

PROPOSED

HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2008
STATE OF HAWAII

H.B. NO. 2519
H.D. 2
S.D. 2
PROPOSED

A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1 Part I

2 SECTION 1. The legislature finds that many Hawaii
3 residents are increasingly unable to obtain timely and
4 appropriate health care because of physician and dentist
5 shortages, which primarily affect the rural areas of the State.
6 Shortages in the areas of family practice, obstetrics,
7 gynecology, and orthopedics are especially acute.

8 Because of the need to repay student loans to fund a
9 physician's increasingly high cost of professional education,
10 physicians are discouraged from working in shortage areas, which
11 generally provide lower incomes.

12 The legislature finds that the establishment of various
13 programs such as student loan repayment and state-funded
14 physician and dentist stipend programs may be used to encourage
15 and enable physicians and dentists to provide care in shortage
16 areas.

17 The purpose of this part is to direct the legislative
18 reference bureau to research the actions, programs, or



1 approaches of other jurisdictions to address physician and
2 dentist shortages including student loan repayment and stipend
3 programs.

4 SECTION 2. (a) The legislative reference bureau shall
5 research the actions, programs, or approaches of other
6 jurisdictions to address physician and dentist shortages
7 including student loan repayment and stipend programs.

8 (b) The legislative reference bureau shall include in its
9 research of student loan repayment and stipend programs in other
10 jurisdictions:

- 11 (1) General regulations regarding application procedures,
12 policies, and contracts;
- 13 (2) Regulations regarding procedures and penalties for
14 student loan repayment and stipend repayment defaults;
- 15 (3) An estimate of the minimum level of initial and on-
16 going funding needed to establish student loan
17 repayment and stipend programs; and
- 18 (4) An estimate of the number of participating physicians
19 and dentists in such programs and an estimate of
20 student loan repayment and stipend payment amounts.

21 (c) In conducting this study, the legislative reference
22 bureau may request assistance and data from the following:



1 (1) University of Hawaii John A. Burns School of Medicine;
2 and

3 (2) Hawaii State Center for Nursing.

4 (d) The legislative reference bureau shall submit a report
5 of its findings, recommendations, and any proposed legislation
6 to the legislature not later than twenty days prior to the
7 convening of the regular session of 2009. Any contract issued
8 pursuant to this part shall be exempt from chapter 103D, Hawaii
9 Revised Statutes.

10 SECTION 3. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2008-2009 for
13 the legislative reference bureau to conduct the research set out
14 in section 2.

15 The sum appropriated shall be expended by the legislative
16 reference bureau for the purposes of this part.

17 Part II

18 SECTION 4. Purpose. The purpose of this part is to
19 increase access to physician and dental services for residents
20 of the State who live in federally designated "medically
21 underserved areas" or "health professional shortage areas" by



1 granting certain benefits to physicians and dentists who provide
2 services in those areas.

3 SECTION 5. Definitions. As used in this part, unless the
4 context clearly requires otherwise:

5 "Department" means the department of health.

6 "Director" means the director of health.

7 "Health professional shortage area" generally means a
8 geographic area within the State that is served by an inadequate
9 supply of physicians or dentists and that has the meaning as
10 defined by the Health Resources and Services Administration of
11 the United States Department of Health and Human Services.

12 "Medical or dental establishment" means a single physical
13 location where a medical practice is conducted by a physician or
14 dentist providing professional services.

15 "Medical practice" may include one or more medical or
16 dental establishments, any number of which may be located within
17 a medical practice shortage zone.

18 "Medical practice shortage zone" means either a health
19 professional shortage area or a medically underserved area, or
20 both, that is:

21 (1) Within the jurisdiction of a county government; and

22 (2) Eligible for the benefits under this part.



1 "Medically underserved area" generally means a geographic
2 location within the State that has insufficient health resources
3 in terms of physician or dental personnel or facilities, or
4 both, to meet the medical or dental needs of the resident
5 population and that has the meaning as defined by the Health
6 Resources and Services Administration of the United States
7 Department of Health and Human Services.

