



Senate Committee on Ways & Means

Hearing Date: March 23, 2016

Time: 9:15am Room 211

**RE: SCR 138 and SR 102 – Requesting the Tax Review Commission to Evaluate the Impacts of General Excise and Use Tax Increases Proposed During the Regular Session of 2016**

Chair Tokuda, Vice Chair Dela Cruz, and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life insurance agents throughout Hawaii, who primarily market life, annuities, long term care, and disability income insurance products.

NAIFA Hawaii would like to provide comments on the long term care portion rather than oppose the study. We have long opposed a long term care tax being imposed on our Hawaii residents and visitors

SCR 138 and SR 102 are requesting the Tax Review Commission to further study the “impacts of the general excise and use tax increase” on both long term care financing (SB 2478) and public education (SB 2599) and submit the study to the Legislative and Governor. Your Committee deferred both measures earlier this session. We were pleased with the Committee’s decision and appreciate your decision in light of the support for the LTC tax.

Our concern centers on the operation and the sustainability of the long term care trust fund. Not having an updated actuarial study prior to passing a tax is just as critical as studying the impacts of a new tax. The Attorney General’s Office has concerns regarding the qualification requirements based on the Equal Protection (discrimination against a non-resident) and/or Privileges and Immunities Clauses (residency requirements for medical or welfare assistance) of the U.S. Constitution.

Will the “caregiver” be subject to a general excise tax license and pay income tax or be an “employee”? Will the beneficiary be responsible to file a 1099 for payments to the caregiver(s) or become an “employer”? We ask that these additional issues be addressed by the Tax Review Commission in their study.

Mahalo for allowing us to share our comments.

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