

STAND. COM. REP. NO. **3313**

Honolulu, Hawaii

**MAR 22 2024**

RE: H.B. No. 1675  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committees on Health and Human Services and Commerce and Consumer Protection, to which was referred H.B. No. 1675, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to, beginning January 1, 2026, exempt medical services provided by licensed physicians and advanced practice registered nurses acting in the capacity of primary care providers from the general excise tax.

Your Committees received testimony in support of this measure from the State Health Planning and Development Agency; Disability and Communication Access Board; University of Hawai'i System; Office of the Mayor of the County of Hawai'i; one member of the Maui County Council; Hawaii Association of Health Plans; Avana Health; Hawaii Provider Shortage Crisis Task Force; AlohaCare; Hawai'i Association of Professional Nurses; Hawaii Independent Physicians Association; Kohala Coast Urgent Care LLC; Moloka'i Family & Urgent Care; East Hawaii Independent Physicians Association dba Big Island Docs; American College of Obstetricians and Gynecologists; Grassroot Institute of Hawaii; Hawai'i Psychological Association; Honolulu Neuroscience Clinic; 'Ahahui o nā Kauka-Association of Native Hawaiian Physicians; Philippine Medical Association of Hawai'i; Oahu Pain Care; Wala'au Therapy



LLC; One Impact Hawaii; Malama Pono Autism Center; Joyful Living, LLC; Hawaiian Rehabilitation Services, Inc.; Hawai'i Academy of Physician Assistants; Hawaii Dental Service; Hawaii Academy of Family Physicians; Restore Hawai'i Speech Therapy LLC; Maui Orthopedic Institute LLC; Hawaii Medical Association; Indivisible Hawaii Healthcare Team; Enphysio LLC; Hawaii Federation of Republican Women; Thankfully Inspired, LLC; Hawai'i Speech-Language Hearing Association; Christopher West LMHC LLC; and seventy-nine individuals.

Your Committees received testimony in opposition of this measure from one individual.

Your Committees received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, CBT Gym, Hawai'i Counselors Association, and one individual.

Your Committees find that the State is facing a dire health care workforce shortage, which continues to worsen and results in lower access to care and poorer health outcomes for residents in the State. Your Committees further find that Hawaii is one of two states that apply the general excise tax to the medical practice income of physicians, advanced practice registered nurses, physician assistants, and other independent practice health care professionals, placing an undue financial burden on health care providers that results in practice closures and challenges in recruiting and retaining new or younger health care professionals. Your Committees additionally find that the general excise tax and related county surcharges are highly regressive forms of taxation that disproportionately and adversely affect low- and middle-income families struggling to cope with the State's high cost of living as physicians subject to the general excise tax may pass this cost on to patients as a way to recover the expense.

Your Committees note the concerns raised in testimony that that this measure's proposed general excise tax exemption for independent medical practices does not apply to hospitals or to physicians and other health professionals employed by hospitals. Your Committees further note that this measure's proposed general excise tax exemption should likewise apply to affected specialty practices and should encourage recruitment and retention of both primary and specialty physicians, advanced practice registered



nurses, physician assistants, and other health care professionals that are in short supply in the State.

Your Committees also note that S.B. No. 1035, S.D. 2, a measure that was introduced and adopted by the Senate in the Regular Session of 2023, also exempts medical services from the general excise tax. Your Committees find that the language in S.B. No. 1035, S.D. 2, is preferable because it expands the exemption from the general excise tax beyond medical services provided by licensed physicians and advanced practice registered nurses to include medical and dental services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits.

Accordingly, your Committees have amended this measure by:

- (1) Deleting its contents and inserting the contents of S.B. No. 1035, S.D. 2, Regular Session of 2023, a measure that temporarily exempts medical and dental services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax;
- (2) Updating Section 1 to reflect its amended purpose; and
- (3) Inserting an effective date of December 31, 2050, to encourage further discussion.

As affirmed by the records of votes of the members of your Committees on Health and Human Services and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1675, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1675, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

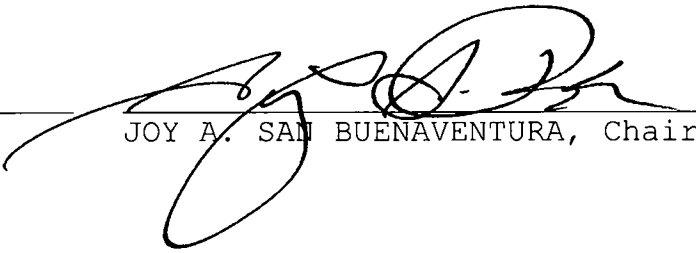


Respectfully submitted on  
behalf of the members of the  
Committees on Health and Human  
Services and Commerce and  
Consumer Protection,



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JARRETT KEOHOKALOLE, Chair



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JOY A. SAN BUENAVENTURA, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Health and Human Services**  
**HHS**

Bill / Resolution No.:* <b>HB1475, HD1</b>	Committee Referral: <b>HHS/CPN, WAM</b>	Date: <b>3/20/24</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
SAN BUENAVENTURA, Joy A. (C)	✓			
AQUINO, Henry J.C. (VC)	✓			
KEOHOKALOLE, Jarrett	✓			
SHIMABUKURO, Maile S.L.				✓
AWA, Brenton	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

**\*Only one measure per Record of Votes**

The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>HB1675 HDI</b>	Committee Referral: <b>HHS/CPN, WAM</b>	Date: <b>3/20/24</b>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.				✓
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>

Recommendation:      Adopted      Not Adopted

Chair's or Designee's Signature:  


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