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# A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1           SECTION 1. The purpose of this Act is to increase access  
2 to physician and dental services for residents of the State who  
3 live in federally-designated "medically underserved areas" or  
4 "health professional shortage areas" by granting certain  
5 benefits to physicians and dentists who provide services in  
6 these areas. The benefits provided under this Act shall be  
7 similar to, but not the same as, the benefits available under  
8 the enterprise zone program under chapter 209E, Hawaii Revised  
9 Statutes.

10           SECTION 2. There is created a pilot project within the  
11 department of business, economic development, and tourism, to  
12 provide certain tax and other benefits similar to those provided  
13 in an enterprise zone, for physicians and dentists who agree to  
14 work within certain areas of the State for a certain period.

15           The department of health shall work cooperatively with the  
16 department of business, economic development, and tourism to  
17 implement this Act.



1 SECTION 3. Definitions. As used in this Act, unless the  
2 context clearly requires otherwise:

3 "Department" means the department of business, economic  
4 development, and tourism.

5 "Director" means the director of business, economic  
6 development, and tourism.

7 "Health professional shortage area" means a geographic area  
8 within the State that is served by an inadequate supply of  
9 physicians or dentists and includes a geographic service area  
10 identified as a health professional shortage area by the Health  
11 Resources and Services Administration of the United States  
12 Department of Health and Human Services.

13 "Medical or dental establishment" means a single physical  
14 location where a medical practice is conducted by a physician or  
15 dentist providing professional services.

16 "Medical practice" includes one or more medical or dental  
17 establishments, any number of which may be located within a  
18 medical practice shortage zone.

19 "Medical practice shortage zone" means either a health  
20 professional shortage area or a medically underserved area, or  
21 both, that is:



- 1 (1) Within the jurisdiction of a county government; and
- 2 (2) Eligible for the benefits under this Act.

3 "Medically underserved area" means a geographic location  
4 within the State that has insufficient health resources in terms  
5 of physician or dental personnel or facilities, or both, to meet  
6 the medical or dental needs of the resident population and  
7 includes a geographic service area identified as a medically  
8 underserved area by the Health Resources and Services  
9 Administration of the United States Department of Health and  
10 Human Services.

11 "Qualified medical practice" means any corporation,  
12 partnership, or sole proprietorship that is authorized to do  
13 business in the State and whose practitioner is licensed under  
14 chapter 448 or 453, Hawaii Revised Statutes; qualified under  
15 section 6 of this Act; and subject to the state corporate or  
16 individual income tax under chapter 235, Hawaii Revised  
17 Statutes.

18 "Taxes due the State" means income taxes due under chapter  
19 235, Hawaii Revised Statutes.

20 SECTION 4. Medical practice shortage zone; designation.

21 The director, in consultation with the director of health, shall



1 designate areas within the State as medical practice shortage  
2 zones for a period of seven years. The director shall publish,  
3 update, and make available to the general public on the  
4 department's website a list of medical practice shortage zones  
5 each year.

6 SECTION 5. Duplication of existing tax incentives;  
7 prohibition. There shall be no duplication of existing state  
8 tax incentives to qualified medical practices located in a  
9 medical practice shortage zone.

10 SECTION 6. Qualified medical practice; designation. (a) A  
11 medical practice may obtain designation as a qualified medical  
12 practice if the medical practice:

13 (1) Registers with the department and certifies that the  
14 medical practice either:

15 (A) Will begin conducting the medical practice in a  
16 medical practice shortage zone within one year of  
17 the date of registration; or

18 (B) Is already actively conducting the medical  
19 practice in an area immediately prior to the  
20 area's being designated a medical practice  
21 shortage zone, and



1           (2) Enters into an agreement with the department within  
2           six months of the date of registration to actively and  
3           continuously conduct the medical practice within the  
4           medical practice shortage zone for no less than seven  
5           consecutive years from the date of the agreement;  
6           provided that no agreement may be entered into after  
7           June 30, 2021, and that no benefits may be granted  
8           under this Act after June 30, 2028.

9           (b) After designation of a medical practice shortage zone,  
10          each qualified medical practice within a zone shall submit an  
11          approved form annually to the department. The approved form  
12          shall be supplied by the department and shall provide the  
13          certification and information necessary for the department to  
14          determine if the medical practice continues to qualify as a  
15          qualified medical practice. The approved form shall be  
16          submitted by each medical practice to the

17          (c) The form referred to in subsection (b) shall be prima  
18          facie evidence of the qualification of a medical practice for  
19          the purposes of this section.

