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## A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX.

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

1           SECTION 1. Act 245, Session Laws of Hawaii 2002, (Act 245)  
2 enacted the Hawaii Long-Term Care Financing Act, H.B. No. 2638;  
3 C.D. 1, codified as chapter 346C, Hawaii Revised Statutes. Act  
4 245 was commonly referred to in its original form as the care  
5 plus program. Act 245 created the long-term care benefits fund  
6 into which was to be deposited proceeds from a long-term care  
7 income tax. However, H.B. No. 2638, S.D. 1, deleted provisions  
8 imposing the long-term care income tax. Therefore, the long-  
9 term care benefits fund is presently without a means of revenue  
10 deposit.

11           The legislature finds that the general excise tax is  
12 currently imposed upon medical services and health care  
13 products. The legislature further finds that rather than  
14 exempting medical services from the general excise tax, the  
15 general excise tax proceeds derived from taxing medical services  
16 should be deposited into the long-term care benefits fund for  
17 future use.



1       The purpose of this Act is to deposit amounts realized as  
2 general excise tax revenues on health products and health  
3 services into the long-term care benefits fund.

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

7       "§237-       Proceeds from tax on health services and health  
8 products; deposit into the long-term care benefits fund. (a)  
9 Beginning January 1, 2009, the department shall segregate the  
10 tax revenues collected under this chapter that are derived from  
11 the provision of health services or the sale of health products.  
12 The department shall pay over on a monthly basis all tax  
13 revenues derived from the provision of health services or the  
14 sale of health products to the director of finance for immediate  
15 deposit into the long-term care benefits fund under section  
16 346C-5. Any revenues realized pursuant to a surcharge  
17 established under section 46-16.8 and imposed under section 237-  
18 8.6 shall not be subject to this section.

19       (b) The department shall report to the governor, the  
20 legislature, and the department of budget and finance the amount  
21 of the general excise tax revenues paid over to the director of  
22 finance, within ten days of each payment as provided in



1 subsection (a). The director of finance shall report to the  
2 governor and the legislature the amount of general excise tax  
3 revenues deposited into the long-term care benefits fund under  
4 section 346C-5, within ten days of each deposit as provided  
5 under subsection (a), as well as the current balance in the  
6 fund.

7 (c) For purposes of this section:

8 "Health product" means over-the-counter, non-prescription  
9 items generally used for ameliorative health purposes, not  
10 including cosmetics, that is generally sold in a pharmacy such  
11 as bandages, canes, herbal supplements, pain killers, laxatives,  
12 and itch ointments.

13 "Health services" means services provided by:

14 (1) A person licensed to practice:

15 (A) Medicine and surgery under chapter 453;

16 (B) Dentistry under chapter 448;

17 (C) Chiropractic under chapter 442;

18 (D) Osteopathy under chapter 460;

19 (E) Naturopathy under chapter 455;

20 (F) Optometry under chapter 459; and

21 (G) Podiatry under chapter 463E; or

22 (2) A hospital, as defined in section 327-1.



1        (d) The department shall adopt rules pursuant to chapter  
2 91 necessary for the purposes of this section."

3        SECTION 3. Section 346C-5, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5        "(a) There is established in the state treasury the long-  
6 term care benefits fund, into which shall be deposited moneys  
7 collected as long-term care taxes[-] and as general excise taxes  
8 on health services and health products pursuant to section  
9 237- . The department of budget and finance shall deposit  
10 the moneys in federally insured financial institutions in Hawaii  
11 to preserve the balance and ensure a reasonable return under  
12 prevailing interest rates. Investments of the moneys may be  
13 made subject to the requirements of this chapter."

14        SECTION 4. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16        SECTION 5. This Act, upon its approval, shall apply to  
17 gross income or gross proceeds received after December 31, 2008.

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**Report Title:**

Excise Tax; Health Services; Health Products

**Description:**

Requires general excise tax on health services and health products to be deposited into the long-term care benefits fund.

