
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Reduction; health care providers; health
5 professional shortage areas. (a) For every eligible health
6 care provider, the tax imposed under this chapter on that
7 portion of gross income received for health care services
8 rendered in any rural area that is a health professional
9 shortage area, as defined under Title 42, Section 254e of the
10 United States Code, shall be as follows:

11 (1) Beginning January 1, 2007, three per cent;

12 (2) Beginning January 1, 2009, two per cent; and

13 (3) Beginning January 1, 2011, one per cent.

14 (b) For purposes of this section, "eligible health care
15 provider" means any health care provider who renders health care
16 services primarily in any rural area that is a health
17 professional shortage area, as defined under Title 42, Section
18 254e of the United States Code."



1 SECTION 2. Section 237-23, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) This chapter shall not apply to the following
4 persons:

- 5 (1) Public service companies (as that term is defined in
6 section 239-2), with respect to the gross income,
7 either actual gross income or gross income estimated
8 and adjusted, which is included in the measure of the
9 tax imposed by chapter 239;
- 10 (2) Public utilities owned and operated by the State or
11 any county or other political subdivision thereof;
- 12 (3) Fraternal benefit societies, orders, or associations,
13 operating under the lodge system, or for the exclusive
14 benefit of the members of the fraternity itself,
15 operating under the lodge system, and providing for
16 the payment of death, sick, accident, prepaid legal
17 services, or other benefits to the members of such
18 societies, orders, or associations, and to their
19 dependents;
- 20 (4) Corporations, associations, trusts, or societies
21 organized and operated exclusively for religious,
22 charitable, scientific, or educational purposes, as



1 well as that of operating senior citizens housing
2 facilities qualifying for a loan under the laws of the
3 United States as authorized by section 202 of the
4 Housing Act of 1959, as amended, as well as that of
5 operating a prepaid legal services plan, as well as
6 that of operating or managing a homeless facility, or
7 any other program for the homeless authorized under
8 chapter 201G, part IV;

9 (5) Business leagues, chambers of commerce, boards of
10 trade, civic leagues, agricultural and horticultural
11 organizations, and organizations operated exclusively
12 for the benefit of the community and for the promotion
13 of social welfare which shall include the operation of
14 a prepaid legal service plan, and from which no profit
15 inures to the benefit of any private stockholder or
16 individual;

17 (6) Hospitals, infirmaries, and sanitararia;

18 (7) Cooperative associations incorporated under chapter
19 421 or Code section 521 cooperatives which fully meet
20 the requirements of section 421-23, except Code
21 section 521 cooperatives need not be organized in
22 Hawaii; provided that:



1 (A) The exemption shall apply only to the gross
2 income derived from activities which are pursuant
3 to purposes and powers authorized by chapter 421,
4 except those provisions pertaining to or
5 requiring corporate organization in Hawaii do not
6 apply to Code section 521 cooperatives;

7 (B) The exemption shall not relieve any person who
8 receives any proceeds of sale from the
9 association of the duty of returning and paying
10 the tax on the total gross proceeds of the sales
11 on account of which the payment was made, in the
12 same amount and at the same rate as would apply
13 thereto had the sales been made directly by the
14 person, and all such persons shall be so taxable;
15 and

16 (C) As used in this paragraph, "section 521
17 cooperatives" mean associations which qualify as
18 a cooperative under section 521 (with respect to
19 exemption of farmers' cooperatives from tax) of
20 the Internal Revenue Code of 1986, as amended;

21 (8) Persons affected with Hansen's disease and kokuas,
22 with respect to business within the county of Kalawao;



- 1 (9) Corporations, companies, associations, or trusts
2 organized for the establishment and conduct of
3 cemeteries no part of the net earnings of which inures
4 to the financial benefit of any private stockholder or
5 individual (provided that the exemption shall apply
6 only to the activities of such persons in the conduct
7 of cemeteries and not to any activity the primary
8 purpose of which is to produce income, even though the
9 income is to be used for or in the furtherance of the
10 exempt activities of such persons); [~~and~~]
- 11 (10) Nonprofit shippers associations operating under part
12 296 of the Civil Aeronautics Board Economic
13 Regulations[~~-~~]; and
- 14 (11) Beginning January 1, 2013, any health care provider
15 who renders health care services primarily in any
16 rural area that is a health professional shortage
17 area, as defined under Title 42, Section 254e of the
18 United States Code; provided that the exemption shall
19 apply only to that portion of gross income received
20 for health care services rendered in any such health
21 professional shortage area."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect upon its approval;
4 provided that:

5 (1) Section 1 of this Act shall be repealed on December
6 31, 2012; and

7 (2) On January 1, 2020, this Act shall be repealed and
8 section 237-23(a), Hawaii Revised Statutes, shall be
9 reenacted in the form in which it read on the day
10 before the approval of this Act.

11

INTRODUCED BY:

Sen. A. Green

Josh Green MD

Dr. Fida Carbonilla

Joseph Anthony

Maui B. Lee

Paula Ann

Heline Hales

Jan 4 2006

JAN 20 2006



HB 1989

Report Title:

General Excise Tax; Reduction; Exemption; Rural Health
Professional Shortage Areas

Description:

Phases out the general excise tax by 2013 on services rendered by health care providers in rural areas federally designated as having a shortage of health professional services. Sunsets on January 1, 2020.

