

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 2228
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 2228
entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX
EXEMPTIONS,"

begs leave to report as follows:

The purpose of this measure is to exempt from the general
excise tax all gross proceeds from medical services provided by
physicians and advanced practice registered nurses acting in the
capacity of primary care providers.

Your Committee received testimony in support of this measure
from the Office of the Mayor of the County of Hawaii, Hawaii
Medical Association, East Hawaii Independent Physicians
Association, Hawaii Emergency Physicians Associated, Hawaii
Radiologic Society, Hawaii Physician Shortage Crisis Task Force,
and five individuals. Your Committee received comments on this
measure from the Department of Taxation, Hawaii/American College
of Emergency Physicians, Grassroot Institute of Hawaii, and one
individual.

Your Committee finds that the most recent annual report
submitted to the Legislature by the Hawaii Physician Workforce
Assessment Project determined that there is a serious twenty-four
percent physician shortage in the State. The neighbor island



shortage is more severe, reaching forty-four percent in Hawaii County, thirty-six percent in Maui County, and thirty-two percent in Kauai County. Furthermore, the federal government has also recognized the shortage by designating Hawaii, Maui, and Kauai counties as health professional shortage areas. Your Committee further finds that the physician shortage will worsen unless mitigating steps are taken immediately.

According to testimony received by your Committee, the biggest obstacles to practicing medicine in Hawaii are the high cost of living and conducting business and the low payment for service rates, of which the general excise tax is a part. Your Committee notes that Hawaii is the only state in the nation that taxes medical care gross revenue, which renders Hawaii non-competitive in the physician market.

Your Committee notes that the Department of Taxation, in testimony before your Committee, noted that it is able to administer this measure, but requested that changes to the general excise tax be made to apply to gross receipts received on or after January 1, 2021, which will give the Department sufficient time to make the necessary form and computer system modifications.

Your Committee has amended this measure by:

- (1) Changing references of "primary care providers" to "health care providers";
- (2) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

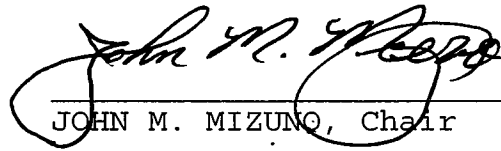
Your Committee requests that the Department of Taxation provide to your Committee on Finance an estimate on the fiscal impact of the general excise tax exemption for medical services by physicians and advanced practice registered nurses, as proposed by this measure, should your Committee on Finance deliberate on this measure.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No.



2228, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2228, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Health,



JOHN M. MIZUNO, Chair



