FINTestimony  
**Cc:** ealtman@insurancefactors.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ed Altman  
Organization: Individual  
Address: P.O. Box 1420 Kapaa, HI  
Phone: 808-652-1326  
E-mail: [ealtman@insurancefactors.com](mailto:ealtman@insurancefactors.com)  
Submitted on: 2/9/2010

### Comments:

I have been a licensed commercial insurance agent on Kauai for seven years, and my family would be badly impacted by the proposed tax hike on my insurance commissions. Like many Kauai residents, I am having difficulty paying my bills, and I owe more on my house than it is actually worth.

I work strictly on commission, and most of my customers are having hard times. This means I am working harder for less money.

The proposal to increase my tax rate is the wrong approach and will only make times harder for my family and community. The money that we would normally spend at our local businesses (dining, visiting Oahu, etc.) would all be redirected to pay the proposed GE tax increase.

S Stanley Okamoto  
2145 Wells St, Ste 405  
Wailuku, HI 96793

RE: HB2597 – Increase in Insurance Agents GET

To Whom It May Concern;

I am opposed to the HB2597 for the following reasons. The increase in the GET from .15% to 4% is unfair. The reason for the unfairness is I am not able to pass on this "TAX INCREASE" to the end user, the consumer. The mechanics of our business makes it impossible to pass on this tax (monthly recurring premiums, renewal commission, commission charge backs, policy changes that affect premiums/commissions, policy cancellations).

The tax on the original product (insurance) is computed in the insurance premium and is paid through the Insurance Premium Tax which is paid by the carriers we represent (which by the way is already the highest in the country). Our .15% represents our "right to do business in Hawaii" portion of the GET tax.

If you buy a \$1.00 bottle of water in "my" store, you (consumer) must pay the 4% state tax on your purchase or \$1.04 for your water. I as the store owner am able to pass on that tax to you and now I am required to pay my 4% on that 4% I collected "for right to do business in Hawaii" which is equivalent to the current GET of .15%. An in depth study was done 1979 regarding an insurance agents GET tax basis which in essence said by right we should NOT have to pay any GET as it is imputed in the actual premium already collected. However in fairness we are paying our fair share of the GET at .15%.

If we are held to the GET increase of 4% the impact on my business as well the local insurance marketplace would be detrimental. I will have to adjust my current and future business model and will most likely reduce consumption by cutting back on purchases for my business like new equipment and possible not increasing my staff or worst reducing my current staff through layoffs.

Increases in our GET, as well as an increase in the Insurance Premium Tax will mostly likely force carriers to re-think their opportunities in the Hawaii market place. We have only recently been seeing carriers "wanting to do business here where the market is small but the potential profitability is great. With these increases it will result in carriers leaving the State and limiting the choices available to the consumer.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:25 PM  
**To:** FINTestimony  
**Cc:** ASantiago@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Annalee Santiago  
Organization: Individual  
Address: 1080 Kilauea Ave. Hilo, HI 96720  
Phone: 808-935-1888 ext 6001  
E-mail: [ASantiago@bisihi.com](mailto:ASantiago@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

If the agency and the agents I work with have to bear an increase in tax 26 times higher, there is a great chance many people will lose their jobs, increasing the number of people on unemployment & other social services. With a lack of options, there will also be an increase of people in Hawaii who will be underserved in their insurance needs, leaving many underinsured if not uninsured.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 2:27 PM  
**To:** FINTestimony  
**Cc:** gvpanetta1@firstcommand.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gerardo V Panetta  
Organization: Individual  
Address:  
Phone: 808.487.7222x155  
E-mail: [gvpanetta1@firstcommand.com](mailto:gvpanetta1@firstcommand.com)  
Submitted on: 2/9/2010

### Comments:

I appose the bill because I'm a new advisor just starting out my business. I'm already struggling with my business due to the current economy and by increasing the GET will only make things that much more difficult for me. Additionally by paying this increase in GET, it means that I will have to make cuts with my administrative assistant by either reducing the work hours they work or eliminating one of the job completely. Please do not increase the GET, this can only increase my financial hardship contributing to potentially loosing my business.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:31 PM  
**To:** FINTestimony  
**Cc:** riwamoto@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Rodney Iwamoto  
Organization: Business Insurance Services, Inc.  
Address: 615 Piikoi Street, Suite 1901 Honolulu, HI 96814  
Phone: 592-4062  
E-mail: [riwamoto@bisihi.com](mailto:riwamoto@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Rodney Iwamoto and I am a Principle of Business Insurance Services, Inc. that houses 60 Independent Agents. I have been in the insurance industry for 34 years and have experienced the many high and low points of the insurance cycle.

The passage of HB 2597 will be one of the lowest points experienced during my career in the industry and the impact of this bill can potentially shut down our operations. Based on some pro-forma indications presented to me, our agency could possibly jump from paying only \$15,000 in GET a year to \$400,000 GET annually. This is not affordable and the alternatives would be to shut down our operations or pass these costs on to our insureds.

Please take into consideration this impact, not only to our agency operations, but to others as well and give us your total support in opposing the passage of HB 2597.

Mahalo!

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:32 PM  
**To:** FINTestimony  
**Cc:** thanabaga@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tisha Hanabaga  
Organization: Individual  
Address: 1080 Kilauea Ave Hilo, HI  
Phone: 808-935-1888  
E-mail: [thanabaga@bisihi.com](mailto:thanabaga@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

As a staff member of an agency I feel that passing such law will only cause more people to lose their jobs which in turn will cause more unemployed individuals on unemployment benefits! Needless to say, people in Hawaii will be underserved with their insurance needs if agencies close due to these tax increases. There's no way that the agency and agents can bare such an increase without devastating outcomes.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 2:43 PM  
**To:** FINTestimony  
**Cc:** lssoda@yahoo.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lynn S. Gushiken  
Organization: NAIFA  
Address: 1138 Manono Street Hilo  
Phone: (808)936-0077  
E-mail: [lssoda@yahoo.com](mailto:lssoda@yahoo.com)  
Submitted on: 2/9/2010

**Comments:**

I strongly oppose this Amendment. Insurance commissions/premiums that we collect from policyholders does not include excise tax and we are not able to charge excise tax. It is very unfair to require being assessed that tax rate when we cannot recover that on our commissions and that would be create a tremendous financial hardship, being that sales are down and continue to fall.



**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 2:51 PM  
**To:** FINTestimony  
**Cc:** dpatnaude@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Debbie Patnaude  
Organization: Individual  
Address: 1080 Kilauea Ave Hilo HI  
Phone: 808 935-5686  
E-mail: [dpatnaude@bisihi.com](mailto:dpatnaude@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose HB 2597. The insurance industry rely on the economic status of the community in general. The financial woes suffered by personal and commercial entities caused a huge reduction in premium's. To increase the GET tax on insurance commission's will likely cause employee lay-off's and/or furlough's. Please take this into consideration. Thank you for your time.

TO: Rep Marcus R. Oshiro Chair

HB: 2597

Dear Mr. Oshiro

I know it is very easy to raise taxes on a small group of people, because there is not a large public out cry, but I strongly oppose this bill because as an Insurance Agent for the last 20 years in Hawaii doing Commercial, Property and Casualty and Life Insurance, I have already been paying an unjustified Excise Tax. In our business we are not allowed to pass on this tax to the final user of our products, so we must pay it ourselves. Retailers, wholesalers, service people who pay excise tax are, allow and do charge this tax on to the final users, we are not, and must bare the total cost. The tax increase proposed would be over a 25 times increase in this tax, this is an unfair and unjust tax and it must be voted down, or a provision made so we can pass it on to the final users of our insurance products. We do pay Income Tax on all our sales.

Sincerely,

Tom Stenger CLU, ChFC, CIC  
Sales Agent 808-969-6487

Royal Insurance  
120 Pauahi Street Suite  
201 Hilo Hi, 96720

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 2:54 PM  
**To:** FINTestimony  
**Cc:** dsumabat@royalstate.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: David Sumabat  
Organization: Individual  
Address: 819 S. Beretania St. Honolulu, HI 96813  
Phone: 539-1762  
E-mail: [dsumabat@royalstate.com](mailto:dsumabat@royalstate.com)  
Submitted on: 2/9/2010

**Comments:**

I am an independent insurance agent and have been an agent since 1998. I primarily focus on life insurance and 403b (tax shelter annuities). My main client base has been state workers in the DOE and UH systems.

I strongly oppose HB2597 because it will severely impact my business and I'm afraid I will no longer be able to survive in this business. My business has already been impacted by Furlough Fridays and pay cuts on the state employees. The approximate increase of 26 times more in taxes might be the tipping for me and whether or not I remain in the insurance industry. Please do not increase the GET tax so that I can continue to serve my 450+ clients and their insurance needs.

February 9, 2010

To:

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

From: Jill Wheatman, Independent Insurance Agent with Insurance  
Factors

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers

I, Jill Wheatman, am writing to you to let you know that I oppose HB 2597. I have only been a property and casualty insurance agent for 14 months. I was formerly with Starbucks Coffee for almost 8 years and was let go during the 3<sup>rd</sup> phase of layoffs with Starbucks here in Hawaii. I have 2 children and a mortgage and needless to say this was a large blow to my plans to be laid off. Instead of staying on unemployment and waiting to find a job that I knew, I took a chance (and Insurance Factors took a chance on me) and I started over in a new field. The opportunity to start my own business, without the need for inventory- but with the challenge to learn a whole new industry, is exhilarating and a great example for my children about how to make life work. I studied, got my license and I work with a wonderful group that is coaching me along the way. This is a hard time to begin anew, but I am making it work, slowly but surely. As with many businesses and especially this industry, you need time to build your book of business. As I build, I can see a small light at the end of the long tunnel that I just may get back to where I was, eventually.

If you add this tax to my already challenging earnings, it will make it impossible for me to stay in this industry and get my footing back. I will have to turn this dream into another closed door and it will be another confirmation that creating a new future is futile. Let the small independent business make it. Don't tax us to death and shut more doors as we are trying to pull ourselves up. "We aren't looking for hand outs, we are looking for hand ups".

I strongly oppose HB 2597.

**Jill Cheever Wheatman**

Insurance Factors

jwheatman@insurancefactors.com

p: (808) 546-7468 f: (808) 521-5484

Topa Financial Center

745 Fort Street, Suite 1000

Honolulu, Hawaii 96813-3809

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:01 PM  
**To:** FINTestimony  
**Cc:** gnishimura@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Georgette K Nishimura  
Organization: Individual  
Address: 1080 Kilauea Avenue Hilo, Hawaii 96720  
Phone: (808) 935-1888  
E-mail: [gnishimura@bisihi.com](mailto:gnishimura@bisihi.com)  
Submitted on: 2/9/2010

Comments:

I work for an insurance agency and oppose the passage of this bill, HB 2597, because:

- 1) Agency and agents will be taxed approximately 25 times higher from the current rate.
- 2) Due to higher taxes, agency may be forced to layoff employees.
- 3) All other wholesalers and retailers can pass on the general excise tax to their customers; insurance agencies and agents are not allowed to do this.
- 4) Insurance policies currently have taxes built into premiums; are policy holders to be double taxed?
- 5) Increased insurance costs means increased numbers of people who will decide to go uninsured.

Thank you.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:03 PM  
**To:** FINTestimony  
**Cc:** bnuibe@hotmail.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Blake M Nuibe  
Organization: Individual  
Address: 615 Piikoi St Suite 1901 Honolulu, HI  
Phone: 592-5043  
E-mail: [bnuibe@hotmail.com](mailto:bnuibe@hotmail.com)  
Submitted on: 2/9/2010

**Comments:**

Aloha! I have been an insurance agent since 1977. This proposed bill would be severely detrimental to my business. We do not have the ability to pass on this tax to the consumer. Mahalo for your consideration.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:03 PM  
**To:** FINTestimony  
**Cc:** mmatsumoto@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marcia E. Matsumoto  
Organization: Business Insurance Services Inc  
Address: 1080 Kilauea Ave Hilo, HI  
Phone: 808-935-1846  
E-mail: [mmatsumoto@bisihi.com](mailto:mmatsumoto@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

I, Marcia E. Matsumoto, am a Customer Service Representative/Office Manager in the Business Insurance Services Inc, Hilo Branch Office, and I have been working in the insurance industry for 22 years, and I've been employed by this independent agency for the past 9 yrs. I oppose HB 2597 because my employer would have to bear an increase in tax 26 times the current tax that they pay, which would significantly impact this independent agency. This large an increase would cause the agency to reduce the current work force significantly, which would cause major financial hardship for the current employees in our branch office, many of which are single parents, including myself, who depend solely on the salaries paid by this independent agency.

