

JAN 15 2025

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that the current  
2 application of the State's general excise tax on medical  
3 services imposes additional financial burdens on residents  
4 seeking essential health care. Unlike many other states that  
5 exempt medical services from sales tax, Hawaii includes these  
6 services under general excise tax law, increasing health care  
7 costs for residents. Research indicates that exempting medical  
8 services from taxation can enhance health care affordability by  
9 reducing out-of-pocket expenses for patients, making health care  
10 more accessible, especially for low- and middle-income families.  
11 Lower health care costs also encourage individuals to seek  
12 timely medical attention, leading to early detection and  
13 treatment of health issues and improving overall public health.

14           The legislature also finds that exempting medical services  
15 from the general excise tax would alleviate financial pressures  
16 on health care providers, enabling them to allocate more  
17 resources toward patient care and potentially address the



1 shortage of medical professionals in the State. While the State  
2 may experience an estimated \$222,000,000 reduction in tax  
3 revenue annually, studies suggest that the State's existing  
4 budget surplus could accommodate this change without adversely  
5 affecting public services.

6 Accordingly, the purpose of this Act is to exempt medical  
7 services from the general excise tax to reduce health care costs  
8 for residents, promote timely access to medical care, and  
9 support health care providers in delivering essential services.  
10 By aligning the State's tax policy with that of numerous other  
11 states, this Act seeks to enhance the overall well-being of the  
12 State's population and ensure that financial barriers do not  
13 impede access to necessary health care.

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

17 "§237- Exemption of medical services. (a) There shall  
18 be exempted from, and excluded from the measure of, the taxes  
19 imposed by this chapter all of the gross proceeds arising from  
20 the sale of medical services.

21 (b) For the purposes of this section:



1       "Cosmetic medical procedure" means any medical procedure  
2 performed on an individual that is directed at improving the  
3 individual's appearance and that does not meaningfully promote  
4 the proper function of the body or prevent or treat illness or  
5 disease. "Cosmetic medical procedure" does not include  
6 reconstructive surgery.

7       "Medical services" means professional services provided by  
8 hospitals, medical clinics, and facilities that are licensed by  
9 the appropriate state agencies and services rendered under  
10 chapters 436E, 442, 447, 448, 448B, 451A, 451J, 451K, 452, 453,  
11 453D, 455, 457, 457A, 457G, 458, 459, 461, 461J, 463E, 465,  
12 465D, 466D, 466J, or 468E. "Medical services" does not include  
13 services in connection with a cosmetic medical procedure.

14       "Reconstructive surgery" includes any surgery performed on  
15 abnormal structures caused by or related to congenital defects,  
16 developmental abnormalities, trauma, infection, tumors or  
17 disease, including procedures to improve function or give a more  
18 normal appearance."

19       SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2025.

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INTRODUCED BY:

  
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# S.B. NO. 317

**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.*

