The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 24, 2014, the following bill was signed into law:

HB1772 HD1 SD1 CD1 RELATING TO THE GENERAL EXCISE TAX ACT 143 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

SECTION 1. The legislature finds that pursuant to the
authority granted by Congress under title 38 United States Code
section 8153, the United States Department of Veterans Affairs
(VA) established a new initiative in September 2013 titled
Patient-Centered Community Care. Under this program, VA medical
centers will have the ability to purchase non-VA medical care
for veterans through contracted medical providers when they
cannot readily provide the needed care due to geographic
inaccessibility or limited capacity.

The legislature further finds that the Patient-Centered
Community Care program will augment the health care services
provided at VA medical center facilities and under the VA fee
basis program. It will provide a vehicle for VA medical centers
to work with local health care service providers to give
expanded access to health care to 8.6 million veterans of the
United States uniformed services, including one hundred twelve
thousand who reside in Hawaii.
The purpose and mission of the Patient-Centered Community Care program is to ensure access to high-quality, low-cost health care services for veterans, which is crucial to ensuring military readiness, national defense, and the health and welfare of the residents of the State. The program will also help provide VA medical centers with standardized health care quality metrics, timely return of medical documentation, cost avoidance with fixed rates for services across the board, guaranteed access to care, and enhanced tracking and reporting of non-VA medical care expenditures over traditional non-VA medical care services.

The VA contractors will establish and maintain regional networks of health care providers in various regions of the United States by spring of 2014. On behalf of the VA, the contractor will make advances to health care providers, including doctors, hospitals, and other providers, for costs of health care services provided to veterans under the Patient-Centered Community Care program. Using the medicare payment schedule established by the Centers for Medicare and Medicaid Services, the VA will reimburse the contractor for the costs or advancements made to third party health care providers.
The legislature understands that some uncertainty may exist about whether the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, on behalf of the federal government, are subject to the state general excise tax. The legislature finds that, to avoid increasing the costs of health care services delivered through the Patient-Centered Community Care program and any adverse consequences to veterans from the increased costs, it is desirable to clarify that the amounts received by a contractor of the Patient-Centered Community Care program are not subject to the state general excise tax.

The purpose of this Act is to clarify that the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, pursuant to a contract with the United States Department of Veterans Affairs for the administration of the Patient-Centered Community Care program, are excluded from the state general excise tax.

SECTION 2. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:
"§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

1. Amounts received under life insurance policies and contracts paid by reason of the death of the insured;
2. Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;
3. Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;
4. The value of all property of every kind and sort acquired by gift, bequest, or devise, and the value of all property acquired by descent or inheritance;
5. Amounts received by any person as compensatory damages for any tort injury to the person, or to the person's character reputation, or received as compensatory
damages for any tort injury to or destruction of
property, whether as the result of action or by
private agreement between the parties (provided that
amounts received as punitive damages for tort injury
or breach of contract injury shall be included in
gross income);

(6) Amounts received as salaries or wages for services
rendered by an employee to an employer;

(7) Amounts received as alimony and other similar payments
and settlements;

(8) Amounts collected by distributors as fuel taxes on
"liquid fuel" imposed by chapter 243, and the amounts
collected by such distributors as a fuel tax imposed
by any Act of the Congress of the United States;

(9) Taxes on liquor imposed by chapter 244D on dealers
holding permits under that chapter;

(10) The amounts of taxes on cigarettes and tobacco
products imposed by chapter 245 on wholesalers or
dealers holding licenses under that chapter and
selling the products at wholesale;
(11) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(12) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(13) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;

(14) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:
(A) The producer is an independent cane farmer, so classed by the Secretary of Agriculture under the Sugar Act of 1948 (61 Stat. 922, Chapter 519) as the Act may be amended or supplemented;

(B) The value or gross proceeds of the sale of the sugar, and other products manufactured from the sugarcane, are included in the measure of the tax levied on the manufacturer under section 237-13(1) or (2);

(C) The producer's gross proceeds of sales are dependent upon the actual value of the products manufactured therefrom or the average value of all similar products manufactured by the manufacturer; and

(D) The producer's gross proceeds of sales are reduced by reason of the tax on the value or sale of the manufactured products;

(15) Money paid by the State or eleemosynary child-placing organizations to foster parents for their care of children in foster homes;

(16) Amounts received by a cooperative housing corporation from its shareholders in reimbursement of funds paid
by the corporation for lease rental, real property
taxes, and other expenses of operating and maintaining
the cooperative land and improvements; provided that
the cooperative corporation is a corporation:
(A) Having one and only one class of stock
outstanding;
(B) Each of the stockholders of which is entitled
solely by reason of the stockholder's ownership
of stock in the corporation, to occupy for
dwelling purposes a house, or an apartment in a
building owned or leased by the corporation; and
(C) No stockholder of which is entitled (either
conditionally or unconditionally) to receive any
distribution not out of earnings and profits of
the corporation except in a complete or partial
liquidation of the corporation; [and]
(17) Amounts received by a managed care support contractor
of the TRICARE program that is established under title
10 United States Code chapter 55, as amended, for the
actual cost or advancement to third party health care
providers pursuant to a contract with the United
States[.] and
(18) Amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014; provided that the amendments made to section 237-24, Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on December 31, 2018, pursuant to section 4 of Act 70, Session Laws of Hawaii 2009, as amended by section 2 of Act 164, Session Laws of Hawaii 2013.

APPROVED this 24 day of JUN , 2014

[Signature]

GOVERNOR OF THE STATE OF HAWAII