

STATE OF HAWAII
DEPARTMENT OF HEALTH
KA 'OIHANA OLAKINO
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Testimony in SUPPORT of SB1444
RELATING TO THE GENERAL EXCISE TAX

SENATOR JOY A. SAN BUENAVENTURA, CHAIR
SENATOR HENRY J.C. AQUINO, VICE-CHAIR
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

Hearing Date and Time: February 5, 2025, 1:00 p.m. Location: Room 225 and Videoconference

1 **Fiscal Implications:** The Department of Health ("Department") requests consideration of this
2 measure, which will have a small, approximately less than \$80,000 revenue impact.

3 **Department Position:** The Department supports this measure.

4 **Department Testimony:** The Adult Mental Health Division (AMHD) provides the following
5 testimony on behalf of the Department.

6 The Department supports this measure, which proposes tax exemptions for licensed
7 adult residential care home (ARCH) and expanded adult residential care home (E-ARCH)
8 providers who contract with the Department of Health's Adult Mental Health Division to
9 provide services for consumers diagnosed with serious mental illnesses.

10 The existence of available and appropriate housing for individuals with complex mental
11 health needs is one of Hawaii's recognized challenges. AMHD currently contracts with E-ARCH
12 providers for residential care services for Hawaii State Hospital patients and other appropriate
13 AMHD consumers who qualify for residential care services. However, AMHD experiences
14 ongoing difficulties in competing with private pay clients for the same ARCH and E-ARCH beds
15 in the community. Consequently, AMHD continually struggles to place consumers. In order to
16 be competitive in the ARCH and E-ARCH housing market, this bill provides some incentive in the

- 1 way of tax relief for ARCH and E-ARCH providers to provide needed residential care housing for
- 2 AMHD consumers.
- 3 **Offered Amendments:** None.
- 4 Thank you for the opportunity to testify on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 1444, Relating to the General Excise Tax

BEFORE THE:
Senate Committee on Health and Human Services

DATE: Wednesday, February 5, 2025
TIME: 1:00 p.m.
LOCATION: State Capitol, Room 225

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1444, an Administration measure, for your consideration.

S.B. 1444 amends section 237-24, Hawaii Revised Statutes, to add a new general excise tax exemption for amounts received by state licensed adult residential care homes and expanded adult residential care homes, contracted by the Department of Health.

The measure would be effective upon approval, on January 1, 2026.

DOTAX can administer this measure by the effective date.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE; Exemption for State Contracts with Adult Residential Care Homes

BILL NUMBER: SB 1444, HB 1125

INTRODUCED BY: SB by KOUCHI by request, HB by NAKAMURA by request (Governor's Package)

EXECUTIVE SUMMARY: Authorizes general excise tax exemptions for residential care services provided by certain licensed health care facilities pursuant to a contract with the Adult Mental Health Division of the Department of Health.

SYNOPSIS: Amends section 237-24, HRS, by adding subparagraph (18) to provide a general excise tax exemption for amounts received by an adult residential care home licensed under section 321-15.6 or expanded adult residential care home licensed under section 321-15.62 for providing residential care services pursuant to contracts with the Department of Health.

EFFECTIVE DATE: January 1, 2026.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Health and designated HTH-35 (25). In its justification sheet accompanying the measure, the Department states that its Adult Mental Health Division (AMHD) currently contracts with Expanded Adult Residential Care Homes for residential care services “for Hawaii State Hospital patients and other appropriate AMHD clients who qualify for residential care services. The amount paid by AMHD cannot compete with private clients, therefore, AMHD struggles to place its clients.”

Rather than handing out a GET exemption for residential care homes, consideration should be given to increasing AMHD's appropriation so that it could procure services competitively. The persons responsible for making the final selection of contract awardees would then be held accountable for their selection and provide the justification for the selection. That alternative would be far more efficient and transparent than the GET exemption proposed by this measure. Both the exemption and the additional appropriation would have a cost: the exemption would have a revenue cost and the appropriation would be an expense.

Digested: 2/4/2025

Testimony in SUPPORT of SB1444

SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
SENATOR JOY A. SAN BUENAVENTURA, CHAIR
SENATOR HENRY J.C. AQUINO, VICE-CHAIR

Hearing Date: February 5, 2025

Dear Chair, Vice Chair, and Members of the Committee,

POSITION: My name is **ALOHA CARE HOMES CORPORATION**, and I am a service provider with the Department of Health's Adult Mental Health Division. I am writing to express my strong support for Senate Bill 1444, which aims to provide tax exemptions for licensed adult residential care home (ARCH) and expanded adult residential care home (E-ARCH) providers.

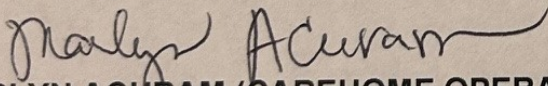
As an ARCH service provider, I witness firsthand the challenges that our community faces in providing quality care to individuals with mental health needs. The current lack of competitive compensation for clients referred by the Adult Mental Health Division (AMHD) makes accepting these individuals into our homes increasingly difficult. This legislation offers a crucial opportunity to address an essential gap by exempting the amounts received by ARCH and E-ARCH providers from the general excise tax.

This tax relief will help us operate more sustainably and empower us to enhance our services for clients with mental health needs. By alleviating some financial burdens, we can focus more on delivering high-quality care and support to our residents, ultimately improving their well-being and integration into the community.

I urge you to support Senate Bill 1444. By doing so, you will support ARCH and E-ARCH providers and the individuals we serve, ensuring they have access to the care they need.

Thank you for your support and consideration,

ALOHA CARE HOMES CORPORATION



MARLYN ACURAM (CAREHOME OPERATOR)
AMHD EARCH Service Provider

SB-1444

Submitted on: 2/3/2025 3:31:17 PM

Testimony for HHS on 2/5/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Eden Sudiactal Mabini	Individual	Support	Written Testimony Only

Comments:

Testimony in SUPPORT of SB1444

SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

SENATOR JOY A. SAN BUENAVENTURA, CHAIR

SENATOR HENRY J.C. AQUINO, VICE-CHAIR

Hearing Date: February 5, 2025

Dear Chair, Vice Chair, and Members of the Committee,

POSITION: My name is Eden S. Mabini, and I am a service provider with the Department of Health's Adult Mental Health Division. I am writing to express my strong support for Senate Bill 1444, which aims to provide tax exemptions for licensed adult residential care home (ARCH) and expanded adult residential care home (E-ARCH) providers.

As an ARCH service provider, I witness firsthand the challenges that our community faces in providing quality care to individuals with mental health needs. The current lack of competitive compensation for clients referred by the Adult Mental Health Division (AMHD) makes accepting these individuals into our homes increasingly difficult. This legislation offers a crucial opportunity to address an essential gap by exempting the amounts received by ARCH and E-ARCH providers from the general excise tax.

This tax relief will help us operate more sustainably and empower us to enhance our services for clients with mental health needs. By alleviating some financial burdens, we can focus more on delivering high-quality care and support to our residents, ultimately improving their well-being and integration into the community.

I urge you to support Senate Bill 1444. By doing so, you will support ARCH and E-ARCH providers and the individuals we serve, ensuring they have access to the care