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# A BILL FOR AN ACT

RELATING TO RURAL PHYSICIANS TAX CREDIT.

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

1           SECTION 1. The legislature finds that a problematic  
2 medical environment has resulted in scores of physicians leaving  
3 the State. Rural areas, especially on the neighbor islands,  
4 have seen an increasing exodus of much-needed trained  
5 physicians, who for various reasons have found it more suitable  
6 to leave the State for other parts of the country.

7           This Act addresses this problem, in part, by providing a  
8 tax incentive to encourage physicians to establish their  
9 practice in rural communities.

10           This Act is one of eight proposals in the twenty-fifth  
11 Hawaii state legislature designed to address the increasingly  
12 problematic medical environment in Hawaii. Collectively these  
13 eight proposals are known as the Hawaii Doctor Recruitment and  
14 Retention Action Plan of 2009.

15           SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:



1           "§235-       Rural physicians; tax credit. (a) There shall  
2 be allowed to each individual taxpayer who is a qualified  
3 physician and who is not claimed, or is not otherwise eligible  
4 to be claimed, as a dependent by another taxpayer for federal or  
5 state income tax purposes, a rural physicians tax credit that  
6 shall be deductible from the taxpayer's net income tax liability  
7 imposed by this chapter for the taxable year in which the tax  
8 credit is properly claimed.

9           For the purpose of this section,  
10           "Qualified physician" means a physician licensed under  
11 chapter 453 who moves to, and establishes residence and  
12 practices medicine in, a rural area of the State;

13           "Rural area" means an area designated by the department of  
14 health that is in critical need of physicians and applies to the  
15 tax credit under this section.

16           (b) To qualify for the tax credit, the taxpayer shall be  
17 in compliance with all applicable federal, state, and county  
18 statutes, rules, and regulations.

19           (c) The tax credit shall be equal to the following sliding  
20 scale of the number of years a qualified physician practices in  
21 a rural area and a correlating percentage of the qualified

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1 physician's insurance premium cost that qualifies for the tax  
2 credit:

3 <u>Years of continuous medical</u> 4 <u>practice in a rural area:</u>	<u>Percentage of insurance</u> <u>premium (tax credit):</u>
5 (1) <u>One year</u>	<u>Ten per cent;</u>
6 (2) <u>Two years</u>	<u>Twenty per cent;</u>
7 (3) <u>Three years</u>	<u>Thirty per cent;</u>
8 (4) <u>Four years</u>	<u>Forty per cent;</u>
9 (5) <u>Five years</u>	<u>Fifty per cent;</u>
10 (6) <u>Six years</u>	<u>Sixty per cent; and</u>
11 (7) <u>Seven years</u>	<u>Seventy per cent;</u>

12 provided that the tax credit is not retroactive and may be  
13 claimed only once in any taxable year.

14 (d) If the tax credit under this section exceeds the  
15 taxpayer's net income tax liability, the amount of the excess  
16 tax credit may be claimed in subsequent years until exhausted.

17 (e) Every claim, including amended claims, for the tax  
18 credit under this section shall be filed on or before the end of  
19 the twelfth month following the close of the taxable year for  
20 which the tax credit may be claimed. Failure to meet the filing  
21 requirements of this subsection shall constitute a waiver of the  
22 right to claim the tax credit.



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- 1        (f) The director of taxation:  
2        (1) Shall prepare forms as may be necessary to claim a tax  
3        credit under this section;  
4        (2) May require proof of the claim for the tax credit; and  
5        (3) May adopt rules pursuant to chapter 91 to effectuate  
6        the purposes of this section."

7        SECTION 2. New statutory material is underscored.

8        SECTION 3. This Act shall take effect upon its approval  
9 and apply to taxable years beginning after December 31, 2008.

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INTRODUCED BY: *J. Phil. Karamita*

JAN 26 2009



**Report Title:** 1

Tax Credit; Physicians; Rural Areas

**Description:**

Provides a tax credit on a sliding scale for amounts paid for medical malpractice insurance premiums by physicians that move to, and practice medicine in, rural areas.

