

STAND. COM. REP. NO. 597

Honolulu, Hawaii

Feb 20, 2009

RE: H.B. No. 702

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Economic Revitalization, Business, & Military Affairs, to which was referred H.B. No. 702 entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAXATION,"

begs leave to report as follows:

The purpose of this bill is to exempt, from the general excise tax (GET), amounts received as reimbursements by a managed care support contractor of the federal TRICARE program for the actual cost or advancement to third party health care providers pursuant to a contract with the federal government.

The Hawaii Medical Service Association, TriWest Healthcare Alliance Inc., and The Chamber of Commerce of Hawaii supported this bill. The Department of Taxation (DOTAX) and Tax Foundation of Hawaii submitted comments.

Your Committee notes that this measure clarifies the existing opinion of DOTAX that the reimbursements received by a managed care support contractor are not subject to the GET.

In addition, your Committee requests the Committee on Finance to which this bill is next referred to examine the GET exemption language, a portion of which may need to be clarified to state, "...the actual costs of or advancement to third party health care providers for services provided pursuant to a contract."

HB702 HSCR EBM HMS 2009-2405



As affirmed by the record of votes of the members of your Committee on Economic Revitalization, Business, & Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 702 and recommends that it be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization, Business, &
Military Affairs,



ANGUS L.K. MCKELVEY, Chair



