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SUBJECT: GENERAL EXCISE, Extend TRICARE exclusion

BILL NUMBER: SB 933, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends Act 70, SLH 2009, to extend the exclusion from the general excise tax of the amounts received by a managed care support coordinator of the TRICARE program for reimbursement of costs or advances made to health care providers pursuant to a contract with the United States for the administration of the program from December 31, 2013 to December 31, 2015.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: The TRICARE program was established by the U.S. Department of Defense (DOD) as the managed care component of the Military Health Care system to augment the health care services provided to DOD personnel at military treatment facilities. TRICARE contracts with third-party administrators (managed care support contractors) to establish and maintain networks of TRICARE-authorized civilian health care providers. These managed care support contractors make advances to health care providers for the services they provide to TRICARE beneficiaries and are reimbursed by the DOD for the amounts of such advances. Note well that this exemption does not apply to the fee paid to the third-party administrator which would continue to be subject to the general excise tax as the fee is gross income to the third party administrator.

While Act 70, SLH 2009, clarified that amounts received by the managed care support coordinators as reimbursements from the DOD for advances they made on behalf of the DOD for TRICARE program purposes are not taxable under Hawaii's general excise tax law, the Act contained a December 31, 2013 sunset date. While the proposed measure would extend this provision for another two years until December 31, 2015, it is questionable why this exclusion is not made permanent.

It should be noted that a similar bill was approved by the 2012 legislature but was vetoed by the governor who cited that an effort was underway to review all exemptions from the general excise tax and that since the sunset date did not occur until the end of 2013, this exemption, along with those which were temporarily suspended, "should undergo a fair and comprehensive review at the same time." Unless the department of taxation is forthcoming with a review of the suspended exemptions, this measure should be extended, if not made permanent.

Digested 3/11/13

morikawa2 - Shaun

From: Tom Smyth [tjsmyth6@aol.com]
Sent: Saturday, March 16, 2013 3:52 PM
To: HLTtestimony
Subject: MOAA Testimony in Support of SB 933 SD1

Aloha,

Here is supporting testimony on SB 933 SD1, Relating to the TRICARE Program, from the Hawaii Chapter, Military Officers Association of America (MOAA) for hearing on 3/20/13 at 8:30 in Room 329.

Tom Smyth
371-1637