

JAN 19 2007

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# A BILL FOR AN ACT

RELATING TO EXCISE TAX ON HEALTH CARE.

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

1           SECTION 1. The legislature finds that all residents of  
2 this State should have access to affordable, quality health  
3 care. Hawaii has prided itself on its near-universal health  
4 coverage under the Prepaid Health Care Act, but the uninsured  
5 population is growing. It has been reported that in 2002, more  
6 than 27,000 uninsured patients were treated in community health  
7 care centers. This figure is up sixty-seven per cent from 1997  
8 and twenty per cent from 2001. Sixteen per cent of uninsured  
9 patients admit to never paying their bill after visiting  
10 community health centers, clinics, hospitals, and emergency  
11 rooms. The unpaid bills put more stress on an already  
12 overburdened health care system.

13           Act 247, Session Laws of Hawaii 2005, enacted the county  
14 surcharge on state tax at a rate of up to one-half per cent of  
15 gross proceeds or gross income (for excise tax) and value of  
16 property and services (for use tax) to finance mass transit.  
17 The surcharge applies to health care services. The legislature



1 further finds that increasing the cost of healthcare is likely  
2 to increase the cost of living and drive more residents into  
3 poverty, which increases the likelihood of becoming uninsured.  
4 The results are an increase in medicaid expenditures for the  
5 State.

6 The legislature further finds that neighbor island  
7 residents are particularly adversely affected by the excise tax  
8 surcharge on medical services. They often have no choice but to  
9 pay more to travel to Oahu to find medical specialists, often  
10 accompanied by a family member. They pay more for health care  
11 by reason of the costs of their air and ground transportation,  
12 lodging, and meals, all of which are taxable. Honolulu's excise  
13 tax surcharge does not directly benefit neighbor island  
14 residents, which poses an inherent inequity.

15 The purpose of this Act is to exempt physician services,  
16 hospital charges, nursing services, and rehabilitation services  
17 from the county surcharge on excise tax.

18 SECTION 2. Section 237-8.6, Hawaii Revised Statutes, is  
19 amended by amending subsection (d) to read as follows:

20 "(d) No county surcharge on state tax shall be established  
21 on any:



- 1 (1) Gross income or gross proceeds taxable under this
- 2 chapter at the one-half per cent tax rate;
- 3 (2) Gross income or gross proceeds taxable under this
- 4 chapter at the 0.15 per cent tax rate; [~~or~~]
- 5 (3) Gross income or gross proceeds from services performed
- 6 or provided by a licensed medical practitioner,
- 7 hospital, medical facility, nursing home or facility,
- 8 or rehabilitation facility; or
- 9 [~~+~~] (4) Transactions, amounts, persons, gross income, or
- 10 gross proceeds exempt from tax under this chapter."

11 SECTION 3. Statutory material to be repealed is bracketed  
 12 and stricken. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on July 1, 2007.

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**Report Title:**

County Surcharge on State Tax; Exemption; Health Care

**Description:**

Exempts physician services, hospital charges, nursing services, and rehabilitation services from the county surcharge on state tax.

