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# A BILL FOR AN ACT

RELATING TO INCOME TAXATION.

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

1           SECTION 1. The legislature finds that there is a serious  
2 crisis in the provision of medical services to the poor and  
3 uninsured in medically underserved areas of the state,  
4 particularly in the rural areas. The legislature further finds  
5 that financial incentives need to be extended to physicians to  
6 treat the poor and medically uninsured in those areas. The  
7 legislature further finds that medical malpractice insurance  
8 premiums are reaching levels that discourage the practice of  
9 medicine, and that an ideal incentive for physicians to treat  
10 the poor and uninsured is to provide them with an income tax  
11 credit for a portion of the amounts paid for medical malpractice  
12 insurance premiums.

13           The purpose of this Act is to create an income tax credit  
14 for physicians who practice in medically underserved areas of  
15 the state.

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

HB2413 HD1 HMS 2008-1608



1           "§235- Tax credits for physicians and surgeons; medical  
2 underserved areas. (a) Any taxpayer licensed to practice  
3 medicine under chapter 453 who files an individual income tax  
4 return or corporate net income tax return for a taxable year may  
5 claim an income tax credit under this section against the Hawaii  
6 state individual or corporate net income tax. The tax credit,  
7 when claimed by a corporation, partnership, limited liability  
8 company or other form of medical business or medical  
9 professional entity, shall be claimed only once in the taxable  
10 year, regardless of the number of partners or corporate  
11 officers.

12           (b) The tax credit shall be in an amount equal to fifty  
13 per cent of the amount of the medical malpractice insurance  
14 premium paid by the taxpayer for the taxable year in which the  
15 credit is claimed; provided that:

16           (1) The taxpayer physician starts or expands a practice in  
17 a medically underserved area or relocates a practice  
18 to a medically underserved area after December 31,  
19 2007; the areas of the state deemed to be medically  
20 underserved shall be determined by the department of  
21 human services; and



- 1        (2) The taxpayer derives at least twenty per cent of total  
2            income from medicaid or QUEST reimbursement.
- 3        (c) The tax credit shall be in an amount equal to five per  
4        cent of the amount of medical malpractice insurance premium paid  
5        by the taxpayer for the taxable year in which the credit is  
6        claimed; provided that:
- 7            (1) The taxpayer physician has established a practice in a  
8            medically underserved area on or before December 31,  
9            2007; the areas of the state deemed to be medically  
10           underserved shall be determined by the department of  
11           human services; and
- 12        (2) The taxpayer derives at least twenty per cent of total  
13           income from medicaid or QUEST reimbursement.
- 14        (d) If the tax credit claimed by the taxpayer under this  
15        section exceeds the amount of the income tax payments due from  
16        the taxpayer, the excess of credit over-payments due shall be  
17        refunded to the taxpayer; provided that the tax credit properly  
18        claimed by a taxpayer who has no income tax liability shall be  
19        paid to the taxpayer; and provided further that no refunds or  
20        payments on account of the tax credit allowed by this section  
21        shall be made for amounts less than \$1.
- 22        (e) The director of taxation:



- 1       (1) Shall prepare such forms as may be necessary to claim  
2           a credit under this section;
- 3       (2) May require proof of the claim for the tax credit; and
- 4       (3) May adopt rules pursuant to chapter 91.
- 5       (f) All of the provisions relating to assessments and  
6 refunds under this chapter and under section 231-23(c)(1) shall  
7 apply to the tax credit under this section.
- 8       (g) Claims for the tax credit under this section,  
9 including any amended claims, shall be filed on or before the  
10 end of the twelfth month following the taxable year for which  
11 the credit may be claimed."
- 12       SECTION 3. New statutory material is underscored.
- 13       SECTION 4. This Act, upon its approval, shall apply to  
14 taxable years beginning after December 31, 2007.



**Report Title:**

Tax Credit; Physicians, Medically Underserved Areas

**Description:**

Allows an income tax credit to physicians practicing in medically underserved areas for a portion of the amount of medical malpractice premiums. (HB2413 HD1)

