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## A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS.

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

1           SECTION 1. The legislature finds that the annual report  
2 from the Hawaii physician workforce assessment project submitted  
3 to the 2020 legislature determined that there is a serious  
4 twenty-four per cent physician shortage in the State. The  
5 neighbor island shortage is more severe, measuring forty-four  
6 per cent in Hawaii county, thirty-six per cent in Maui county,  
7 and thirty-two per cent in Kauai county. The federal government  
8 has also validated the shortage by designating Hawaii, Maui, and  
9 Kauai counties as health professional shortage areas.  
10 Additionally, Hawaii's congressional delegation has written to  
11 the Centers for Medicare and Medicaid Services, recognizing the  
12 risk to our most vulnerable communities. Moreover, the  
13 legislature recognizes that the physician shortage will worsen  
14 unless mitigating steps are taken immediately.

15           The legislature further finds that the general excise tax  
16 and related county surcharges are levied on Hawaii businesses on  
17 the sale of goods and services. The general excise tax applies



1 to medical services provided by group and private practice  
2 physicians, making Hawaii the only state taxing medical services  
3 in this way. The general excise tax and related county  
4 surcharges are applied to the gross receipts of Hawaii medical  
5 practices without regard to the high costs of providing medical  
6 services in a high cost state. Community physicians are often  
7 operating small businesses with narrow profit margins, and  
8 medicare, medicaid, and private insurer payments for medical  
9 services are well below national levels. The general excise tax  
10 and related county surcharges make medical practices unviable,  
11 resulting in practice closures and challenges in recruiting and  
12 retaining new or younger physicians.

13 The legislature also finds that the general excise tax and  
14 related county surcharges are highly regressive forms of  
15 taxation and disproportionately and adversely affect low-income  
16 and middle class families struggling to cope with the State's  
17 high cost of living. Currently, physicians who receive  
18 medicare, medicaid, and tricare payments are subject to the  
19 general excise tax, although they may recoup this cost from  
20 patients as a way to recover the expense. However, most



1 physicians do not currently pass along this cost to patients,  
2 but this practice may soon have to change.

3       The legislature further finds that while hospitals and  
4 their employed physicians are exempt from the general excise tax  
5 and related county surcharges, many Hawaii hospitals continue to  
6 operate at a loss. If the general excise tax were imposed on  
7 hospitals, it would result in nearly all hospitals having  
8 negative margins, essentially taxing the institutions out of  
9 business and significantly impairing patient access to health  
10 care. Therefore, in order to safeguard patient access to care,  
11 medical services performed within group and private practice  
12 should be exempt from the general excise tax and related county  
13 surcharges.

14       The purpose of this Act is to help reduce the impact of the  
15 general excise tax on the shortage of physicians and advanced  
16 practice registered nurses by exempting all gross proceeds from  
17 medical services by physicians and advanced practice registered  
18 nurses acting in the capacity as a primary care provider from  
19 the general excise tax.



1 SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 "§237- Exemption for medical services; physicians;  
5 advanced practice registered nurses. (a) There shall be  
6 exempted from, and excluded from the measure of, the taxes  
7 imposed by this chapter, all of the gross proceeds arising from  
8 medical services provided by physicians and advanced practice  
9 registered nurses acting in the capacity as a primary care  
10 provider.

11 (b) As used in this section, "medical services" provided  
12 by physicians and advanced practice registered nurses acting in  
13 the capacity as a primary care provider includes those services  
14 provided within hospitals, medical clinics, and private medical  
15 practices that are performed by licensed practitioners that are  
16 rendered under chapter 453."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2020.

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INTRODUCED BY: Mrs. E. Lowen  
Brend Kofachi



# H.B. NO. 2228

Richard Lewis

John M. Berry

Ch. Todd

Glenn

[Signature]

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# H.B. NO. 2228

**Report Title:**

General Excise Tax; Exemption; Medical Services; Physician;  
Advanced Practice Registered Nurse

**Description:**

Beginning July 1, 2020, provides a general excise tax exemption for medical services by physicians and advanced practice registered nurses acting in the capacity as a primary care provider.

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