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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1       SECTION 1. Section 237-24.3, Hawaii Revised Statutes, is  
2 amended to read as follows:

3       "**§237-24.3 Additional amounts not taxable.** In addition to  
4 the amounts not taxable under section 237-24, this chapter shall  
5 not apply to:

6       (1) Amounts received from the loading, transportation, and  
7 unloading of agricultural commodities shipped for a  
8 producer or produce dealer on one island of this State  
9 to a person, firm, or organization on another island  
10 of this State. The terms "agricultural commodity",  
11 "producer", and "produce dealer" shall be defined in  
12 the same manner as they are defined in section 147-1;  
13 provided that agricultural commodities need not have  
14 been produced in the State;

15       (2) Amounts received from sales of:

16       (A) Intoxicating liquor as the term "liquor" is  
17 defined in chapter 244D;



- 1 (B) Cigarettes and tobacco products as defined in  
2 chapter 245; and
- 3 (C) Agricultural, meat, or fish products;  
4 to any person or common carrier in interstate or  
5 foreign commerce, or both, whether ocean-going or air,  
6 for consumption out-of-state on the shipper's vessels  
7 or airplanes;
- 8 (3) Amounts received by the manager or board of directors  
9 of:
- 10 (A) An association of apartment owners of a  
11 condominium property regime established in  
12 accordance with chapter 514A; or
- 13 (B) A nonprofit homeowners or community association  
14 incorporated in accordance with chapter 414D or  
15 any predecessor thereto and existing pursuant to  
16 covenants running with the land,  
17 in reimbursement of sums paid for common expenses;
- 18 (4) Amounts received or accrued from:
- 19 (A) The loading or unloading of cargo from ships,  
20 barges, vessels, or aircraft, whether or not the  
21 ships, barges, vessels, or aircraft travel



1                   between the State and other states or countries  
2                   or between the islands of the State;

3           (B) Tugboat services including pilotage fees  
4           performed within the State, and the towage of  
5           ships, barges, or vessels in and out of state  
6           harbors, or from one pier to another; and

7           (C) The transportation of pilots or governmental  
8           officials to ships, barges, or vessels offshore;  
9           rigging gear; checking freight and similar  
10          services; standby charges; and use of moorings  
11          and running mooring lines;

12          (5) Amounts received by an employee benefit plan by way of  
13          contributions, dividends, interest, and other income;  
14          and amounts received by a nonprofit organization or  
15          office, as payments for costs and expenses incurred  
16          for the administration of an employee benefit plan;  
17          provided that this exemption shall not apply to any  
18          gross rental income or gross rental proceeds received  
19          after June 30, 1994, as income from investments in  
20          real property in this State; and provided further that  
21          gross rental income or gross rental proceeds from  
22          investments in real property received by an employee



1 benefit plan after June 30, 1994, under written  
2 contracts executed prior to July 1, 1994, shall not be  
3 taxed until the contracts are renegotiated, renewed,  
4 or extended, or until after December 31, 1998,  
5 whichever is earlier. For the purposes of this  
6 paragraph, "employee benefit plan" means any plan as  
7 defined in section 1002(3) of title 29 of the United  
8 States Code, as amended;

9 (6) Amounts received for purchases made with United States  
10 Department of Agriculture food coupons under the  
11 federal food stamp program, and amounts received for  
12 purchases made with United States Department of  
13 Agriculture food vouchers under the Special  
14 Supplemental Foods Program for Women, Infants and  
15 Children;

16 (7) Amounts received for the provision of medical services  
17 and amounts received by a hospital, infirmary, medical  
18 clinic, health care facility, pharmacy, or a  
19 practitioner licensed to administer the drug to an  
20 individual for selling prescription drugs or  
21 prosthetic devices to an individual; provided that  
22 this paragraph shall not apply to any amounts received



1 for services provided in selling prescription drugs or  
2 prosthetic devices. As used in this paragraph:

3 (A) "Prescription drugs" are those drugs defined  
4 under section 328-1 and dispensed by filling or  
5 refilling a written or oral prescription by a  
6 practitioner licensed under law to administer the  
7 drug and sold by a licensed pharmacist under  
8 section 328-16 or practitioners licensed to  
9 administer drugs; ~~and~~

10 (B) "Prosthetic device" means any artificial device  
11 or appliance, instrument, apparatus, or  
12 contrivance, including their components, parts,  
13 accessories, and replacements thereof, used to  
14 replace a missing or surgically removed part of  
15 the human body, which is prescribed by a licensed  
16 practitioner of medicine, osteopathy, or podiatry  
17 and which is sold by the practitioner or which is  
18 dispensed and sold by a dealer of prosthetic  
19 devices; provided that "prosthetic device" shall  
20 not mean any auditory, ophthalmic, dental, or  
21 ocular device or appliance, instrument,  
22 apparatus, or contrivance; and



1           (C) "Medical services" means medical services  
2                   provided by licensed health care providers that  
3                   are necessary to treat a person's medical or  
4                   health condition, including physicians' visits  
5                   and consultations; provided that "medical  
6                   services" shall not include cosmetic surgery or  
7                   cosmetic care, plastic surgery, and cosmetic  
8                   dentistry;

9           (8) Taxes on transient accommodations imposed by chapter  
10                   237D and passed on and collected by operators holding  
11                   certificates of registration under that chapter;

12           (9) Amounts received as dues by an unincorporated  
13                   merchants association from its membership for  
14                   advertising media, promotional, and advertising costs  
15                   for the promotion of the association for the benefit  
16                   of its members as a whole and not for the benefit of  
17                   an individual member or group of members less than the  
18                   entire membership;

19           (10) Amounts received by a labor organization for real  
20                   property leased to:

21                   (A) A labor organization; or



1 (B) A trust fund established by a labor organization  
2 for the benefit of its members, families, and  
3 dependents for medical or hospital care, pensions  
4 on retirement or death of employees,  
5 apprenticeship and training, and other membership  
6 service programs.

7 As used in this paragraph, "labor organization" means  
8 a labor organization exempt from federal income tax  
9 under section 501(c)(5) of the Internal Revenue Code,  
10 as amended;

11 (11) Amounts received from foreign diplomats and consular  
12 officials who are holding cards issued or authorized  
13 by the United States Department of State granting them  
14 an exemption from state taxes; and

15 (12) Amounts received as rent for the rental or leasing of  
16 aircraft or aircraft engines used by the lessees or  
17 renters for interstate air transportation of  
18 passengers and goods. For purposes of this paragraph,  
19 payments made pursuant to a lease shall be considered  
20 rent regardless of whether the lease is an operating  
21 lease or a financing lease. The definition of



1 "interstate air transportation" is the same as in 49  
2 U.S.C. 40102."

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

5 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

Sen. G. Amodeo

Calvin Y. Ang

F. J. [Signature]

[Signature]

[Signature]

Michael P. Colibon

JAN 19 2006



**Report Title:**

General Excise Tax Exemption; Medical Services

**Description:**

Exempts amounts received for medical services, with certain exceptions, from general excise tax assessments.