Because the independent insurance agency will not be able to pass on this increased tax to the consumer, they will be forced to reduce their current workforce and even possibly close down some branch offices on the neighbor islands which we are one of. If we lose employees in the branch office or shut down the branch office altogether, the customers of our branch office would also suffer significantly, in regards to the current level of servicing that we provide, which we would not be able to continue should we lose employees or lose this branch office, due to this proposed increased tax.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:03 PM  
**To:** FINTestimony  
**Cc:** ktsunezumi@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Kristy Tsunezumi  
Organization: Individual  
Address: 1080 Kilauea Ave Hilo, HI  
Phone: 808-935-1888  
E-mail: [ktsunezumi@bisihi.com](mailto:ktsunezumi@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

If agencies/agents have to bear an incr. in tax 26 x higher, more layoffs will happen, which means more people on unemployment & many people in Hawaii will be underserved with their insurance needs. Instead of trying to fix the problem it will only be making it bigger.



## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**At:** Tuesday, February 09, 2010 3:06 PM  
**To:** FINTestimony  
**Cc:** sozaki@insurancedesigngroup.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM  
**Attachments:** GE Tax.pdf

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Scott Ozaki  
Organization: Individual  
Address: 1188 Bishop St., Suite 1406 Honolulu, HI  
Phone: 545-5255  
E-mail: [sozaki@insurancedesigngroup.com](mailto:sozaki@insurancedesigngroup.com)  
Submitted on: 2/9/2010

Comments:

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**INTEROFFICE MEMORANDUM**

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**TO:** MARCUS OSHIRO & MARILYN LEE, COMMITTEE OF FINANCE  
**FROM:** SCOTT S. OZAKI, CLU  
**SUBJECT:** GENERAL EXCISE INCREASE  
**DATE:** 2/9/2010

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I have been an independent insurance agent for 33 years. There have been good times and bad but currently business is extremely trying.

Most insurance agents in the state are independents. Where the insurance companies we do business with do not pay benefits for us. We must therefore pay our own medical insurance, be the sole contributor in our retirement. We must pay for our own disability insurance so we would have an income in the event of disability. We have no one paying TDI, Workers comp., etc.

I feel we are a necessary contributor to our society. Without insurance benefits more people would be a burden to government. There would be less death benefits paid to survivors. No long term care payments to care for the elderly. Disabled only receiving mandated benefits required from their employer. Insufficient liability payments made to unlucky victims.

There are less and less people getting into this already difficult business. Why would they now if you increase our General Excise Tax!

**Because insurance agents cannot price the products they sell to collect for general excise, this increase would have the same effect as a personal income tax increase!**

**Please do not increase the GE!**

Thank you,

Scott S. Ozaki

February 9, 2010

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

Subject: HB 2597

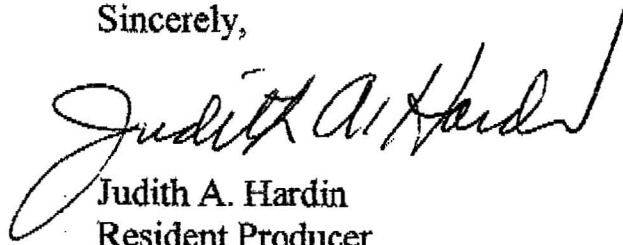
I am a producer with a local insurance agency and I am against the above bill.

Any tax increases will only make it harder to stay in business as we are all seeing increases across the board in utilities, gasoline, health insurance, and living expenses, it just goes on and on.

Additional taxes may just mean that I will be joining the ranks of the unemployed. At my age that is not something I want to be doing.

Please take a step back and visualize what this may do to so many Hawaii residents like myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith A. Hardin". The signature is fluid and cursive, with a large loop at the end.

Judith A. Hardin  
Resident Producer

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance  
Hearing: Wednesday, February 10, 2010 at 4:00pm  
HB 2597

Chairman Oshiro, Vice Chair Lee and members of the House Finance Committee,

My name is Jim Fujioka and I have been an independent property and casualty insurance agent since 1979. My customers are primarily people and businesses that I have a close relationship over all these years.

I am submitting testimony in opposition to HB 2597 and the reason is simple, fairness. Last year, I earned commissions from the sale of property and casualty insurance of less than \$50,000! I am not a big producer but a local agent that handles your families' auto and homeowners insurance and those of your relatives over many of years. Many of the insurance producers in Hawaii are like me and this increase will "force" these producers out of the insurance business permanently.

You are well aware of the history revolving around why the GET for insurance producers is 0.15%, as this proposed bill seeks to increase this tax to 4%. The impact of this increase would mean that I would take home 28% less to pay for my mortgage, food and other living essentials. Being a small producer, I am already living "hand to mouth" with what I make and if this bill passes, will make it that much harder for me to get by. We are in an industry that does not allow us to pass on this cost to the insuring buying public, but is forcing us to pay for it.

I am strongly urging you to review the reasons why insurance producers are only paying a GET of 0.15% and that any increase is not only misguided but a measure that will impact not only my commission income, but the income of the agency that I sell the business through.

Mahalo,

**Jim Fujioka**  
Mutual Underwriters  
Phone: (808) 532-2888x148  
Fax: (808) 532-0110  
Email: [jim@mutualunderwriters.com](mailto:jim@mutualunderwriters.com)

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 3:09 PM  
**To:** FINTestimony  
**Cc:** gkawa22@gmail.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Garren Kawamata  
Organization: Advantage Insurance Services  
Address: 1385 Kapiolani Blvd ste 1120 Honolulu Hawaii  
Phone: 808 3880929  
E-mail: [gkawa22@gmail.com](mailto:gkawa22@gmail.com)  
Submitted on: 2/9/2010

**Comments:**

I am currently an Insurance Agent who opposes bill HB2597. I do love my job however If this bill does go into affect, I will not be able to survive in the Insurance Arena for very long. I am already feeling the forces of the economy and its already affecting my monthly income so why punish us by taxing us even more. There will no longer be any insurance agents like myself who enjoys helping other business save in these tough times like today. Please dont push us out because every business needs our help.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:08 PM  
**To:** FINTestimony  
**Cc:** sisono@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Sean Isono  
Organization: Business Insurance Services, Inc.  
Address: 615 Piikoi St. Suite 1901 Honolulu, HI  
Phone: 808-592-4022  
E-mail: [sisono@bisihi.com](mailto:sisono@bisihi.com)  
Submitted on: 2/9/2010

Comments:  
To whom it may concern,

It is with great concern as an insurance agent that I must oppose the proposed measures as outlined in HB2597. As a fairly new face to the industry, facing the proposed measure of taxing an additional 4% of our revenues collected for insurance premiums looks to put an added strain on already difficult economic times and will most likely have negative implications for our clientele as well. As an agent, we have to keep the best interests of our clients in mind at all times, and it is with this responsibility that many of us in the insurance industry strongly oppose the proposed tax. Of course this tax will also affect our bottom line as well, but more than that, will have a trickle down effect that will ultimately affect the general populace. As such, we feel it is our duty as their insurance agents to speak out against this proposal and hope you will see that the benefits of this tax will by no means outweigh the negative implications that loom for the general public.

Thank you for your time.

Sincerely,

Sean Isono  
Account Executive  
Business Insurance Services, Inc.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:08 PM  
**To:** FINTestimony  
**Cc:** japao@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jesse K. Apao  
Organization: Business Insurance Services, Inc.  
Address: 615 Piikoi St. #1901 Honolulu Hawaii  
Phone: 808-592-5011  
E-mail: [japao@bisihi.com](mailto:japao@bisihi.com)  
Submitted on: 2/9/2010

Comments:

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:13 PM  
**To:** FINTestimony  
**Cc:** jono@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: June E Ono  
Organization: Individual  
Address: 1080 Kilauea Ave. Hilo, HI 96720  
Phone: 808-935-5706  
E-mail: [jono@bisihi.com](mailto:jono@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

With the huge increase, there will be an increase in unemployment due to closing of businesses. I definitely oppose HB 2597



## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:13 PM  
**To:** FINTestimony  
**Cc:** cwash@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Christie J Wash  
Organization: Individual  
Address: 615 Piikoi St #1901 Honolulu, HI  
Phone: 808-592-4085  
E-mail: [cwash@bisihi.com](mailto:cwash@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Christie Wash & have been a property & casualty insurance agent for 10 years. In the last year I have lost revenue in excess of \$600,000 due to the economy and the continued declining cost of insurance. If, agents were actually assess a .04 GET tax that could not be passed on to the consumer, we would be paying a rate of .0416 or about 26 times the norm that most other Business would pay. I OPPOSE HB 2597

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:13 PM  
**To:** FINTestimony  
**Cc:** dyamaguchi@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: daniel yamaguchi  
Organization: Individual  
Address: 4485 pahee st lihue hawaii  
Phone: 8082450304  
E-mail: [dyamaguchi@bisihi.com](mailto:dyamaguchi@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

MY ENTIRE INCOME IS BASED ON INSURANCE COMMISSIONS. I PLAN TO WORK ANOTHER TEN YEARS AND PROBABLY LIKE YOURSELVES HAVE GRANDCHILDREN, RETIREMENT PLANS AND ONGOING AND INCREASING EXPENSES. DUE TO THE ECONOMIC DOWNTURN, MY INCOME HAS DROPPED 30% DUE PRIMARILY TO MY CLIENTS WHOSE BUSINESS ALSO DECLINED UPWARDS OF 30%. THESE ARE CLIENTS SUCH AS RESTAURANT, RETAIL AND WHOLESALERS, CONTRACTORS ETC. TO HAVE AN UNJUST TAX THAT WILL INCREASE MY TAX BURDEN BY TWENTY SIX FOLD WILL BE DEVASTATING. I HUMBLY ASK THAT THIS MEASURE BE DROPPED. THANK YOU.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, Tax on insurance commissions

**BILL NUMBER:** SB 2750; HB 2597 (Identical)

**INTRODUCED BY:** SB by Hanabusa by request; HB by Say by request

**BRIEF SUMMARY:** Amends HRS section 237-13 to provide that commissions received by insurance solicitors and agents shall be taxed at the rate of 4% instead of 0.15%.

**EFFECTIVE DATE:** Upon approval; applicable to gross income or gross proceeds received on or after the effective date of this act.

**STAFF COMMENTS:** This is an administration measure submitted by the department of taxation TAX-11(10). This measure proposes to increase the general excise tax imposed on commissions received by insurance solicitors and agents from 0.15% to 4%.

In a Legislative Reference Bureau study, the Bureau determined that insurance general agents, subagents and solicitors, taxicab drivers, and travel agents are statutorily prohibited from passing on the general excise tax to their customers. The study also determined that taxpayers who could pass on the tax to their customers were found to have a tax burden of 0.15% of their income. While the study recommended that insurance agents, subagents, and solicitors be taxed at the reduced rate, it also recommended that alternate sources of revenue would have to be found to cover the deficit caused by the reduction in the tax rate. When Act 144, SLH 1978, adopted the reduced rate of 0.15%, it also increased the insurance premium rates to cover the loss in revenue.

While this measure proposes to increase the general excise tax rate imposed on insurance agents, subagents, and solicitors from 0.15% to 4%, the adoption of this measure will be contrary to the statutory prohibition of passing on the tax and may be subject to litigation.

Even if the statutory prohibition was lifted which this proposal obviously overlooked, one has to question how the tax would be passed on to the customer purchasing insurance policies where the insurance commissioner sets the premium rates. These rates vary widely depending on the kinds and amount of coverage and the types of insurance. It also raises the question of pre-existing insurance contracts where no pass-on of the tax was included in the insurance premiums, but it is these premiums which generate the ongoing commissions of the agents who service those contracts. While this idea may seem like an easy fix to raise revenues, this proposal fails to fathom the complexities of the insurance industry and the insurance rate structure.

