

---

---

# A BILL FOR AN ACT

RELATING TO HEALTH.

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

1           SECTION 1. The purpose of this Act is to require the  
2 department of taxation to defer collecting the general excise  
3 taxes owed by a qualified hospital group on the gross income and  
4 gross proceeds derived from its hospitals between July 1, 2008,  
5 and December 31, .

6           The legislature finds that the deferral is necessary for  
7 the continued operation of the qualified hospital group during  
8 the deferral period. The legislature further finds that a  
9 hospital of the qualified hospital group is the only hospital in  
10 proximity to Leeward Oahu communities, and its continued  
11 operation is necessary for the public health and safety in that  
12 area. The legislature intends that this Act assist the  
13 qualified hospital group in maintaining its financial viability  
14 as a health care entity serving the public on Oahu.

15           SECTION 2. **Definition.** As used in this Act, "qualified  
16 hospital group" means a group of private hospitals in a county  
17 with a population of greater than 500,000 that annually provides



1 services for patients, of which 60 per cent or more are  
2 uninsured, medicaid, and medicare patients.

3       **SECTION 3. Deferral of collection of general excise taxes**  
4 **owed by a qualified hospital group between July 1, 2008, and**  
5 **December 31,** . The department of taxation shall defer the  
6 collection of general excise taxes owed by a qualified hospital  
7 group on the gross income and gross proceeds derived from the  
8 operation of the qualified hospital group between July 1, 2008,  
9 and December 31, . The approval of the governor shall not  
10 be required for the department to defer the collection.

11       **SECTION 4. Payment of deferred general excise taxes and**  
12 **interest after December 31,** . After December 31, , the  
13 qualified hospital group shall pay to the department of taxation  
14 any general excise taxes deferred under section this Act plus  
15 interest imposed in accordance with section 231-39(b)(4)(A),  
16 Hawaii Revised Statutes. The qualified hospital group shall  
17 make the payment in cash under an installment plan, the terms  
18 and conditions of which shall be approved by the department of  
19 taxation. In the alternative to installment payments, the  
20 qualified hospital group may make a lump sum payment to the  
21 department on January 1, , of the full amount owed.



1 No penalty shall be imposed on a qualified hospital group  
2 for the deferred general excise taxes, except as otherwise  
3 provided under sections 4 or 5 of this Act.

4 SECTION 5. **No distribution to limited liability company**  
5 **members from July 1, 2008, until full payment of deferred**  
6 **general excise taxes and interest.** The qualified hospital group  
7 shall not make any distribution to any members of the limited  
8 liability company that owns the qualified hospital group from  
9 July 1, 2008, until any general excise tax and interest  
10 liability deferred under this Act is fully paid to the  
11 department of taxation.

12 If any distribution is made contrary to this section, the  
13 balance of the deferred general excise taxes owed plus interest  
14 shall become immediately due. The qualified hospital group  
15 shall also immediately pay to the department of taxation a  
16 penalty equal to 25 per cent of the total amount due.

17 For the purpose of this section, "distribution" means the  
18 same as defined under section 428-101, Hawaii Revised Statutes.  
19 The term shall not mean any salary paid to, or fringe benefit  
20 contribution paid for, an officer or employee of a hospital  
21 operated by the qualified hospital group.



1           SECTION 6. **Immediate payment of deferred taxes, interest,**  
2 **and penalty upon occurrence of certain event.** (a) If any of  
3 the following events occur between July 1, 2008, and December  
4 31,           , the balance of any deferred taxes and interest owed by  
5 the qualified hospital group shall become immediately due:

6           (1) If any hospital owned by the qualified hospital is  
7           sold or leased to another person;

8           (2) If the ownership interest of the Hawaii Physicians  
9           Group in the qualified hospital group falls below  
10           forty-nine per cent; or

11           (3) If the qualified hospital group is dissolved.

12           (b) Upon the occurrence of any event listed under  
13 subsection (a), the qualified hospital group shall immediately  
14 pay to the department of taxation the amount of deferred taxes  
15 and interest owed plus a penalty of 25 per cent of that amount.

16           SECTION 7. **Filing of returns.** During the period from July  
17 1, 2008, to December 31,           , the qualified hospital group  
18 shall file general excise tax returns in the manner required  
19 under chapter 231, Hawaii Revised Statutes; provided that during  
20 that period, the qualified hospital group shall not be required  
21 to pay any general excise taxes that have been deferred under  
22 this Act.



1 SECTION 8. Collection of unpaid deferred general excise  
2 taxes and interest; lien for deferred general excise taxes. (a)  
3 If, after December 31, , the qualified hospital group  
4 becomes delinquent in the payment of an installment of general  
5 excise taxes and interest owed under this Act, the department of  
6 taxation may collect the delinquent amount. For this purpose,  
7 sections 231-13, 231-14, and 231-25 to 231-33, Hawaii Revised  
8 Statutes, shall apply.

9 (b) The department shall hold a lien on all real property  
10 of a qualified hospital group for the deferred general excise  
11 taxes and interest owed by the qualified hospital group under  
12 this Act until the deferred taxes and interest are fully paid.  
13 The lien and any foreclosure action shall be subject to section  
14 231-61 to section 231-70, Hawaii Revised Statutes.

15 SECTION 9. If any provision of this Act conflicts with any  
16 other state law or rule, the provisions of this Act shall  
17 prevail. To the extent possible, the department of taxation  
18 shall implement this Act consistent with chapters 231 and 237,  
19 Hawaii Revised Statutes, and any other applicable state law.

20 SECTION 10. This Act shall take effect on July 1, 2008.



**Report Title:**

General Excise Tax; Hospital Group; Uninsured, Medicare and Medicaid Patients

**Description:**

Requires the Department of Taxation (DOTAX) to defer general excise tax collection for a for-profit hospital group that provides services to an annual patient population consisting of sixty per cent or more uninsured, medicaid and medicare patients for hospital operations between July 1, 2008, and an unspecified date. Also requires DOTAX to collect the deferred taxes plus interest after the unspecified date. Provides for immediate payment of deferred taxes, interest, and penalty upon occurrence of certain events. (HB2758 HD1)

