
A BILL FOR AN ACT

RELATING TO QUALIFYING MEDICAL INFORMATION TECHNOLOGY.

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

1 SECTION 1. The delivery of health care is becoming an
2 increasingly complex process. However, unlike other
3 information-based industries such as banking and finance, the
4 health care industry has been slow to adopt information
5 technology that would facilitate the rapid and accurate
6 transmission of vital clinical information.

7 One major reason for the delay in the adoption of medical
8 information technology is the decentralized nature of health
9 care delivery, relying as it does on scores of physicians
10 operating in solo or small group practices. While
11 decentralization in the delivery of health care has done much to
12 preserve the traditional physician/patient relationship, which
13 is the cornerstone of our care system, it has hampered the
14 implementation of medical information technology that would
15 yield great improvements in patient care and social benefits to
16 employers, insurers, public health agencies and programs, as
17 well as introduce efficiencies to the health care delivery
18 system as a whole.



1 Most of the benefits of medical information technology will
2 accrue to society as a whole in the form of increased efficiency
3 of delivery and lower administrative costs (and therefore lower
4 costs to insurers and lower premiums to employers and
5 employees). It will also reduce medical errors and provide a
6 higher quality of care to consumers. Nevertheless, medical
7 information technology is expensive, and the cost of
8 implementation falls primarily, almost exclusively, on
9 physicians, many of whom are small businessmen and
10 businesswomen, coping with educational debt, the rising cost of
11 medical malpractice coverage, and shrinking cost reimbursement.

12 In order to encourage physicians to invest in medical
13 information technology in their practices, the State should
14 provide, in the form of an income tax credit, a limited rebate
15 of the general excise tax on physician services to those
16 physicians who are willing to invest their time, effort, and
17 money in this technology. This modest self-limiting rebate will
18 yield great dividends to the people of Hawaii both immediately
19 and over time. It will facilitate the rapid and accurate
20 transmission of information vital to the health of Hawaii's
21 citizens, facilitate coordination of care, reduce the number of
22 medical errors, reduce administrative overhead, reduce the need



1 for duplicative testing, provide for accurate and timely billing
2 and payments, and create highly skilled and well paying jobs in
3 medical information technology in Hawaii.

4 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§235- Medical information technology tax credit. (a)

8 There shall be allowed a medical information tax credit to each
9 eligible taxpayer who is not claimed or is not otherwise
10 eligible to be claimed as a dependent by another taxpayer for
11 federal or Hawaii state individual income tax purposes and who
12 files an income tax return for the taxable year that a tax
13 credit is claimed under this section.

14 (b) The tax credit shall be equal to the amount of general
15 excise tax imposed on \$20,000 of qualifying medical information
16 technology costs that are passed on to an eligible taxpayer;
17 provided that any excess of that limit in any taxable year may
18 not be carried over to subsequent tax years; and provided
19 further that no refunds or payments on account of the tax credit
20 allowed by this section shall be made for amounts less than \$1.



1 (c) An eligible taxpayer shall certify to the department
2 that the taxpayer is in compliance with all applicable federal,
3 state, and county statutes, rules, and regulations.

4 (d) Every claim, including amended claims, for the tax
5 credit under this section shall be filed on or before the end of
6 the twelfth month following the close of the taxable year for
7 which the tax credit may be claimed. Failure to meet the filing
8 requirements of this subsection shall constitute a waiver of the
9 right to claim the tax credit.

10 (e) As used in this section:

11 "Eligible taxpayer" means a person who:

12 (1) Is licensed to practice medicine under chapter 453 or
13 460;

14 (2) Has at least \$500 in qualifying medical information
15 technology costs in the taxable year in which the tax
16 credit is claimed; and

17 (3) Certifies to the department of taxation that the
18 qualifying medical information technology that is the
19 object of the tax credit under this section will be
20 used in conjunction with the taxpayer's practice of
21 medicine as that term is defined in section 453-1.



1 "Qualifying medical information technology costs" means
2 amounts paid for the purchase, lease, or licensing of hardware,
3 software, or internet access used in connection with the
4 practice of medicine as defined in section 453-1, or the
5 practice of osteopathy as defined in section 460-1.3, including
6 training costs for physicians or staff, but shall not include
7 amounts paid to third-party claims processing or billing
8 services.

9 (f) The director of taxation:

10 (1) Shall prepare such forms as may be necessary to claim
11 a tax credit under this section;

12 (2) May require proof of the claim for the tax credit; and

13 (3) May adopt rules pursuant to chapter 91 to effectuate
14 the purposes of this section.

15 (g) The department shall report to the legislature
16 annually, no later than twenty days prior to the convening of
17 every regular session, on the number of taxpayers claiming the
18 tax credit and the total cost of the tax credit to the State
19 during the past year."

20 SECTION 3. New statutory material is underscored.



H.B. NO. 232

1 SECTION 4. This Act shall take effect on July 1, 2007, and
2 apply to qualifying medical information technology costs
3 incurred after December 31, 2006.

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INTRODUCED BY: Josh Dunn

DW
Ray Hansen
SAO
Cindy Evans
John M. Hayes

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Report Title:

Income Tax Credit; General Excise Tax; Medical Information
Technology

Description:

Provides a tax credit for the general excise taxes paid for
purchases of qualifying medical information technology by
physicians.