Digested 2/9/10

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 3:16 PM  
**To:** FINTestimony  
**Cc:** gsantos@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Glenn Santos  
Organization: Individual  
Address: 1080 Kilauea Ave. Hilo, HI 96720  
Phone: 808-935-1814  
E-mail: [gsantos@bisihi.com](mailto:gsantos@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

I have been a property casualty insurance agent for the past 31 years. The GE tax was changed to .15% just before I came into the business. How can you even consider increaseneing a tax that we cannot pass on to the consumer? Would you be in a buisness like that? This is a grossly unfair bill to the insurance angets of Hawaii and the people that work for us, who may loose their jobs if this bill becomes law. Not to mention the general public. This is 26 times the tax we are currently paying. Please kill this bill NOW.

,hank you

Glenn Santos

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 3:16 PM  
**To:** FINTestimony  
**Cc:** mrodrigues@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Mark Rodrigues  
Organization: Individual  
Address: 1080 Kilauea Ave. Hilo HI.  
Phone: 808-935-1888  
E-mail: [mrodrigues@bisihi.com](mailto:mrodrigues@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Mark Rodrigues and I have been a Property & Casualty and Life and Health Agent for 25 years. My client base consist of a 1000 + businesses and individuals that have been clients and friends of mine for 20 to 25 years. I Oppose HB- 2597 The premium Tax paid by the insurance companies were increased in 1979 when the GET rate for insurance commissions went from 4.0% to .15%, so increasing the GET on commissions is a double tax. Furthermore insurance agents are the only professionals that are prohibited from passing on any tax to heir clients (HRS 431:10-218) The increase in tax is not .15% to 4% but actually 2600% or 26 time what we are currently paying. The result may be the loss of insurance professionals and the much of the industry support staff.

In my mind there seems to be something very unconstitutional and discriminatory about treating one industry differently than all other industries in the State. Our inability to pass on the GET tax like all other businesses in the State is simply unjust. Even if HRS 431:10-218 were repealed it would be a double taxation to all of our clients and the insured public since the tax is already built into the premium tax paid by the Insurance companies. The last thing the general public or the Insurance professionals need in this Economic time is to be double taxed and that is Truly what is being proposed.

State government needs to start to look at its self and run it like any private sector Business is run!! none of our staff have Union contracts giving them 28 days of sick leave, 28 days of vacation, the virtual inability to lose their employment.... It is time to be realistic about the excessive fat in government before levying any additional tax on any industry or individuals in the State, Private industry has done it over the past 2 years of the recession, Time for the State to do the same.

Mark Rodrigues  
Business Insurance Services, Inc  
1080 Kilauea Avenue  
Hilo, Hawaii 96720  
Email: [mrodrigues@bisihi.com](mailto:mrodrigues@bisihi.com)  
Ph: 808-935-1890  
ew Fax: 808-443-2470

AMERICAN COUNCIL OF LIFE INSURERS  
TESTIMONY IN OPPOSITION TO HB 2597, RELATING TO GENERAL EXCISE  
TAX ON INSURANCE PRODUCERS

February 10, 2010

Via e mail: [fintestimony@capitol.hawaii.gov](mailto:fintestimony@capitol.hawaii.gov)  
Honorable Marcus R. Oshiro, Chair  
Committee on Finance  
House of Representatives  
Hawaii State Capital, Conference Room 308  
415 S. Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 2597, relating to insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member company's account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

HB 2597 would increase the amount of the Hawaii GET on commissions paid to insurance producers from 0.15% to 4%.

Section 1 of the bill states that the bill's intent and purpose is to tax producers' commissions at the same rate other sales persons are taxed such as real estate and securities brokers. In other words, insurance producers are not paying their fair share of the GET paid by others paid on a commission basis.

However, the legislative history behind the producers 0.15% GET rate is to the contrary.

- The 0.15% tax was passed by Hawaii's 1978 legislature in recognition of Hawaii's law that the premium stated in the policy "shall be inclusive of all fees, charges, premiums, or other consideration charged for the insurance . . . ." Further, under Hawaii law producers are expressly prohibited from charging any amounts not included in the premium and from entering into contracts or agreements separate and apart from those set forth in the insurance policy. In short, producers (unlike other commission sales persons) were barred from passing the 4% tax on to the consumer. §§431: 10-128 and 431: 10-220, HRS.

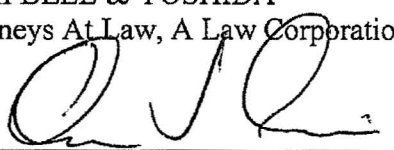
- To offset the perceived revenue loss on the life insurance producer's commissions the 1978 legislature: (a) increased the premium tax paid by life insurers to 2.75% and by property & casualty insurers to 4.265%; and (b) imposed a 0.15% GET rate on producer's commissions which was intended to tax the producer on the actual tax the producer would have been required to personally pay if the producer was able to pass on the tax to the insurance consumer. Thus, if the producer was able to pass on the 4% GET to the consumer for every dollar of commission income received by the producer, the consumer would pay the producer \$1.00 plus 4 cents (4% GET on \$1.00); and the producer in turn would report and pay 4% on the \$1.04 received or an additional 0.15%.

As result of the increased 2.75% in premium tax paid by life insurers and .15% GET paid by life insurance producers on their commissions, the 1978 legislature crafted a mechanism to insure that both insurers and producers paid their fair share of taxes to the State.

Thus, contrary to its stated purpose and intent HB 2597 if passed into law would tax producers' commissions at a much higher rate than commissions earned by others. ACLI submits that to this would be patently unfair.

For the foregoing reasons, ACLI strongly opposes HB 2597 and requests that this Committee defer passage of this bill. Again, thank you for the opportunity to testify in opposition to HB 2597.

CHAR HAMILTON  
CAMPBELL & YOSHIDA  
Attorneys At Law, A Law Corporation

By:   
OREN T. CHIKAMOTO  
otc@charhamilton.com

cc Joann Waiters, Esq.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:24 PM  
**To:** FINTestimony  
**Cc:** bkam@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Bentley Kam  
Organization: Individual  
Address: 615 Piikoi Street Honolulu, HI 96814  
Phone: 808-592-4233  
E-mail: [bkam@bisihi.com](mailto:bkam@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Bentley Kam and have been an independent insurance agent since 1983 and I OPPOSE HB 2597. This would only end up making the insured's, clients pay more in the end. The economy is bad enough and the insurance industry is also in a strain and has also reduced my income accordingly. Increasing this General Excise Tax on the Insurance Producers will only make things tighter. Some of us can not even afford to buy a simple little house at this time.



## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 3:33 PM  
**To:** FINTestimony  
**Cc:** suemura2@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stacie K. Uemura  
Organization: Individual  
Address: 615 Piikoi St #1901 Honolulu, HI  
Phone: 808-592-4227  
E-mail: [suemura2@bisihi.com](mailto:suemura2@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

My name is Stacie Uemura and on 1/1/2010 I became an independent agent. By passing this bill you would be increasing our GET by 26 times the norm that most other Businesses would pay. I OPPOSE this bill.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:35 PM  
**To:** FINTestimony  
**Cc:** nlau@financeinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: NORRIN LAU  
Organization: Individual  
Address: 773 KII ST HONOLULU, HI  
Phone: 383-1118  
E-mail: [nlau@financeinsurance.com](mailto:nlau@financeinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

To: Representative Marcus R. Oshiro  
Representative Marilyn B. Lee  
Committee on Finance

Fr: Norrin Lau, independent insurance agent

e: HB 2597 - Relating to General Excise Tax on Insurance Producers

I'm against HB 2597.

There is already a State tax included in each insurance policy. The increase excise tax that you want to charge me...I'm not allowed to pass it on to the consumer. And I still pay my State and Federal income tax.

Most insurance companies only give me 5-6% commissions....and you want to charge me 4%? What am I going to live on?

I'm the sole breadwinner in my family. My wife has to stay home to watch my two handicapped kids. I cannot afford to pay more taxes.

Do realtors have to pay such a tax?

Do stock brokers have to pay such a tax?

Do you have to pay such a tax on your income? It's like you are increasing my State income tax to 14%!

This tax is illogical and you are telling me that we need more logical people in office.

Please call me if you have any other questions.

ood Luck,

Norrin Lau

Finance Insurance, Ltd.  
1164 Bishop Street, Suite 400  
Honolulu, HI 96813

Direct (808) 522-5394  
Fax (808) 522-2089

Email: [nlau@financeinsurance.com](mailto:nlau@financeinsurance.com)  
Website: [www.financeinsurance.com](http://www.financeinsurance.com)

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:35 PM  
**To:** FINTestimony  
**Cc:** leash@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: LYNNE EASH  
Organization: Individual  
Address:  
Phone:  
E-mail: [leash@bisihi.com](mailto:leash@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

This particular bill makes no sense that the tax will not be able to be passed onto the consumer like all other taxes for other businesses.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 3:37 PM  
**To:** FINTestimony  
**Cc:** rmatsuyoshi@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ruth M. Matsuyoshi  
Organization: Individual  
Address: 4485 Pahe'e St., Suite #140 Lihue, HI  
Phone: 808-245-0300  
E-mail: [rmatsuyoshi@bisihi.com](mailto:rmatsuyoshi@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

As an insurance agent, having to pay the additional GE tax would greatly affect my income which has already been declining the past 2 years due to down economy.  
It would be unfair to pin this addt'l tax on insurance agents.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 3:38 PM  
**To:** FINTestimony  
**Cc:** linda@jerryhay.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Linda Corra  
Organization: Individual  
Address: 234 Opihikao Way Honolulu HI 96825  
Phone: 808-285-0622  
E-mail: [linda@jerryhay.com](mailto:linda@jerryhay.com)  
Submitted on: 2/9/2010

Comments:  
Signed letter - previous was unsigned.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**It:** Tuesday, February 09, 2010 3:50 PM  
**Cc:** FINTestimony  
**Subject:** JVIELA@BISIHI.COM  
Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: JAMES T VIELA  
Organization: Individual  
Address: 140 N MARKET STREET, #102 WAILUKU, HI  
Phone: 808-244-6006  
E-mail: [JVIELA@BISIHI.COM](mailto:JVIELA@BISIHI.COM)  
Submitted on: 2/9/2010

**Comments:**

I am a P&C agent for over 35 years and I oppose HB2597, because you will be taking away from me alot and will probably put me under and their is no way to make up the difference.  
I AM 65 YEARS OLD.

February 9, 2010

To whom it may concern:

I am writing with regards to HB 2597 which will increase the General Excise Tax on insurance producers. I am fully opposed to this bill. My husband is in the insurance business and we do not wish this bill to pass. DO NOT PASS HB 2597 for the following reasons:

- His business will be affected by the 2,600% increase in the GET rate from 0.15% to 4%;
- When the GE tax on insurance commissions was lowered to 0.15% in 1979, the premium taxes on the insurance companies were increased to make up for the loss in revenue;
- Hawaii insurance laws prohibits any additional charges, fees or other considerations once the premium has been approved by the Insurance Commissioner. The stated premium must include all charges. This is also a consumer protection issue.
- Therefore, the GET cannot be "passed on" or "shifted" to the policyholders/insurance clients unlike other professions or independent contractors or when products are sold in Hawaii. (i.e. A customer pays \$1.00 for an item. The GE tax of 4% is 4 cents. The merchant is then liable for \$1.04 that was collected. 4% of \$1.04 is 4.16 cents. The merchant is "out of pocket" 0.16 cents. The tax burden of 0.16 cents is equivalent to 0.15% -- the actual tax burden of those who can "pass on" the tax); and
- The producers' GE tax rate on insurance commissions is a very unique way of paying the GE tax. Yes, the 0.15% is the actual burden of the 4% GE tax rate that insurance producers pay, but the insurance companies were levied a higher premium tax rate to make up for that loss in revenue from insurance commissions back in 1978 when the law was changed.

Please contact me should you have any further questions. Again, my wish is that HB 2597 does NOT pass!

Thank you for your time and consideration.

Sincerely,

Lisa Sakamoto  
235-4168



Written Testimony: Rito C. Saniatan  
HB 2597

February 9, 2010

HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.C. Aquino	Rep. Scott Y. Nishimoto
Rep. Karen Leilani Awana	Rep. Roland D. Sagum
Rep. Tom Brower	Rep. James K. Tokioka
Rep. Isaac W. Choy	Rep. Jessica Wooley
Rep. Denny Coffman	Rep. Kyle Yamashita
Rep. Sharon Har	Rep. Lynn Finnegan
Rep. Chris Lee	Rep. Gene Ward
Rep. Gilbert S.C. Keith Agaran	

**RE: HOUSE BILL 2597**  
**Relating to General Excise Tax increase on Insurance Producers.**

Good Afternoon Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for the opportunity to submit written testimony on HB 2597. My name is Rito C. Saniatan and **I strongly oppose HB 2597** due to the unfairly adds taxes where tax is already being collected. Insurance Producers are prohibited by law, (HRS 431:10-218 Stated Premium Must include all charges) to pass on any taxes to their clients.