8 "Qualified medical practice" means any corporation,
9 partnership, or sole proprietorship that is authorized to do
10 business in the State and whose practitioner is licensed under
11 chapter 448, 453, or 460, Hawaii Revised Statutes, that is
12 qualified under section 9 and subject to the state corporate or
13 individual income tax under chapter 235, Hawaii Revised
14 Statutes.

15 "Taxes due the State" means income taxes due under chapter
16 235, Hawaii Revised Statutes.

17 SECTION 6. Medical practice shortage zone designation.
18 The director of health shall designate areas within the State as
19 medical practice shortage zones for a period of seven years.
20 The director shall publish, update, and make available a list of
21 medical practice shortage zones each year.



1 SECTION 7. Government assistance; prohibition. There
2 shall be no duplication of existing state tax incentives to
3 qualified medical practices that locate in a medical practice
4 shortage zone.

5 SECTION 8. Rules; generally. The department shall adopt
6 rules in accordance with chapter 91, Hawaii Revised Statutes, to
7 implement this part, including rules relating to health, safety,
8 building, planning, zoning, and land use, which shall supersede
9 all other inconsistent ordinances and rules relating to the use,
10 zoning, planning, and development of land and construction in a
11 medical practice shortage zone. Rules adopted under this
12 section shall follow existing law, rules, and ordinances as
13 closely as is consistent with standards meeting minimum
14 requirements of energy efficiency, health, and safety.

15 SECTION 9. Qualified medical practice; designation. (a)
16 A medical practice may obtain designation as a qualified medical
17 practice for purposes of this part if the medical practice
18 registers with the department and certifies that the medical
19 practice either:

- 20 (1) Will begin the conduct of a medical practice within a
21 medical practice shortage zone within one year of the
22 date of registration; or



1 (2) Is already actively engaged in the conduct of a
2 medical practice in an area immediately prior to the
3 area's being designated a medical practice shortage
4 zone; and

5 enters into an agreement with the department, within six months
6 of the date of registration, to actively conduct the medical
7 practice within the medical practice shortage zone for no less
8 than seven consecutive years from the date of the agreement.

9 (b) After designation of a medical practice shortage zone,
10 each qualified medical practice within a zone shall submit
11 annually to the department an approved form supplied by the
12 department that provides the certification and information
13 necessary for the department to determine if the medical
14 practice qualifies as a qualified medical practice. The
15 approved form shall be submitted by each medical practice to the
16 governing body of the county in which the medical practice
17 shortage zone is located and then forwarded to the department by
18 the governing body of the county.

19 (c) The form referred to in subsection (b) shall be prima
20 facie evidence of the qualification of a medical practice for
21 the purposes of this section.



1 SECTION 10. State business tax credit. (a) The director
2 shall certify annually to the department of taxation the
3 applicability of the tax credit provided in this part for a
4 qualified medical practice against any taxes due the State.

5 Except for the general excise tax, the credit shall be:

- 6 (1) Eighty per cent of the tax due for the first tax year;
- 7 (2) Seventy per cent of the tax due for the second tax
8 year;
- 9 (3) Sixty per cent of the tax due for the third year;
- 10 (4) Fifty per cent of the tax due the fourth year;
- 11 (5) Forty per cent of the tax due the fifth year;
- 12 (6) Thirty per cent of the tax due the sixth year; and
- 13 (7) Twenty per cent of the tax due the seventh year.

14 Any tax credit not usable shall not be applied to future tax
15 years.

16 (b) When a partnership is eligible for a tax credit under
17 this section, each partner shall be eligible for the tax credit
18 provided for in this section on the partner's income tax return
19 in proportion to the amount of income received by the partner
20 from the partnership. Any qualified medical practice having
21 taxable income from the active conduct of a medical or dental
22 establishment, both within and outside a medical practice



1 shortage zone, shall allocate and apportion its taxable income
2 attributable to that production. Tax credits provided for in
3 this section shall only apply to taxable income of a qualified
4 medical practice attributable to the active conduct of a medical
5 or dental establishment within a medical practice shortage zone.

