
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1 SECTION 1. The legislature finds that the annual report on
2 findings from the Hawaii physician workforce assessment project,
3 submitted to the 2024 legislature, determines that there is a
4 serious, twenty-one per cent physician shortage in the State.
5 The neighbor island shortage is more severe, measuring forty-one
6 per cent in Hawaii county, forty-three per cent in Maui county,
7 and thirty 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 Hawaii'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
17 that engage in the sale of goods and services. The general



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

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



1 not currently pass along this cost to patients, but this
2 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 Accordingly, the purpose of this Act is to help reduce the
15 negative impact of the general excise tax on physicians and
16 advanced practice registered nurses in the State by exempting
17 from the general excise tax all gross proceeds arising from the
18 sale of medical services by physicians and advanced practice
19 registered nurses acting in the capacity of a primary care
20 provider.



H.B. NO. 1675

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) Beginning January 1,
6 2025, there shall be exempted from, and excluded from the
7 measure of, the taxes imposed by this chapter all of the gross
8 proceeds arising from the sale of medical services provided by
9 physicians and advanced practice registered nurses acting in the
10 capacity of a primary care provider.

11 (b) As used in this section, "medical services" means
12 professional services provided by physicians and advanced
13 practice registered nurses acting in the capacity of a primary
14 care provider and includes services provided within hospitals,
15 medical clinics, and private medical practices that are
16 performed by licensed practitioners pursuant to chapter 453 or
17 457."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect upon its approval.



H.B. NO. 1675

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INTRODUCED BY: *James S. Kay*

JAN 17 2024



H.B. NO. 1675

Report Title:

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

Description:

Beginning 1/1/2025, exempts medical services provided by
physicians and advanced practice registered nurses acting in the
capacity of a primary care provider from the general excise tax.

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not legislation or evidence of legislative intent.*