I have been an insurance producer for ALL Lines of insurance since 1992 and cannot remember a tougher time for my clients, for myself, and for the rest of the State. I truly understand the financial budget shortage for the State Treasury, but increasing the GE Tax on Insurance Producers is not the solution.

HB2597 is misguided in the fact that it seeks to increase the GET on commissions received by Insurance Producers. It appears that the goal was to levelize GET rates with other sales people, such as real estate agents and others. The problem however is that Insurance Producers cannot pass on the GET to their clients. Therefore in 1979, after an in depth study was done by the Office of the Legislative Reference Bureau, with the cooperation and assistance of the Department of Taxation and Department of Regulatory Agencies, the Legislature decided to increase the Premium Tax "In Lieu" of charging the GET on insurance commission. Insurance Premiums are highly regulated and cannot be adjusted unless a rate filing is submitted and approved by the State Insurance Division.

The impact by increasing the rate from .15% to 4% translates to an actual tax increase to an astronomical 2600% or 26 times what we are currently paying.

Again, I **strongly oppose HB 2597**. Thank You for the opportunity to submit my written testimony. Should you have any additional questions, please do not hesitate to call me at 688-2222.

Sincerely,

Rito C. Saniatan  
Insurance Producer  
Manager, Mutual Underwriters Agency

**moshiro4-Lisa**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 4:00 PM  
**To:** FINTestimony  
**Cc:** pkinoshita@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM  
**Attachments:** HB2597.doc

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Paul Kinoshita  
Organization: Individual  
Address: 615 Piikoi St. #1901 Honolulu HI  
Phone: 808-592-5036  
E-mail: [pkinoshita@bisihi.com](mailto:pkinoshita@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

It appears that our State economic budget problems are resulting in State government seeking new revenues by not only increasing all Hawaii citizens taxes (property and use taxes) but also want to unfairly increase our insurance agent's GE Tax rate. Because our current GE Tax rate is low, even if we disagreed with it since we are not able to pass the tax on to our policyholder like every other business, we've just PAID. Like every working citizen in our state, the recession has been difficult and seems to be getting worse. Legislation like HB2597 is unfairly discriminatory. As a tax paying citizen, I accept paying my fair share of taxes. I was told many years ago, to live in paradise is expensive. If all citizens are fairly taxed I have no complaints since I still believe Hawaii is still the best state and where I still elect to reside. It's expensive, but being unfairly taxed and if discriminate against would change my feeling all Paradise. Please kill HB2597!!!

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 09, 2010 4:00 PM  
To: FINTestimony  
Cc: tkinoshita@bisihi.com  
Subject: Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Travis Kinoshita  
Organization: Individual  
Address: 3009 Ala Makahala Pl Honolulu, HI  
Phone: 8083971588  
E-mail: [tkinoshita@bisihi.com](mailto:tkinoshita@bisihi.com)  
Submitted on: 2/9/2010

Comments:

Travis Kinoshita license 373196

I oppose the HB 2597 initiative because of the following reasons:

\*I am just starting in the insurance industry and every penny counts \*Over the past 15 years, I have invested my hard earned money and purchased two condos which I need to pay mortgages on and this additional 4.5% which is currently sheltered in the premiums will adversely affect me and may ultimately cost me in the end \*My friends in the other sales industries (real state) are able to pass it on into their commissions they charge

# Tom Sofos

1206 Manu Mele St.

Kailua, Hawaii 96734

w: 808-534-7319 h: 808-263-1303 c: 808-927-6774 f: 808-203-2044

[www.tsofos@connorshawaii.com](http://www.tsofos@connorshawaii.com);

[tomsosfos@aol.com](mailto:tomsosfos@aol.com)

February 9, 2010

Chairman of the Finance Committee  
Committee on Finance  
Representative Marcus R. Oshiro  
Representative Marilyn B. Lee  
Members of the Finance Committee

RE: HB 2597 Relating to General Excise Tax on Insurance Producers

Dear Sir,

I am against this bill for the following reasons:

1. This tax is included in the insurance premium 4.5% paid out of every dollar of insurance premiums already to the state. It is paid 100%. This results in lower commissions that is paid to insurance agents. We already pay it.
2. Insurance agents unlike, other commissioned agents, CAN NOT pass this tax on to the consuming public. So we would have to "eat" the tax.

There is no option to "pass it along".

I ask you to please reject this bill Thank you for your time.

Sincerely,

*Tom Sofos*

Tom Sofos

**moshiro4-Lisa**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 4:01 PM  
**To:** FINTestimony  
**Cc:** ljimenez@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lorraine B. Jimenez  
Organization: Individual  
Address: 4485 Pahe'e Street #140 Lihue, Hawaii 96766  
Phone: 808-245-0307  
E-mail: [ljimenez@bisihi.com](mailto:ljimenez@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

As an account executive for a large insurance agency, I oppose this bill because of the tremendous financial hardship it will cause the independent insurance agent. Our industry does not have the ability to pass this tax on to its customers; rate should remain as is.

**TESTIMONY TO OPPOSE HOUSE BILL 2597**

- Testifier's name with position/title and organization: Julie Gushiken/District Sales Manager, AFLAC
- The Committee the comments are directed to: House Finance Committee
- The date and time of the hearing; NOTICE OF HEARING

DATE: Wednesday, February 10, 2010  
TIME: 4:00 P.M.  
PLACE: Conference Room 308  
State Capitol  
415 South Beretania Street

- Measure number
  - The number of copies the Committee is requesting.
- 

February 9, 2010

Attention: House Finance Committee

Re: House Bill 2597, General Excise Tax on Insurance Producers

On a personal note, this bill will have a huge affect on my business and the way I spend my hard earned income. I have been in the insurance business for 8 years and I'm currently a District Manager for American Family Life Assurance Company on the Big Island.

A 2,600% increase on our General Excise Tax will force me to cut back and eliminate many aspects of my business and will take away from my clients and what I have been doing for them, not to include my donations, luncheons, appreciation gifts etc. If there is a decrease in spending, there will surely be a decrease in sales tax for Hawaii as well.

Being an Insurance Agent is honestly not for everyone, only 1 out of 4 agents succeed because we are paid STICTLY through commissions being contracted with majority of insurance companies, there is absolutely no base pay or guaranteed income for security and piece of mind, unlike other commission based professions (car salesman, cell phone companies, many securities companies, etc).

Insurance Commissions are in it's own category for a reason, it's not like other businesses. Respectfully, HAWAII INSURANCE LAWS PROHIBITS any additional charge, fees or other considerations once the premium has been approved by the Insurance Commissioner. Therefore, the GET cannot be passed on to our clients/policyholders UNLIKE other professions or contractors including when products are sold in Hawaii. When we stay at a hotel, rent a car here ,we (the customer)

pay the taxes in addition to their charge. Because we are not allowed to “shift” our taxes on to our clients or customers like other professions, we will take a much bigger loss than those in other industries paying the 4% General Excise Tax. With commissions already down from 2008, this may be the “push” over the edge to possibly get into a different business where I can “pass” on the 4% tax to even expenses out helping to keep my business afloat. This would be the only option as we obviously are not entitled for “Unemployment”. With our current expenses vs. profit to date I cannot afford to take another “big hit” that will put me in the negative. I have approximately 350 clients and their families that I personally assist with their insurance needs and the last move I want to make is walk away from them and from my business that I’ve built relationships with and worked hard at for the last 8 years. Including the 10 agents I have working with me, some of them who have been in the insurance business twice as long as I have with hundreds of clients each that they personally assist as well.

I am only “one” insurance professional here giving my testimony, but I speak for hundreds if not thousands of our valued clients that we service everyday helping them put food on the table for their families and continue to pay their mortgage and taxes if they are sick, hurt, out of work or if a loved one passed away. I am there for my clients as that is what insurance professionals do, we don’t just sell insurance policies.... we provide options, we provide protection, we provide personal service, we provide piece of mind and hope for our clients and their families. Insurance is there because “life happens”. Until you pay a death claim to a wife because her beloved husband passed away, or to a family because their mother passed away, you can’t and won’t understand the impact we have on our clients, how important our profession is and what we really are here for.....being there for them when they need us most.

*“I strongly oppose this bill as it will not only affect us in the insurance profession, but more importantly our valued clients and their families.”*

Julie Gushiken  
District Sales Manager  
17 Maka’ala Street, Ste 101  
Hilo, HI 96720  
(808)989-2799



**moshiro4-Lisa**

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**From:** Larry Yamada [lyamada@financeinsurance.com]  
**Sent:** Tuesday, February 09, 2010 4:08 PM  
**To:** FINTestimony  
**Subject:** HB 2597

**To:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

**From:** Lawrence Yamada, Finance Insurance, Ltd.

**Subject:** Opposition of HB 2597 – Relating to General Excise Tax on Insurance Producers

My name is Lawrence Yamada and I have been a life insurance agent since 1978, ironically two years after companies started being charged an insurance premium state tax. Over the years I have touched many lives and have developed some very close relationships with my clients and prospective clients. I have earned a decent living and paid my due share of income taxes. Since I was not able to pass on any excise taxes to my clients it was fortunate that my tax was 0.15% which is about the same that other independent contractors end up paying since they are allowed to pass on the tax to their customers.

The added expense would greatly impact me and may force me out of the business and into early retirement. This would then result in no excise tax at all and reduced state income taxes. I'm sure there are others in the same boat as myself, so this \$21M additional revenue that the bill's sponsor is estimating would be reduced and to top it off, the decrease in state income taxes would probably offset the remainder.

I therefore oppose HB2597 and strongly request that you not allow this bill to proceed any further. Thank you.

Larry Yamada, CLU  
VP /Life & Group Benefits Mgr.  
Finance Insurance, Ltd.  
1164 Bishop St. Suite 400  
Honolulu, HI 96813  
(808) 522-5974 direct  
(808) 522-5592 fax

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## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**it:** Tuesday, February 09, 2010 5:06 PM  
**Subject:** FINTestimony  
**Cc:** mfuller@hawaii.nef.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM  
**Attachments:** Bill 2597.docx

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marie-Yolande Fuller  
Organization: Individual  
Address: 1100 Ward Ave. Suite 500 Honolulu HI.96814  
Phone: (808)521-0818 ext. 120  
E-mail: [mfuller@hawaii.nef.com](mailto:mfuller@hawaii.nef.com)  
Submitted on: 2/9/2010

Comments:

**2/9/2010**

**Dear House Finance Committee,**

**Regarding this bill which is proposing a 2600 % increase on our GET rates, going from 0.15% to 4%, I would like to voice my concerns.**

**The Hawaii Insurance laws prohibits any additional, fees or other considerations to be added once the premiums rates have been approved by the Insurance Commissioner. The stated premium must include all charges. And so, unlike other professionals or independent contractors who are able to pass on this tax to their clients when providing their products, we are unable to do so. That is why the premium tax on insurance companies was increased in the late 70's ,to make up for the lost revenues.**

**Many of us, as Small Business Owner, are merely surviving with the constant increase cost of doing business, especially in the present economy. My biggest concern is that this proposed increase is targeting those of us who are trying to help our clients, "The People of Hawaii" , achieve financial security for themselves and their family, now and in the future, so that they don't have to depend upon Federal and State government programs to survive.**

**This added cost of doing business will require us to cut down more on expenses and staff and therefore limit our ability to provide guidance and financial services and products to people, at the time they need it most.**

**Thank you for your time in considering these concerns before deciding to pass this bill.**

**Sincerely,**

**Marie-Yolande Fuller, CFP, LUTCF, CLTC**

## moshiro4-Lisa

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:09 PM  
**To:** FINTestimony  
**Cc:** DanDennis@allstate.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Dan Dennis  
Organization: Individual  
Address:  
Phone: 626-2788  
E-mail: [DanDennis@allstate.com](mailto:DanDennis@allstate.com)  
Submitted on: 2/9/2010

Comments:

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 5:17 PM  
**To:** FINTestimony  
**Cc:** rjoao@aighawaii.rr.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Raymond Joao  
Organization: Hawaii Insurance Consultants, Ltd.  
Address: 500 Ala Moana Blvd 3rd Flr. Honolulu, Hawaii 96813  
Phone: (808) 544-3928  
E-mail: [rjoao@aighawaii.rr.com](mailto:rjoao@aighawaii.rr.com)  
Submitted on: 2/9/2010

