

Honolulu, Hawaii

FEB 17

RE: S.B. No. 2694

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Health and Intergovernmental Affairs, to which was referred S.B. No. 2694 entitled:

"A BILL FOR AN ACT RELATING TO EXCISE TAX ON HEALTH CARE,"

beg leave to report as follows:

The purpose of this Act is to exempt, from the county surcharge on the general excise tax, specified health care services.

Your Committees received testimony in support of this measure from the Hawaii Health Systems Corporation, Hawaii Medical Association, Healthcare Association of Hawaii, Hawaii Society of Clinical Oncology, Honolulu County Medical Association, and one individual. Comments were received from the Department of Taxation, National Federation of Independent Business - Hawaii, and the Tax Foundation of Hawaii.

Your Committees find all residents of this State should have access to affordable, quality health care. Hawaii has prided itself on its near-universal health coverage under the prepaid health care Act, but the uninsured population is growing.

Act 247, Session Laws of Hawaii 2005, enacted the county surcharge on state general excise and use taxes at a rate of up to one-half percent of gross proceeds or gross income (for the excise tax) and value of property and services (for the use tax) to finance mass transit. The surcharge applies to health care services, including physician services, hospital charges, nursing services, and rehabilitation services.



Your Committees further find that increasing the cost of healthcare is likely to increase the cost of living and drive more residents into poverty, which increases the likelihood of their becoming uninsured. This results increased Medicaid expenditures for the State. Neighbor island residents are particularly adversely affected by the excise tax surcharge on health care services. They often have no choice but to pay more to travel to Oahu to find medical specialists, often accompanied by a family member. They pay more for health care by reason of the costs of their air and ground transportation, lodging, and meals, all of which are taxable on Oahu. Honolulu's excise tax surcharge does not benefit neighbor island residents, which poses an inherent inequity.

As affirmed by the records of votes of the members of your Committees on Health and Intergovernmental Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2694 and recommend that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Health and
Intergovernmental Affairs,



DAVID Y. IGE, Chair




ROSALYN H. BAKER, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Health
(Bills and Resolutions)

Measure:* SB 2694	Committee Referral: HTH/KA, NAM	Date: 2/13/06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (2312) <input type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
BAKER, Rosalyn H. (C)	✓			
CHUN OAKLAND, Suzanne (VC)	✓			
HANABUSA, Colleen				✓
TSUTSUI, Shan S.	✓			
WHALEN, Paul				✓
TOTAL	3	0	0	✓
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.

