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# 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 nine million Americans, comprised of  
7 active duty, reserve, and retired members of the United States  
8 uniformed services, their family members, and survivors,  
9 including approximately one hundred fifty thousand current and  
10 former service members and their family members who reside in  
11 Hawaii.

12           The legislature further finds that the purpose and mission  
13 of the TRICARE program is to ensure the availability of high  
14 quality, low cost health care services to members of the  
15 uniformed services and their families, which is crucial to  
16 ensuring military readiness, national defense, and the health  
17 and welfare of citizens 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 Hawaii general excise tax. The  
20 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 shall take effect on July 1, 2008.



**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 to health care providers pursuant to a contract for the administration of the federal TRICARE program. (SD1)