**Comments:**

I manage a Property, Casualty and Life Insurance Agency. We employ 29 staff including management, and have just over a dozen agents full and part time. We have a customer base of about 10,000 people and businesses. I oppose this bill for the following reasons:

Our agency is a revenue producing entity that employs staff and agents, who through or work satisfy the needs of our customers. We already pay taxes that support our county and or state. Why then should we be burdened further with this GET tax? The additional GET tax burden will affect our agency's bottom line and most probably will affect my ability to retain all my staff--my largest expense. Most of my employees have been with us 10 years or more so laying even one or two off will be emotionally difficult for me, for the morale of our office but even tougher on those employees who will be victimized. Most of them have families so a lay off will affect their livelihood, that of their family members and their lives. It also means no medical and dental coverage for them--what a major handicap that will be for them. Those laid off employees will try to collect unemployment insurance, become another burden on the state and help drive up the already horrendous Unemployment Tax--one that hurts all businesses but especially small businesses such as ours. If I cut staff it will have a negative affect on service to my customers and my agents. Poor service means customers may leave my agency which reduces my revenues. Squeezing my revenue means I will have to reduce my commissions to my agents which impacts them and their families--and the chain of dependencies that I outlined above only escalates. The poor economy has already decimated our agency's income (last year we lost over \$2Million in Premums) because businesses are closing and or have lost revenues because of the poor economy, impacting their ability to pay their insurance premiums. As it is last year we did not give raises to our employees and our management. 75% of hawaii businesses are small businesses like us. All of us are already having a difficult time surviving, as it is. Placing a GET tax on us will impact us severely and only escalate the probability of many of us going out of business or severely cutting back on staff. We sincerely ask you to see the potential for good that businesses like ours can do for this state--we need your help to reduce the barriers, to us, to our employees, to our 10,000 customers-- not to increase them. We need your help and understanding. Mahalo.

## moshiro4-Lisa

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 5:05 PM  
**To:** FINTestimony  
**Cc:** rteshima@advantage-ins.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Reed Teshima  
Organization: Individual  
Address: 1585 Kapiolani Blvd., Suite 1120 Honolulu, HI  
Phone: 808-946-8503  
E-mail: [rteshima@advantage-ins.com](mailto:rteshima@advantage-ins.com)  
Submitted on: 2/9/2010

Comments:  
February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair Committee on Finance  
Fr: Reed Teshima- Independent Agent  
Re: HB 2597 - Relating to General Excise Tax on Insurance Producers  
earing: Wednesday, February 10, 2010, 4:00 pm Conference Room 308

Dear Representative Marcus Oshiro and Representative Marilyn Lee,

My name is Reed Teshima and I take great pride in working as an independent life and health insurance agent. I have been apart and working in the insurance industry since September of 2003 when at a young age of 22, found the chance and opportunity to serve individuals in business and in the community with a fulfilling career. As many independent agents in this industry are compensated, I too am compensated strictly on commissions. If I do not service and provide programs for both new and old clients, I do not receive compensation. If I do not receive any compensation, my well being and livelihood is at stake. I find great joy in my chosen career and feel that up to now have made positive impact on people's lives.

It's not just compensation that keeps me going each and everyday in this industry. I was able to realize this the very first time I delivered a benefit claim check to one of my first clients. This client, who is still my client, was having trouble make economic ends meet working as a housekeeping clerk at a local hotel. At the age of 40, she look to me as young professional to offer her advice on her family accident/ disability policy and based on her decision in seeing the value and need for this product, enrolled in a plan that would take sacrifice to participate in. Seven months later her husband, who had been the household bread winner, fell down a flight of stairs near her home and needed operations on both knees in order for him to return to work. As I walked her through her claim and had the claim proceeds mailed to my address, I visited her and her family to deliver the check. She opened and received the benefit check and began to tear with relief. This is the moment I realized I was able to touch a person's life in a time of need and that this is the career I want to be in. That same year I was compensated a gross income of \$20,500 in commissions and had to

take a personal loan from First Hawaiian Bank, just to pay my federal, state and general excise taxes. It took me almost a year to satisfy my repayment to the bank, but this lesson of sacrifice I made to pay my taxes and stay in this business working at almost minimum wage 's one of many positive experiences I have had which drives me each day.

I oppose the HB 2597 because with an added tax expense, it will add hardship and struggle to those who depend on me (both clients and family). Every one of my clients are my clients because they believe in me to provide them with the highest level of service and to deliver when they are in need. They are still my clients because of the relationships we have built and established over the years we have known each other. This consideration of raising the G.E. Tax will lessen the opportunity for myself to continue with my career as well as deter aspiring insurance agents to chose a career of helping people in need.

Thank you for your consideration.

Sincerely,

Reed Teshima  
Advantage Insurance Services, Inc.  
Associate  
808.946.8503  
[rteshima@advantage-ins.com](mailto:rteshima@advantage-ins.com)

## moshiro1-Ann

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 4:16 PM  
**To:** FINTestimony  
**Cc:** wes@kingneel.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Wesley Uemoto  
Organization: King and Neel, Inc.  
Address: 1164 Bishop St. #1710 Honolulu, HI  
Phone: 808-539-5421  
E-mail: [wes@kingneel.com](mailto:wes@kingneel.com)  
Submitted on: 2/9/2010

### Comments:

I'm Wesley Uemoto, President of King and Neel, Inc. Our company has been in business for about 40 years now and would like to continue doing business. I oppose HB2597 because it adds unnecessary burden and expense to insurance agencies. We employ about 30 people and may have to make some hard choices of keeping them employed if the State makes laws that make us less profitable.



moshiro1-Ann

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From: Carol Galdeira [cgaldeir@financeinsurance.com]  
Sent: Tuesday, February 09, 2010 4:55 PM  
To: FINTestimony  
Subject: TESTIMONY TO LEGISLATORS ON HB 2597.doc

Date: February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

From: Carolyn J. Galdeira, Finance Insurance, Ltd.

Subject: Opposition of HB 2597 – Relating to General Excise Tax on Insurance Producers

I am writing on behalf of the many insurance agencies and producers in the State of Hawaii that will be greatly affected by the passage of this bill.

We are all business people trying to earn a living in this regulated industry. We are already consumed by numerous regulations and increased prices along with a terrible economy.

Insurance carriers are already taxed on the premium that they receive from the premium charges made and paid to the consumer. Agencies like Finance Insurance are again taxed for the “gross” revenue that we receive from the consumer. Then to us by the insurance carrier and then producers are again taxed on the commissions they are paid by the agencies they represent. To me, this means that the State has collected three times on that same dollar that the consumer paid to the insurance carrier in the first place.

To top it all off, we don’t have a means of transferring this cost to the consumer. By law, we cannot pass that cost to anyone. The State would be collecting this tax three times over. Finally, the increased level being proposed is outrageous. From 0.15% to 4% translates to 26 times more than what we currently pay now. You will be hurting small business a very **LARGE** way.

**I ask that you reject this bill and I oppose the passage of HB2597.**

Thank you.

**moshiro1-Ann**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 4:19 PM  
**To:** FINTestimony  
**Cc:** mmiranda@atlasinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Maurice Miranda  
Organization: Individual  
Address: 45-3551 Mamane St., A3 Honokaa, HI 96727  
Phone: 808-775-7227  
E-mail: [mmiranda@atlasinsurance.com](mailto:mmiranda@atlasinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

I've been an insurance agent for 33 years. I serve over 2500 clients. I work 65 to 70 hours per week. I pay Federal, State, Social Security & Medicare taxes in addition to my GE tax. I employ on full time person and she is the sole breadwinner of her family. I'm also a one income household. The commission I earn I work hard for. The money used to pay insurance premium are after tax dollars and are taxed as income to the insurance agency and companies. Now the State wants to increase my GE tax by 2700%. HB2597 is unfair and excessive. I'm already facing a 1000+% increase in the unemployment taxes I pay for one employee and we have never filed an unemployment claim in 33 years.

## moshiro1-Ann

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 4:27 PM  
**To:** FINTestimony  
**Cc:** begbert@monarch-hi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Brigitte M. Egbert  
Organization: Individual  
Address: 677 Ala Moana Blvd, #500 Honolulu, Hawaii  
Phone: 808-441-3172  
E-mail: [begbert@monarch-hi.com](mailto:begbert@monarch-hi.com)  
Submitted on: 2/9/2010

### Comments:

My name is Brigitte Egbert and I have been a Commercial Property & Casualty Agent for the last 15 years in the State of Hawaii. I represent some of Hawaii's largest Real Estate Property Owners and Developers. I strongly oppose HB 2597 for many reasons. First, it does not allow Agents the opportunity to pass the tax burden on to clients whereas all similar organizations can pass the tax burden on to their clients/customers. Secondly, I go to great lengths to always give my clients the best product and best price. This is how each agent earns their money. By placing an unfair burden on the Property & Casualty producers by raising our taxes 2,600% (with no ability to pass or share the burden) you are taking food off our families breakfast, lunch and dinner tables and compromising the very way we exist.

Please hear our plea and research this matter further. Currently HB 2597 is way too simplified and has not been well thought out. I am confident the legislature and the insurance industry can work together to come up with a fair and more equitable solution. Haste makes waste and this issue needs more time to be researched and discussed.  
Aloha for your consideration,  
Brigitte M. Egbert

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 4:27 PM  
**To:** FINTestimony  
**Cc:** skawamura@atlasinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Sheryl Kawamura  
Organization: Individual  
Address:  
Phone:  
E-mail: [skawamura@atlasinsurance.com](mailto:skawamura@atlasinsurance.com)  
Submitted on: 2/9/2010

Comments:  
increasing the tax will make a great impact on the income of the independent agents and agencies. Unlike other businesses, we are unable to pass this tax onto the insureds.

February 9, 2010

To: **Representative Marcus R. Oshiro, Chair**  
**Representative Marilyn B. Lee, Vice-Chair**  
**Committee on Finance**

Fr: David Yamashita, CPCU, CLU, CIC, ChFC, MSFS, AAI  
Licensed Independent Agent

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm  
Conference Room 308

*I would like to respectfully submit the following testimony:*

I have lived in Hawaii all my life and have been a local independent insurance agent for the past 31 years. I believe the present G.E.T. law is fair in which the insurance carriers are assessed a premium tax and it is passed through to the policyholder as part of their premium. As an insurance agent we are not able to legally pass the tax through to our client which makes it unfair to change the law without further modification of the statutes. Even if we were able to pass it through, many of our Property & Casualty carriers bill the insured directly for the premiums and it would make it necessary for us to send the insured a separate billing invoice for the tax. This will cause us to incur additional administrative expenses at a time when we are all looking at ways to survive by cutting expenditures. In passing this measure you would create an additional burden of unnecessary administrative expenses which would include cost of invoicing, cost of postage, collection activities, cancellation of policy notifications for non-payment of the tax, etc.. Do you believe it would be fair to the insured if we initiated cancellation of an insured's policy because they failed to reimburse us the 4% tax?? Nothing is wrong with the way things are being done now. If this bill passes would the premium tax assessed the insurance companies be reduced to a wholesale level, or would the policyholder pay an embedded tax in their premium and be taxed again by the retail agent??? Essentially a double tax!!

Making a living in Hawaii is difficult at best, with the higher cost of housing, food, transportation, education, and TAXES, relocating to the mainland may become the only option at retirement. I fear my two children (18 & 21) may be also forced to seek careers on the mainland as the cost of living here will drive them away in pursuit of higher pay, a better standard of living and an enriched quality of life. Both will be in college on the mainland next year. My son is planning to pursue a Phd in History and teach at an Ivy until he attains tenure. At which point his long range plan is come home to teach at the UH. Hawaii is home and I would hope that any change would be thoughtful change with the premise of being fair to all.