6 (c) In addition to any tax credit authorized under this
7 section, any qualified medical practice shall be entitled to a
8 tax credit against any taxes due the State in an amount equal to
9 a percentage of unemployment taxes paid. The amount of the
10 credit shall be equal to:

- 11 (1) Eighty per cent of the unemployment taxes paid during
12 the first year;
- 13 (2) Seventy per cent of the taxes paid during the second
14 year;
- 15 (3) Sixty per cent of the taxes paid during the third
16 year;
- 17 (4) Fifty per cent of the taxes paid during the fourth
18 year;
- 19 (5) Forty per cent of the taxes paid during the fifth
20 year;
- 21 (6) Thirty per cent of the taxes paid during the sixth
22 year; and



1 (7) Twenty per cent of the taxes paid during the seventh
2 year.

3 (d) Tax credits provided for in subsection (c) shall only
4 apply to the unemployment tax paid on employees employed at the
5 medical establishment or establishments located within the
6 medical practice shortage zone. Any tax credit not usable shall
7 not be applied to future tax years.

8 SECTION 11. State general excise and use tax exemptions.

9 The director shall certify annually to the department of
10 taxation that any qualified medical practice is exempt from the
11 payment of general excise taxes on the gross proceeds from the
12 conduct of a medical practice within a medical practice shortage
13 zone. The director shall also certify annually to the
14 department of taxation that any qualified medical practice is
15 exempt from the use tax for purchases by the qualified medical
16 practice. The gross proceeds received by a contractor licensed
17 under chapter 444, Hawaii Revised Statutes, shall be exempt from
18 the general excise tax for construction within a medical
19 practice shortage zone that is performed for a qualified medical
20 practice within a medical practice shortage zone. The exemption
21 shall extend for a period not to exceed seven years.



1 SECTION 12. County incentives. A county may propose
2 county incentives to be made available in a medical practice
3 shortage zone, including:

- 4 (1) Reduction of permit fees;
- 5 (2) Reduction of user fees;
- 6 (3) Reduction of real property taxes; and
- 7 (4) Regulatory flexibility, including, but not limited to:
 - 8 (A) Special zoning districts;
 - 9 (B) Permit process reform;
 - 10 (C) Exemptions from local ordinances; and
 - 11 (D) Other public incentives,

12 which shall be binding upon the locality upon
13 designation of the medical practice shortage zone.

14 SECTION 13. Termination of medical practice shortage zone.

15 Upon designation of an area as a medical practice shortage zone,
16 the proposals for regulatory flexibility, tax incentives, and
17 other public incentives specified in this part shall be binding
18 upon the county governing body to the extent and for the period
19 of time specified by the director pursuant to section 9. If the
20 county governing body is unable or unwilling to provide any of
21 the incentives set forth in section 11 or other incentives
22 acceptable to the director, and the director has not adopted



1 rules that supersede inconsistent ordinances and rules relating
2 to medical practice shortage zones, then the medical practice
3 shortage zone shall terminate. Qualified medical practices
4 located within a medical practice shortage zone shall be
5 eligible to receive the state tax incentives provided by this
6 part even though the zone designation has terminated. No
7 medical practice may become a qualified medical practice after
8 the date of zone termination.

9 SECTION 14. This part does not affect rights and duties
10 that matured, penalties that were incurred, and proceedings that
11 were begun, before its effective date.

12 Part III

13 SECTION 15. If any provision of this Act, or the
14 application thereof to any person or circumstance is held
15 invalid, the invalidity does not affect other provisions or
16 applications of the Act, which can be given effect without the
17 invalid provision or application, and to this end the provisions
18 of this Act are severable.

19 SECTION 16. This Act shall take effect upon its approval,
20 except that section 3 shall take effect on July 1, 2008, and
21 part II of this Act shall be repealed on June 30, 2016.



PROPOSED

H.B. NO. 2519
H.D. 2
S.D. 2
PROPOSED

Report Title:

Student Loan Repayment; Stipend; Medical Practice Shortage Zones

Description:

Requires legislative reference bureau to study student loan repayment and stipend payment programs in other jurisdictions to encourage physicians and dentists to serve shortage areas. Appropriates funds. Creates temporary pilot project to grant tax and other benefits similar to those in an enterprise zone to physicians and dentists who establish or maintain practices in shortage areas. (SD2)

