
A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAXATION.

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

1 SECTION 1. The legislature finds that pursuant to the
2 authority granted by Congress under 10 United States Code 1071
3 et seq., the United States Department of Defense established the
4 TRICARE program as the managed care component of the Military
5 Health System, a federal government program that provides health
6 care services to over 9,000,000 Americans, composed of active
7 duty, reserve, and retired members of the United States
8 uniformed services, their family members, and survivors,
9 including approximately 150,000 current and former service
10 members and their family members who reside in Hawaii.

11 The legislature further finds that the purpose and mission
12 of the TRICARE program is to ensure the availability of high-
13 quality, low-cost health care services to members of the
14 uniformed services and their families, which is crucial to
15 ensuring military readiness, national defense, and the health
16 and welfare of the residents of the state.



1 The TRICARE program augments the health care services
2 provided by the United States Department of Defense personnel at
3 military treatment facilities. TRICARE is a program of the
4 Department of Defense, TRICARE Management Activity, which
5 contracts with third-party administrators, known as "managed
6 care support contractors," to establish and maintain networks of
7 TRICARE-authorized civilian health care providers in various
8 regions of the United States. On behalf of the United States
9 Department of Defense, managed care support contractors make
10 advances to doctors, hospitals, and other providers (the "health
11 care providers") for costs of health care services that health
12 care providers provide to TRICARE beneficiaries. The United
13 States Department of Defense reimburses managed care support
14 contractors the amounts they have advanced on the department's
15 behalf.

16 The legislature understands that some uncertainty may exist
17 about whether the reimbursements received by managed care
18 support contractors for advances made on behalf of the federal
19 government might be subject to the Hawaii general excise tax.
20 The legislature finds that it is desirable to clarify that the
21 reimbursements are not subject to the state general excise tax
22 to avoid increasing the costs of health care services delivered



1 through the TRICARE program and any adverse consequences on the
2 members of our uniformed services and their families from the
3 increased costs.

4 The purpose of this Act is to clarify that any amounts
5 received by a managed care support contractor as reimbursements
6 of costs or advances made by the contractor, pursuant to a
7 contract with the federal government for the administration of
8 the TRICARE program, are exempt from the Hawaii general excise
9 tax.

10 SECTION 2. Section 237-24.75, Hawaii Revised Statutes, is
11 amended to read as follows:

12 **"§237-24.75 Additional exemptions.** In addition to the
13 amounts exempt under section 237-24, this chapter shall not
14 apply to:

- 15 (1) Amounts received as a beverage container deposit
16 collected under chapter 342G, part VIII;
- 17 (2) Amounts received by the operator of the Hawaii
18 convention center for reimbursement of costs or
19 advances made pursuant to a contract with the Hawaii
20 tourism authority under section 201B-7; [~~and~~]
- 21 (3) Amounts received by a managed care support contractor
22 of the TRICARE program that is established under 10



1 United States Code chapter 55, as amended, for
2 reimbursement of costs or advances made to health care
3 providers pursuant to a contract with the United
4 States; and

5 [~~+~~3] (4) Amounts received[+] by a professional employment
6 organization from a client company equal to amounts
7 that are disbursed by the professional employment
8 organization for employee wages, salaries, payroll
9 taxes, insurance premiums, and benefits, including
10 retirement, vacation, sick leave, health benefits, and
11 similar employment benefits with respect to assigned
12 employees at a client company; provided that this
13 exemption shall not apply to a professional employment
14 organization upon failure of the professional
15 employment organization to collect, account for, and
16 pay over any income tax withholding for assigned
17 employees or any federal or state taxes for which the
18 professional employment organization is responsible.
19 As used in this paragraph, "professional employment
20 organization", "client company", and "assigned
21 employee" shall have the meanings provided in section
22 373K-1."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act, upon its approval, shall take effect
4 retroactive to January 1, 2005.



Report Title:

General Excise Tax; Health Care; Uniformed Service Members

Description:

Exempts from the general excise tax amounts received by managed care support contractors as reimbursements of costs or advances made pursuant to a contract for the administration of the federal TRICARE program. Effective upon approval, retroactive to January 1, 2005. (SD1)