Regards, David Yamashita

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 4:31 PM  
**To:** FINTestimony  
**Cc:** tshiraki@atlasinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tracey Shiraki  
Organization: Individual  
Address:  
Phone:  
E-mail: [tshiraki@atlasinsurance.com](mailto:tshiraki@atlasinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose HB 2597. As an agent early in my career I oppose hearing HB2597. If you decide to enact this law, the insurance industry will suffer and it will put many insurance agents out of business. Insurance agents are prohibited by law to pass on any taxes to their clients. In this struggling economy, we are already seeing decreased premium amounts which lower the amount of commission received from the insurance companies. Hearing HB2597 would be another blow to our industry. If this law passed, it would discourage many young agents to continue in this occupation. I may not continue on this path because my income would be decreased and I don't know if I could continue to support my family on my income. Please take my opinion into consideration and DO NOT pass hearing HB2597. Thank you.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 4:35 PM  
**To:** FINTestimony  
**Cc:** aaburamen@atlasinsurance.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ardis Aburamen  
Organization: Individual  
Address:  
Phone:  
E-mail: [aaburamen@atlasinsurance.com](mailto:aaburamen@atlasinsurance.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose to increasing the tax as it is not going to be beneficial to the independent agent and agencies.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:01 PM  
**To:** FINTestimony  
**Cc:** tallen@insurancefactors.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Thomas Allen  
Organization: Individual  
Address: 745 Fort Street, #1000 Honolulu, HI  
Phone: 8085467414  
E-mail: [tallen@insurancefactors.com](mailto:tallen@insurancefactors.com)  
Submitted on: 2/9/2010

### Comments:

I am a commercial insurance agent. Revenues have been declining in this industry for the past 5 years which is good for insurance buyers, but not good for independent insurance agents like myself. The added burden of increasing the GE tax on insurance agents 26 times the current rate only hurts the industry that much more. Please don't forget that one of the reasons we have the rate we have is that, unlike other businesses, we do not have the ability to pass this cost onto our customers. Please do not pass this bill. Thank you.



Committee on Finance  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

Hearing Date: February 10, 2010

Time: 4:00 pm Agenda #3

Re: House Bill 2597: RELATING TO GENERAL EXCISE TAX  
ON INSURANCE PRODUCERS

Chair Oshiro, Vice Chair Lee and members of the Finance Committee, my name is Terumitsu "Teri" Ikeda and I have been a licensed agent since 1978.

**I am opposed to HB 2597** that will increase the general excise tax on insurance commissions from 0.15% to 4%.

This is a 2,600% increase in the tax rate. I am unable to pass this tax to consumers like other businesses due to a state law prohibiting any additional charges or fees outside of the premium amount.

I'm not sure that many of us who have been in the business for a number of years could have survived with this kind of proposed tax burden. Additionally, this may discourage new producers from entering this profession.

Please do not pass this measure out of your Committee. Thank you.

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 5:31 PM  
**To:** FINTestimony  
**Cc:** gnihei@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Gordon Nihei  
Organization: Business Insurance Services, Inc.  
Address: 615 Piikoi Street Suite 1901 Honolulu, HI 96814  
Phone: 808-592-4231  
E-mail: [gnihei@bisihi.com](mailto:gnihei@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

I am a principal of an insurance agency. If this tax is passed our industry will not be able to survive if we are not able to pass through this GET increase to the customer as many agencies do not have a 4% bottomline presently. It would also be unfair to the consumer who is already paying taxes, which is built in the premium.

I am hopeful that members on the finance committee understand how the financial aspects of operating a business and realize that this bill does not make economic sense.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:24 PM  
**To:** FINTestimony  
**Cc:** lfunai@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Layne Funai  
Organization: Individual  
Address: 615 Piikoi St. Honolulu, HI  
Phone: 808-592-5013  
E-mail: [lfunai@bisihi.com](mailto:lfunai@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

My name is Layne Funai and I have been in insurance for 12 years. I've been an agent for a little over a year and I strongly Oppose HB-2597. The proposed tax would add millions of dollars in expense to our agency forcing the agency to fire staff and to cut agents' commissions if we survive at all. Be advised, insurance agents/agencies are prohibited by statute and procedure from passing on this tax to the consumer. As such there is no relief from this expense. It should also be noted that the Legislature increased the premium tax aid by the insurance carriers specifically to capture any lost tax revenue. Therefore, increasing the tax rate on insurance commissions is also a double tax.

The crux of this bill was to tax insurance agents like other similar professionals thus evening the tax burden. I agree that everyone should pay his or her fair share. That said, I know of no other profession prohibited from passing along tax expense to the consumer. So how is the main goal of this bill accomplished? It is not. Also, how can a clearly discriminatory tax be allowed under the law?

More importantly, this bill would cripple my ability to provide for my family and the ability of thousands of other staff and agents to provide for their families.

Written Testimony of: Rito C. Saniatan  
HB2597

February 9, 2010

HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.C. Aquino	Rep. Scott Y. Nishimoto
Rep. Karen Leilani Awana	Rep. Roland D. Sagum
Rep. Tom Brower	Rep. James K. Tokioka
Rep. Isaac W. Choy	Rep. Jessica Wooley
Rep. Denny Coffman	Rep. Kyle Yamashita
Rep. Sharon Har	Rep. Lynn Finnegan
Rep. Chris Lee	Rep. Gene Ward
Rep. Gilbert S.C. Keith Agaran	

**RE: HOUSE BILL 2597**

**Relating to General Excise Tax increase on Insurance Producers.**

Good Afternoon Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for the opportunity to submit written testimony on HB 2597. My name is Rito C. Saniatan and **I strongly oppose HB 2597** due to the unfairly adds taxes where tax is already being collected. Insurance Producers are prohibited by law, (HRS 431:10-218 Stated Premium Must include all charges) to pass on any taxes to their clients.

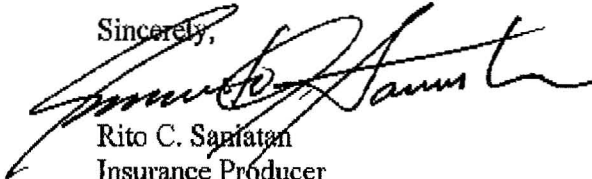
I have been an insurance producer for ALL Lines of insurance since 1992 and cannot remember a tougher time for my clients, for myself, and for the rest of the State. I truly understand the financial budget shortage for the State Treasury, but increasing the GE Tax on Insurance Producers is not the solution.

HB2597 is misguided in the fact that it seeks to increase the GET on commissions received by Insurance Producers. It appears that the goal was to levelize GET rates with other sales people, such as real estate agents and others. The problem however is that Insurance Producers cannot pass on the GET to their clients. Therefore in 1979, after an in depth study was done by the Office of the Legislative Reference Bureau, with the cooperation and assistance of the Department of Taxation and Department of Regulatory Agencies, the Legislature decided to increase the Premium Tax "In Lieu" of charging the GET on insurance commission. Insurance Premiums are highly regulated and cannot be adjusted unless a rate filing is submitted and approved by the State Insurance Division.

The impact by increasing the rate from .15% to 4% translates to an actual tax increase to an astronomical 2600% or 26 times what we are currently paying.

Again, I **strongly oppose HB 2597**. Thank You for the opportunity to submit my written testimony. Should you have any additional questions, please do not hesitate to call me at 688-2222.

Sincerely,

A handwritten signature in black ink, appearing to read "Rito C. Saniatan", written over a horizontal line.

Rito C. Saniatan  
Insurance Producer  
Manager, Mutual Underwriters Agency

TESTIMONY TO OPPOSE HOUSE BILL 2597

- Testifier's name with position/title and organization: Julie Gushiken/District Sales Manager, AFLAC
- The Committee the comments are directed to: House Finance Committee
- The date and time of the hearing; NOTICE OF HEARING

DATE: Wednesday, February 10, 2010  
TIME: 4:00 P.M.  
PLACE: Conference Room 308  
State Capitol  
415 South Beretania Street

- Measure number
  - The number of copies the Committee is requesting.
- 

February 9, 2010

Attention: House Finance Committee

Re: House Bill 2597, General Excise Tax on Insurance Producers

On a personal note, this bill will have a huge affect on my business and the way I spend my hard earned income. I have been in the insurance business for 8 years and I'm currently a District Manager for American Family Life Assurance Company on the Big Island.

A 2,600% increase on our General Excise Tax will force me to cut back and eliminate many aspects of my business and will take away from my clients and what I have been doing for them, not to include my donations, luncheons, appreciation gifts etc. If there is a decrease in spending, there will surely be a decrease in sales tax for Hawaii as well.

Being an Insurance Agent is honestly not for everyone, only 1 out of 4 agents succeed because we are paid STICTLY through commissions being contracted with majority of insurance companies, there is absolutely no base pay or guaranteed income for security and piece of mind, unlike other commission based professions (car salesman, cell phone companies, many securities companies, etc).

Insurance Commissions are in it's own category for a reason, it's not like other businesses. Respectfully, HAWAII INSURANCE LAWS PROHIBITS any additional charge, fees or other considerations once the premium has been approved by the Insurance Commissioner. Therefore, the GET cannot be passed on to our clients/policyholders UNLIKE other professions or contractors including when products are sold in Hawaii. When we stay at a hotel, rent a car here ,we (the customer)

pay the taxes in addition to their charge. Because we are not allowed to "shift" our taxes on to our clients or customers like other professions, we will take a much bigger loss than those in other industries paying the 4% General Excise Tax. With commissions already down from 2008, this may be the "push" over the edge to possibly get into a different business where I can "pass" on the 4% tax to even expenses out helping to keep my business afloat. This would be the only option as we obviously are not entitled for "Unemployment". With our current expenses vs. profit to date I cannot afford to take another "big hit" that will put me in the negative. I have approximately 350 clients and their families that I personally assist with their insurance needs and the last move I want to make is walk away from them and from my business that I've built relationships with and worked hard at for the last 8 years. Including the 10 agents I have working with me, some of them who have been in the insurance business twice as long as I have with hundreds of clients each that they personally assist as well.

I am only "one" insurance professional here giving my testimony, but I speak for hundreds if not thousands of our valued clients that we service everyday helping them put food on the table for their families and continue to pay their mortgage and taxes if they are sick, hurt, out of work or if a loved one passed away. I am there for my clients as that is what insurance professionals do, we don't just sell insurance policies.... we provide options, we provide protection, we provide personal service, we provide piece of mind and hope for our clients and their families. Insurance is there because "life happens". Until you pay a death claim to a wife because her beloved husband passed away, or to a family because their mother passed away, you can't and won't understand the impact we have on our clients, how important our profession is and what we really are here for.....being there for them when they need us most.

*"I strongly oppose this bill as it will not only affect us in the insurance profession, but more importantly our valued clients and their families."*

Julie Gushiken  
District Sales Manager  
17 Maka'ala Street, Ste 101  
Hilo, HI 96720  
(808)989-2799

February 9, 2010

Mr. Marcus R. Oshiro, Chair  
Ms. Marilyn B. Lee, Vice-Chair  
House Committee on Finance

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers

My name is Cellina Uyeunten and I am an underwriter's assistant for an insurance agency in Honolulu.

I oppose HB 2597. I am already struggling to make ends meet. My family and I live with other family members as the cost of rent is unaffordable. With the rising cost of rent, gas prices and groceries it becomes more and more difficult to survive.

The passing of this bill will only increase my employer's expenses to the extent of lay-offs and cut-backs. Should some of us lose our jobs we will be out on the streets with our children. I believe that the State of Hawaii has other options.

Please have a heart and consider the number of people you will be adding to the already crowded beaches and parks.

Sincerely,



Cellina Uyeunten



Thomas Di Mayo  
441 Lewers Street, #401  
Honolulu HI 96815-2448

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February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

From: Thomas Di Mayo, Customer Service Representative, Jerry Hay, Inc.

Re: HB 2597 – Relating to General Excise Tax on Insurance Producers  
Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

Dear Sir:

I have been in the Hawaii insurance industry for over 18 years, the last 15 years as a customer service rep for hundreds of our agency's clients. Most of these clients have worked with me since I began here. My job is to get them the best deal we can find for their insurance coverage, and for most of them, I am the only face and voice of the insurance industry in Hawaii. I do not receive insurance commission. My salary is paid for from the commission earned by the insurance agents at Jerry Hay, Inc.

I oppose HB 2597. The State of Hawaii already taxes insurance companies for the premiums they receive. Every premium dollar spent on insurance in Hawaii is already taxed. Domestic insurance companies are taxed \$4.265 per \$100 of premium dollars. Foreign (not admitted) insurance companies have \$4.168 per \$100 of premium dollars collected for state taxes.

The commission received by insurance agents is paid from these already taxed insurance company insurance premiums. The commission agents receive is not necessarily direct compensation. It is used to fund insurance agency operations and employees—the salary for my job and to maintain my office is paid from commission. It will impact me directly if you increase the tax on commission. My salary, my benefits, even my job position is threatened by this.

