
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, reaching forty-four per
6 cent in Hawaii county, thirty-six per cent in Maui county, and
7 thirty-two per cent in Kauai county. The federal government has
8 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 the State's 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 from the general excise
17 tax all gross proceeds from medical services by physicians and
18 advanced practice registered nurses acting in the capacity of
19 health care providers.



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 of health care
10 providers.

11 (b) As used in this section, "medical services provided by
12 physicians and advanced practice registered nurses acting in the
13 capacity of health care providers" includes those services
14 provided within hospitals, medical clinics, and private medical
15 practices that are performed by practitioners licensed under
16 chapters 453 and 457."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

General Excise Tax; Exemption; Medical Services; Physicians;
Advanced Practice Registered Nurses

Description:

Provides a general excise tax exemption for medical services by
physicians and advanced practice registered nurses acting in the
capacity as health care providers. Effective 7/1/2050. (HD1)

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