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# A BILL FOR AN ACT

RELATING TO HEALTH CARE ENTERPRISE ZONES.

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

1           SECTION 1. Chapter 209E, Hawaii Revised Statutes, is  
2 amended by adding a new part to be appropriately designated and  
3 to read as follows:

4                   "PART       .   HEALTH CARE ENTERPRISE ZONES

5           §209E-A Definitions. As used in this part, unless the  
6 context otherwise requires:

7           "Department" means the department of health.

8           "Director" means the director of health.

9           "Health care enterprise zone" means an area that is  
10 designated by the director of health and is a state designated  
11 medically underserved area.

12           "Primary care" means the practice of family medicine,  
13 general internal medicine, general pediatrics, general  
14 obstetrics, gynecology, and any other areas of medicine that the  
15 director of health may define as primary care. Primary care  
16 also includes the practice of general dentistry and pedodontics,  
17 long-term care, and the professions of nurse practitioner,  
18 certified nurse midwife, and physician assistant.



1 "Qualified practice" means a health care practice at which  
2 fifty per cent or more of the total amount received for services  
3 at that practice for the taxable year are qualified receipts and  
4 fifty per cent or more of the patients whose services are  
5 compensated by qualified receipts reside in a designated health  
6 care enterprise zone.

7 "Qualified receipts" means amounts received for services  
8 from the medicaid program, including amounts received from  
9 managed care organizations under contract with the medicaid  
10 program, for providing health care services to eligible program  
11 recipients.

12 **§209E-B Health care enterprise zones; established.** The  
13 director of health may designate geographically describable  
14 areas within the State that the director determines to be a  
15 medically underserved area as a health care enterprise zone;  
16 provided that any county with a resident population of less than  
17 500,000 shall automatically be deemed a health care enterprise  
18 zone.

19 **§209E-C Tax deduction for qualified receipts.** A taxpayer  
20 who is providing primary care as defined in this part at:

21 (1) A practice that is located in a health care enterprise  
22 zone as defined in this part; or



1           (2) A qualified practice that is located within five miles  
2           of a health care enterprise zone as defined in this  
3           part;

4 shall be allowed to deduct from the taxpayer's gross income in a  
5 taxable year an amount equal to that proportion of the  
6 taxpayer's net income deriving from that practice for the  
7 taxable year that the qualified receipts of that practice for  
8 the taxable year bear to the total amount received for services  
9 at that practice for the taxable year.

10           **§209E-D Low-interest loans for medical offices in health**  
11 **care enterprise zones.** (a) In consultation with the director  
12 of health, the director of business, economic development, and  
13 tourism shall establish and administer a program that makes low-  
14 interest loans for the purposes of constructing, renovating, or  
15 purchasing:

- 16           (1) Medical offices in health care enterprise zones;  
17           (2) Offices of a qualified practice that is located within  
18           five miles of a health care enterprise zone; and  
19           (3) Medical equipment for use by primary care providers at  
20           practices located in health care enterprise zones or  
21           at qualified practices that are located within five  
22           miles of a health care enterprise zone.



1 (b) The director of business, economic development, and  
2 tourism shall adopt rules in accordance with chapter 91,  
3 necessary to effectuate the purposes of this section.

4 §209E-E State general excise tax exemptions. The  
5 department of business, economic development, and tourism, in  
6 coordination with the department of health, shall certify  
7 annually to the department of taxation that any primary care  
8 practice, as defined in this part, that is located in a health  
9 care enterprise zone is exempt from the payment of general  
10 excise taxes on the gross proceeds from any business activity  
11 that is directly related to that primary care practice. The  
12 exemption shall extend for a period not to exceed seven years.

13 §209E-F Property tax exemption; tenant rebate. (a) A  
14 county that has within its boundaries a health care enterprise  
15 zone, as defined in this part, may propose local incentives that  
16 provide for an exemption or reduction of real property taxes of  
17 that portion of a structure or building that is used to house a  
18 medical or dental primary care practice as defined in this part  
19 and that is located in that designated area.

20 (b) The exemption or reduction in real property taxes  
21 shall be in effect for tax years that are within the period of  
22 designation as a health care enterprise zone and shall be



1 contingent upon an annual application filed by the property  
2 owner with, and approved by, the county in which the application  
3 was filed.

4 (c) Upon the granting of an exemption or reduction of real  
5 property taxes pursuant to this section, an owner of the  
6 building or structure granted the exemption or reduction shall  
7 rebate to a tenant engaged in the medical or dental primary care  
8 practice an amount equal to the exemption, which may be a lump  
9 sum or rebated through discounted rental payments.

10 (d) The tenant engaged in the medical or dental primary  
11 care practice or the owner of the building or structure granted  
12 the exemption or reduction shall annually submit proof to the  
13 county in which the exemption or reduction was granted that the  
14 amount of the exemption was rebated to the eligible tenant. If  
15 proof satisfactory to the county is not provided in the manner  
16 that the each county shall establish, the exemption or reduction  
17 shall not be allowed for the tax year and the owner of the  
18 property shall refund the amount of the exemption or reduction  
19 for that tax year to the county."

20 SECTION 2. Chapter 209E, Hawaii Revised Statutes, is  
21 amended by designating sections 209E-1 to 209E-14 as part I,  
22 entitled:



# S.B. NO. 2203

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"PART I. STATE ENTERPRISE ZONES"

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2010.

INTRODUCED BY:

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**Report Title:**

Health Care Enterprise Zones; Tax Incentives; Low-Interest Loans

**Description:**

Adds a new part to chapter 209E that establishes health care enterprise zones to provide tax and loan incentives for primary care practitioners located in health care enterprise zones.