I am the president of my condominium association and have been for over 10 years. I am no stranger to making tough decisions for funding critical services when funding is thin or inadequate. The primary method of taxing insurance premiums in the State of Hawaii is through the taxes levied on insurance companies. This method has made the state a large amount of reliable annual income over many years now: over \$93,000,000 last year alone.

Might I suggest that if you need to increase insurance taxation, that you increase the rate of tax on insurance premiums paid to insurance companies, which is in turn built into the company rates and not passed on openly to the public as a "tax" item. These rates are closely monitored and approved by the state insurance department. This would be in keeping with past practices in the industry. Increasing insurance agent commission is a strike against the people (like me) side of the industry.

Thank you for taking the time to read this letter.

Aloha,

A handwritten signature in black ink, appearing to read "Thomas Di Mayo". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Thomas Di Mayo  
tdimayo@yahoo.com

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:40 PM  
**To:** FINTestimony  
**Cc:** sokamura@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stanley Okamura  
Organization: Individual  
Address: 7720 Waikapu Loop Honolulu, HI 96825  
Phone: 592-4226  
E-mail: [sokamura@bisihi.com](mailto:sokamura@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

The proposed increase to GET tax for insurance producers (independent agents) by more than 26 times the current tax rate is grossly unfair. I understand that the GET tax we pay cannot be passed down to the consumer unlike other businesses. This is not right.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:44 PM  
**To:** FINTestimony  
**Cc:** ckoseki@royalaa.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Clayton M.Koseki  
Organization: Individual  
Address: 1100 Ward Ave. #670 Honolulu, Hawaii  
Phone: (808) 527-7676  
E-mail: [ckoseki@royalaa.com](mailto:ckoseki@royalaa.com)  
Submitted on: 2/9/2010

Comments:  
To whom it may concern,

I am opposed to the pending bill and find it insulting that you would try to increase the General Excise tax for Insurance agents that go to the people and do a very good service! As you know we cannot pass on the GE tax to the consumer like other businesses can due to State Insurance Laws because the premium taxes were already raised on the Insurance Companies back in 1979 to make up for the lost revenue! Now the Governor is proposing to double tax the industry and producers to fix mismanagement in the State....Shame on you, Governor Lingle!

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:48 PM  
**To:** FINTestimony  
**Cc:** ishii\_il@yahoo.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ivan L. Ishii  
Organization: Individual  
Address: 1164 Bishop St. Suite 400 Honolulu, Hi. 96813  
Phone: 808-537-5541  
E-mail: [ishii\\_il@yahoo.com](mailto:ishii_il@yahoo.com)  
Submitted on: 2/9/2010

**Comments:**

I oppose HB 2597 since we are not able to pass on the tax and that all insurance carriers pay a hefty premium tax for doing business in Hawaii.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 5:49 PM  
**To:** FINTestimony  
**Cc:** ptomishima@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Patrick Tomishima  
Organization: Individual  
Address: 615 Piikoi St 1901 Honolulu HI  
Phone: 808-592-5022  
E-mail: [ptomishima@bisihi.com](mailto:ptomishima@bisihi.com)  
Submitted on: 2/9/2010

### Comments:

It's not that we are exempt from the tax as you would like to believe. The taxes are being paid from the insurance companies .. furthermore, to levy it against us agents without a recourse for us to pass it on (like in retailing) to the the end consumer is grossly unfair

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 5:52 PM  
**To:** FINTestimony  
**Cc:** suemura@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stephen Uemura  
Organization: Individual  
Address: 1548 Alewa Drive Honolulu, HI  
Phone:  
E-mail: [suemura@bisihi.com](mailto:suemura@bisihi.com)  
Submitted on: 2/9/2010

**Comments:**

I am currently a independent property and casualty insurance agent with Business Insurance Services. Previously, for 20 years I owned and operated a small insurance agency. I am also a past president of the Hawaii Independent Insurance Agents.

Outwardly the very favorable General Excise tax rate paid by insurance producer appears that the State is being short changed. The insurance industry is regulated by the State and the agent/insurance companies are not allowed to charge more than the rate approved. The combined taxes paid by the insurance agent and insurance company equals the rate that other companies in other industries pay on their receipts.

A change to the current rate would be unfair to the independent agent and the insurance consumer. As in the past when this issue has been raised I am hopeful that a review of all the facts would lead you to the same conclusion that the current rate is fair to all.

Dear Chairman,

Please accept this letter as our plea for re-consideration of house bill HB2597. We are opposed to this change in the law.

We believe this proposal regarding tax on insurance producers was forwarded by our Governor's office without that office clearly understanding the history or current situation regarding that tax.

In 1979 the Legislature undertook this issue and studied it extensively. At that time the insurance agents were being taxed and the Law forbid passing on of this tax to the consumer. The study determined that not being able to pass on this tax, which is intended for the consumer, was unfair and correcting the Law would cause more and extensive problems. So, the tax was placed on the Insurance Companies and this tax is allowed to be passed on to the consumer in the rate. Thus excise tax is charged and given to the State.

Increasing the tax on Agents, or increasing the premium tax on the Insurance Companies would result in consumers purchasing product from the Insurance Industry being taxed at a far greater rate than any other from any other business or industry.

On a personal note, our agency has been serving Hawaii since 1971. We are a small business employing 14 people. Our business is budgeted based on the current situation, (not including the current economic situation which has made considerable negative impact), costs, overhead, etc as they relate to the structure in place in the industry. Since we cannot pass on this proposed tax, the result will force us to eliminate one of these employees. Auwe!

Please take our situation, and that of the industry of independent small insurance businesses, into consideration and oppose this legislation.

Thank you,

John Junk and Larry Stubblefield  
Owners  
Jack Wolfe Insurance Inc



**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 9:16 PM  
**To:** FINTestimony  
**Cc:** rhigashi@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Reid Higashi  
Organization: Individual  
Address: 615 Piikoi St #1901 Honolulu, HI 96814  
Phone: 808-592-5011  
E-mail: [rhigashi@bisihi.com](mailto:rhigashi@bisihi.com)  
Submitted on: 2/9/2010

Comments:  
February 9, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair Committee on Finance

Fr: Reid Higashi / Independent Agent / Business Insurance Services, Inc.

Re: HB 2597 - Relating to General Excise Tax on Insurance Producers

Mr. Oshiro, Ms. Lee, and fellow House Representatives,

I have worked two years as an independent agent at Business Insurance Services, one of HI's largest, locally owned and operated independent agencies. Prior to becoming an independent agent, I worked 8 years at First Insurance. While I am one of the newer agents in the industry, I feel I must speak up and oppose this measure before you. I choose this profession to work with great business leaders in HI. I am 32 yrs old, born and raised here, have two young children and the high cost of living in HI, is already a difficult hurdle without these added taxes. I fear that this tax will make even it that much harder for me to raise my family. I am already fearing what my sons kindergarten and early education will be like in the public school system, which is the only option due to the high cost of private schools. I understand you may believe that "insurance agents" make a lot of money. I am here to say that a six figure salary is NOT the norm and we are just your average worker like in any industry.

I work with a lot of small to medium size businesses, which are the heart and soul of HI's economy. Each day I see just how tough it is to not just be successful, but to survive in our economy. Our businesses are struggling to make it. In turn, we the agents are struggling. These taxes will put a heavy burden on me and fellow independent agents. We cannot pass this tax to our clients and I feel you are taxing us twice. I ask that you please vote against this bill.

I apologize if this is not within 24 hours of the hearing but I had to put my children to sleep. I hope they can awake to a better tomorrow not in the mainland but here in HI.

Mahalo for your time.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 8:33 PM  
**To:** FINTestimony  
**Cc:** skamaka@ft.newyorklife.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Sherri Kamaka  
Organization: New York Life  
Address: Bishop St. Suite 1400 Honolulu, HI 96813  
Phone: 808-529-6309  
E-mail: [skamaka@ft.newyorklife.com](mailto:skamaka@ft.newyorklife.com)  
Submitted on: 2/9/2010

**Comments:**

Insurance and Financial Industry has been hard hit. People are foregoing protecting their families. Furthermore, people have been hard hit by the stock market. Increasing GET is not the answer. I hope that your number is based on real numbers of the current situation and not inflated. This idea is like taking blood from a turnip.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 8:21 PM  
**To:** FINTestimony  
**Cc:** smaeda@hawaii.rr.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stanton Maeda  
Organization: Individual  
Address: 6630 Kalopa Street Honolulu, Hawaii  
Phone: (808)395-5425  
E-mail: [smaeda@hawaii.rr.com](mailto:smaeda@hawaii.rr.com)  
Submitted on: 2/9/2010

**Comments:**

I have been an Independent Insurance Agent for 40 years and hopefully for a few years more, God willing. I help support a family of four and live paycheck to paycheck to pay fixed expenses. I oppose this bill for the following reasons.

In 1979, the Legislature decided to increase the Premium Tax and not the GET on insurance commission. The reason being that carriers could put it in their premium rate/charge that we s consumers pay for insurance coverage. The primary reason for this decision was that unlike others, producers were prohibited by law to pass on any taxes to clients. If this bill passes, and I am allowed to pass it on, will clients like the idea of paying for my 26x GET TAX increase? To be truthful, it would be an admintrative nightmare. Are we the only profession being targeted? If so, shouldn't others be increased to pay their fair share?

Please, on behalf of my clients, lets put some common sense back into this equation and not let this bill advance.

MAHALO!

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 8:18 PM  
**To:** FINTestimony  
**Cc:** sdaldinger@nyl.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Scott Aldinger  
Organization: New York Life  
Address: 841 Bishop Street 1400 Honolulu, HI 96813  
Phone: 808 547 2411  
E-mail: [sdaldinger@nyl.com](mailto:sdaldinger@nyl.com)  
Submitted on: 2/9/2010

**Comments:**

Insurance producers can not negotiate commissions. Charging the tax will put HI producers and clients in a difficult position as they try to protect and secure their financial futures.

**moshiro4-Lisa**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Tuesday, February 09, 2010 7:31 PM  
**fo:** FINTestimony  
**Cc:** amiguel@bisihi.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Alaynna Miguel  
Organization: Individual  
Address: 615 Piikoi St. #1901 Honolulu, HI  
Phone: 808-592-5031  
E-mail: [amiguel@bisihi.com](mailto:amiguel@bisihi.com)  
Submitted on: 2/9/2010

Comments:  
2-9-10

Address: To: Representative Marcus R. Oshiro, Chair Representative Marilyn B. Lee, Vice-Chair Committee on Finance

Fr: Alaynna Miguel - independent agent

Re: HB 2597 - Relating to General Excise Tax on Insurance Producers

Hearing: Wednesday, February 10, 2010 4:00 pm Conference Room 308

I Alaynna Miguel is an Independent Agent selling personal, property & casualty insurance, life and health insurance. I have been an agent for 3 years starting from nothing and struggling to make decent commissions to bring home. I am not quite there yet but I do know that if there is a tax increase I will definitely not be able to support my family. I work really hard to help clients find the right types of coverages at good rates. Even my clients are having a hard time paying for their insurance premiums. So increasing our tax rate will certainly hurt our clients as we would need to charge them a fee to cover our cost. We have good relationships with all of our clients and have a very large base of them. So this is why I totally "Oppose" HB 2597. I earn \$30,000 and am married with 2 children and with this added expense it may be the tipping point and put me under. I am actually very scared as to what will happen if this is passed. I think I may have to find another job just to put food on the table for my family. I don't think people know exactly how much we make. Everyone thinks that we make a lot of money but, we don't. We Insurance people have to work our butts off!! I don't think people know that you really need a special gift to sell something... esp. when it comes to insurance, basically no one wants it so people will lie to not buy it and when they lie that is when they get in trouble with the law for not having it. So it is our job to be the b rain for them as to why you need insurance. Just look at car insurance... half the island don't carry insurance... why? yeah too expensive! So if we get taxed we will have to raise the premium even more.  
With this said I beg you to not pass this tax rate increase. My family will hurt badly!!!

