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# A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTION FOR MEDICAL SERVICES.

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

1           SECTION 1. The legislature finds that Hawaii has the  
2 highest cost of living in the nation. The general excise tax is  
3 levied on nearly all economic activity, which creates a highly  
4 regressive tax system by disproportionately affecting low-income  
5 and middle-class families as a percentage of total  
6 income. Although businesses are required to pay general excise  
7 taxes out of their gross receipts, those taxes are passed on to  
8 customers in the form of higher prices.

9           Health care is a major expense for local families. Hawaii  
10 is one of only a handful of states that taxes medical and dental  
11 services. Each physician supports an average of \$2.2 million in  
12 annual economic output and 13.84 jobs. Hawaii's tax policy  
13 burdens the ability of medical professionals to support the  
14 local community and makes their services more expensive for  
15 residents. Forty-one states generally exclude medical services  
16 from their sales taxes.

17           Because the general excise tax affects almost all areas of  
18 economic activity, it can make it difficult for average families  
19 to afford basic life expenses like medical care. The purpose of



1 this Act is to help alleviate the general excise tax burden on  
2 local households by exempting medical services.

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


6 "§237- Exemption for medical services. (a) There shall  
7 be exempted from, and excluded from the measure of, the taxes  
8 imposed by this chapter all of the gross proceeds arising from  
9 the sale of medical services.

10 (b) As used in this section, "medical services" means:  
11 Professional services provided by hospitals, medical clinics and  
12 facilities that are licensed by the appropriate state agencies  
13 and services are rendered under chapters 436E, 442, 447, 448,  
14 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,  
15 458, 459, 461, 461J, 463E, 465, 465D, 466D, 466J, and 468E."

16 SECTION 3. In codifying the new section added by section 2  
17 of this Act, the revisor of statutes shall substitute  
18 appropriate section numbers for the letters used in designating  
19 the new sections in this Act.

20 SECTION 6. New statutory material is underscored.

21 SECTION 7. This act shall take effect upon its approval  
22 and shall apply to taxable years beginning after December 31,  
23 2023.

INTRODUCED BY:   
JAN 23 2023



# H.B. NO. 887

**Report Title:**

General Excise Tax; Medical Services, Exemption

**Description:**

Exempts medical services from the general excise tax.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

HB HMIA 2023-42-09