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 09, 2010 6:41 PM  
To: FINTestimony  
Cc: jtyrin@bisihi.com  
Subject: Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: James Tyrin  
Organization: Business Insurance Services, Inc.  
Address: 1080 Kilauea Ave Hilo, HI  
Phone: 808-769-5760  
E-mail: [jtyrin@bisihi.com](mailto:jtyrin@bisihi.com)  
Submitted on: 2/9/2010

Comments:

My name is James Tyrin and I would like to express why I am in opposition of the proposed HB-2597. I have been a licensed insurance agent of Property, Casualty, Life & Health insurance since 2007. I am currently in a salaried position, in a program to become an independent agent with my current employer.

After looking at the proposed change in the GET of insurance commissions I discovered what I believe to be a gross oversight by the person or persons that brought the measure forward. As most people that may be reading this will know the proposed change states that the measure "Adjusts the rate of the general excise tax assessed on insurance commissions by making it equivalent to the tax rate paid by other commission agent counterparts." The assumption made by reading this statement is that the insurance industry is not being taxed the same amount as other industries in which professionals are paid a commission for their work, which is simply not true. A review of recent history would prove this assumption wrong. In 1979, the Legislature lowered the tax rates on insurance commissions for the very reason that today's measure is being based on -- that everyone needs to pay an equal tax amount. Every other industry allows for any amount taxed to that industry to be passed on to the end user, except for insurance commissions, in which the insurance code prohibits adding taxes or additional charges to insurance products. In 1979, the Legislature lowered the tax rate of insurance commissions correct this inequality that existed and to offset the resulting loss in revenues increased the tax on gross premiums that are paid by the insurance companies. In effect, giving fair and equal taxation to the insurance agents but still taxing the industry the same as other industries but allowing the tax to be passed on. Any basic history class will usually start off with an explanation as to why people study history. The common answer for this is that people study history so that mistakes that were made in the past aren't repeated. This seems to be what is happening here -- a mistaken inequality that was made in the past was rectified by lawmakers in 1979 only for someone to come along that did not study the history behind the law and make a false assumption regarding why the law is the way it is, in an act of desperation by this financially defunct State.

Increasing the GET to 4.15% from .15%, is the equivalent of increasing your monthly car payment from \$500 to \$1300. This motion, if passed, will not only cripple the already struggling insurance industry but also most likely have a severe domino effect onto many other industries. Many insurance jobs would be lost and companies will go under, effectively reducing revenue for the State while increasing unemployment expenditures. The amount of

insurance companies willing or able to do business in Hawaii will decrease, reducing the supply of available insurance which will increase the rate of insurance premiums that nearly every single person must pay. This will decrease the amount, if any, of disposable income that people have causing them to reduce spending even more, decreasing more revenues from taxes. More people could possibly break the law, either by not complying with insurance requirements or simply by getting more desperate to make ends meet and do more unthinkable things. This will most likely decrease State revenue because less people will be able to legally register their vehicles with the State (less revenues) and stretch Hawaii's law enforcement and the legal resources even thinner. If this measure passes, my career as an insurance agent, as well as many others I'm sure, will come to an end. This sums up why I am in opposition to this measure being passed and I hope that you feel the same.

**moshiro1-Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 09, 2010 10:13 PM  
**To:** FINTestimony  
**Cc:** peterfrancis@hawaii.rr.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM  
**Attachments:** HB 2597.doc

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Peter Junker  
Organization: Individual  
Address: 430 Lewers St., #24E Honolulu  
Phone: 8082919906  
E-mail: [peterfrancis@hawaii.rr.com](mailto:peterfrancis@hawaii.rr.com)  
Submitted on: 2/9/2010

Comments:



I have worked in the insurance industry for over 30 years. I am a property and casualty insurance agent. I have a large number of insurance customers that I have strong relationships with.

As an independent insurance agent, my income is based on the commission I earn. My customers already pay GE tax in the premiums they pay because actuaries factor that into their rate calculations. Since my income is commission-based, it is difficult to know how much money I will make each month. You can imagine how hard that makes it to budget my money.

At this point, I am struggling to pay my mortgage and am one step away from losing the house and/or filing bankruptcy. I oppose HB 2597 because it drains my income by duplicating a tax levy. I need everything I earn to keep financially afloat.

Please vote against this bill. Myself and all my fellow agents would appreciate it.

## moshiro1-Ann

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 10, 2010 6:52 AM  
**To:** FINTestimony  
**Cc:** lgriswold@cusonet.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: amelia beattie  
Organization: CFS,Inc.  
Address:  
Phone:  
E-mail: [lgriswold@cusonet.com](mailto:lgriswold@cusonet.com)  
Submitted on: 2/10/2010

### Comments:

I, Amelia Beattie am an individual life licensee in the State of Hawaii, in addition I have a corporate license. I STRONGLY OPPOSE THE PASSING OF HB 2597

## moshiro4-Lisa

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Wednesday, February 10, 2010 9:58 AM  
**To:** FINTestimony  
**Cc:** christine.lee@marsh.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Christine Lee  
Organization: Marsh USA Inc.  
Address:  
Phone:  
E-mail: [christine.lee@marsh.com](mailto:christine.lee@marsh.com)  
Submitted on: 2/10/2010

Comments:

February 10, 2010

Chairman of the Finance Committee

Committee on Finance

Representative Marcus R. Oshiro

Representative Marilyn B. Lee

Members of the Finance Committee

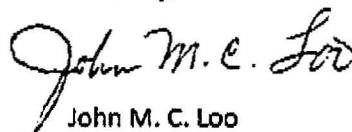
Re: HB 2597 Relating to General Excise Tax on Insurance Producers

Gentlemen:

I am against the captioned bill for the following reasons and hope you will consider this with care: (1) The tax is already included in the insurance premium of admitted carriers or insurers and the rates/premiums are regulated by the State via its Insurance Commissioner. (2) Insurance agents/agencies (Producers) can not pass this tax on to the consumer like typical businesses and other agents can. A historical review of how the current rate came about would be wise in that it may save you much time and effort. Please note that Banks have a similar tax rate, and, perhaps you should take them up on your agenda. Banks charge all kinds of fees and are able to absorb this better than insurance producers who are not able to charge fees. Also note that even Non-admitted excess/surplus carriers are able to pass thru Surplus Lines Taxes. (3) The passage of such a tax will probably, ultimately, be challenged and if not won (as in the past), will result in a push to allow the tax to be passed on to the customer, which in all likelihood will produce less stability with further pushes to allow the charging of fees (we still do not know what will happen if Federal Regulation will come in over the Insurance Industry and have enough battles on our hands to keep them out of our State regulated insurance). The consumer will more than likely complain if any of his costs go up resulting in the finger being pointed at your committee as the proximate cause of all of this.... Perhaps another Boston Tea Party?

Please reject this bill. While we know the State needs money, this is not the way to go about it. Your Insurance Division is self-supporting based on the carriers' and producers' licensing fees. The State has already pulled funds from her and has saddled the Insurance Division with furloughs in the Insurance Division and is already prepared to raid the Hurricane Relief Fund after a prior raid and also taking all of the interest earned by the Fund into its General Fund.

Sincerely,



John M. C. Loo

1247 Kelewina Street

Kailua, Hawaii 96734

e-mail: [john.loo143@hotmail.com](mailto:john.loo143@hotmail.com)

Previously Vice President of Loyalty Insurance and now presently unemployed

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Date:** Wednesday, February 10, 2010 10:42 AM  
**To:** FINTestimony  
**Cc:** marissa.mandado@marsh.com  
**Subject:** Testimony for HB2597 on 2/10/2010 4:00:00 PM

Testimony for FIN 2/10/2010 4:00:00 PM HB2597

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marissa Mandado  
Organization: Individual  
Address:  
Phone:  
E-mail: [marissa.mandado@marsh.com](mailto:marissa.mandado@marsh.com)  
Submitted on: 2/10/2010

### **Comments:**

I oppose this because it will ultimately affect our bottom line. If my employer receives less commission due to paying more taxes, they will find a way to offset the additional expense. The easiest and fastest way to do it is to cut on staffing, hours of work, or pay. With my current salary, I am already struggling to make ends meet. Let alone a decrease in pay or lose my job. Every penny counts toward our survival, please don't take it away from me and my colleagues

My name is Scott LaRue. I have been a property & casualty and life & health insurance agent for my entire working career and plan to continue this career for as long as I am able to work. I am a product of the Hawaii public school system and graduated from UH Manoa in 1994. Insurance is the livelihood that supports my growing family. I apologize for not being able to attend the hearing in person today but my wife gave birth to our second child at Queens yesterday.

I strongly oppose HB 2597 relating to increasing the GET on insurance commissions. This tax is not fair. Unlike any other business in Hawaii we are NOT able to recover the tax from our customers. GET is supposed to be paid by the end users receiving the service. If we are not able to collect from our customers we will unjustly pay the GET without the ability to recover it from the party benefiting from the sale of our insurance products.

Like many other agents in Hawaii, I had at least a 45% reduction in income in 2009 and expect an additional 20% in 2010. This is due to many factors including insolvency of my clients, lower client payrolls because of layoffs, lower gross sales because of an ailing economy, and a soft insurance market. Increasing the GET from .15% to 4.5% will cripple my ability to support my office expenses and pay my staff. I am barely able to keep the two full-time employees working for me and if the GET is increased to 4.5% I will unfortunately have to layoff a talented worker who will then be added to the unemployed in Hawaii.

Feel free to call me at 330-9000 with any questions.

Aloha,

Scott LaRue

February 10, 2010

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

Fr: Lorraine Dilay

**RE: HB 2597 – RELATING TO GENERAL EXCISE TAX ON INSURANCE  
PRODUCERS  
HEARING: WEDNESDAY, FEBRUARY 10, 2010 4:00 P.M  
CONFERENCE ROOM 308**

Dear Representatives Oshiro and Lee:

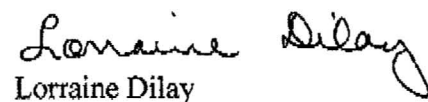
I was born and raised in Hawaii and worked in Insurance for over 35 years. This is my home and I love Hawaii. After working for over 30 years, I lost my insurance job because of downsizing. I am now working for a general insurance agency and am very happy at this job of 3 years.

My Boss spoke to everyone, at the end of last year that we need to reduce expenses by cutting benefits and freezing salaries, rather than reducing the staff to help our company survive.

Being single, I need to work to support myself. Even with the freeze on my salary, it still is better than not having a job. I also have family living with me with 4 little children. We all help each other but we are struggling to get by.

I oppose HB 2597 because it will increase the GET and cause Home and Car insurance to go up. It will also cause additional expenses to our company which leaves our bosses no choice but to reduce the staff. I may be one of the ones left without a job. Please help us and vote **No to HB 2597**. Thank you

Respectfully submitted,

  
Lorraine Dilay



**Patrick Kudlich**

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**From:** Patrick Kudlich [omia@hawaii.rr.com]

**Sent:** Tuesday, February 09, 2010 3:10 PM

**To:** 'hiia@hawaii.rr.com'

**Cc:** 'hiia@hawaii.rr.com'

**Subject:** HB2597 - OPPOSE

To: REPRESENTATIVE MARCUS R. OSHIRO – CHAIR  
REPRESENTATIVE MARILYN B. LEE, VICE CHAIR  
COMMITTEE ON FINANCE

Fr: Patrick F. Kudlich – Independent Insurance Agent/  
President of Ocean Marine Insurance Agency, Inc.

RE: HB 2597 – RELATING TO GENERAL EXCISE TAX ON INSURANCE PRODUCERS  
Hearing on Wednesday, February 10,2010, 4:00pm Conference Room 308

I am Patrick F. Kudlich and have been in the insurance business for the past 40 years and the past 20 years owning my own agency. I specialize in the Maritime Industry, (i.e. Yacht, Pollution, Cargo, Commercial Marine Liability etc.) – as I own the corporation all our employees are on salary but the company income is based on commission income from our insurance carriers, which have already put a charge into the premium to the policy holder to cover this expense/compensation.

We are a small agency and can not afford a GET increase which is being proposed – if this bill is passed then it is like a 4% loss off income and we can not pass this loss to the consumer, UNLESS a law is PASSED where the agents and insurance companies can pass the 4%+ ONTO THE CONSUMER AS OTHER RETAILERS CAN you will see a bigger problem than you have ever seen.

I TRULY APPOSE THIS BILL.

Patrick F. Kudlich  
President

Patrick F. Kudlich  
Ocean Marine Insurance Agency, Inc.  
735 Bishop Street, Suite 327  
Honolulu, HI 96813  
Phone: 808-532-1000  
Fax: 808-532-1009

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