20          SECTION 7. **Qualified medical practice; tax credit.** The  
21          director shall certify annually to the department of taxation



1 the applicability of the tax credit provided in this Act for a  
2 qualified medical practice against any taxes due to the State.

3 Except for the general excise tax, the credit shall be:

4 (1) Eighty per cent of the tax due the first tax year;

5 (2) Seventy per cent of the tax due the second tax year;

6 (3) Sixty per cent of the tax due the third tax year;

7 (4) Fifty per cent of the tax due the fourth tax year;

8 (5) Forty per cent of the tax due the fifth tax year;

9 (6) Thirty per cent of the tax due the sixth tax year; and

10 (7) Twenty per cent of the tax due the seventh tax year.

11 Any unused tax credit shall not be applied to future tax years.

12 (b) When a partnership is eligible for a tax credit under

13 this section, each partner shall be eligible for the tax credit

14 provided for in this section on the partner's income tax return

15 in proportion to the amount of income received by the partner

16 from the partnership. Any qualified medical practice having

17 taxable income from the active conduct of a medical or dental

18 establishment, both within and outside a medical practice

19 shortage zone, shall allocate and apportion its taxable income

20 attributable to that production. Tax credits provided for in

21 this section shall only apply to taxable income of a qualified



1 medical practice attributable to the active conduct of a medical  
2 or dental establishment within a medical practice shortage zone.

3 (c) In addition to any tax credit authorized under this  
4 section, any qualified medical practice shall be entitled to a  
5 tax credit against any taxes due the State in an amount equal to  
6 a percentage of unemployment taxes paid. The amount of the  
7 credit shall be equal to:

- 8 (1) Eighty per cent of the unemployment taxes paid during  
9 the first tax year;
- 10 (2) Seventy per cent of the unemployment taxes paid during  
11 the second tax year;
- 12 (3) Sixty per cent of the unemployment taxes paid during  
13 the third tax year;
- 14 (4) Fifty per cent of the unemployment taxes paid during  
15 the fourth tax year;
- 16 (5) Forty per cent of the unemployment taxes paid during  
17 the fifth tax year;
- 18 (6) Thirty per cent of the unemployment taxes paid during  
19 the sixth tax year; and
- 20 (7) Twenty per cent of the unemployment taxes paid during  
21 the seventh tax year.



1 (d) Tax credits provided for in subsection (c) shall only  
2 apply to the unemployment tax paid on employees employed at the  
3 medical or dental establishment or establishments located within  
4 the medical practice shortage zone. Any unused tax credit shall  
5 not be applied to future tax years.

6 SECTION 8. Qualified medical practice; tax exemptions.

7 The director shall certify annually to the department of  
8 taxation that any qualified medical practice is exempt from the  
9 payment of general excise taxes on the gross proceeds from the  
10 conduct of a medical practice for any medical or dental  
11 establishment within a medical practice shortage zone. The  
12 director shall also certify annually to the department of  
13 taxation that any qualified medical practice is exempt from the  
14 use tax for purchases by the qualified medical practice for any  
15 medical or dental establishment within a medical practice  
16 shortage zone. The gross proceeds received by a contractor  
17 licensed under chapter 444, Hawaii Revised Statutes, shall be  
18 exempt from the general excise tax for construction within a  
19 medical practice shortage zone that is performed for a qualified  
20 medical practice within a medical practice shortage zone. The  
21 exemption shall extend for a period not to exceed seven years.





# H.B. NO. 2170

1 SECTION 9. Rules. The department may adopt rules pursuant  
2 to chapter 91, Hawaii Revised Statutes, to implement this Act.

3 SECTION 10. This Act does not affect rights and duties  
4 that matured, penalties that were incurred, and proceedings that  
5 were begun, before its effective date.

6 SECTION 11. If any provision of this Act, or the  
7 application thereof to any person or circumstance, is held  
8 invalid, the invalidity does not affect other provisions or  
9 applications of the Act that can be given effect without the  
10 invalid provision or application, and to this end the provisions  
11 of this Act are severable.

12 SECTION 12. This Act shall take effect upon its approval  
13 and shall be repealed on June 30, 2028.

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INTRODUCED BY:

*[Signature]*

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# H.B. NO. 2170

**Report Title:**

Medical Practice Zone Designation; Medically Underserved Areas

**Description:**

Establishes a pilot project within the Department of Business, Economic Development, and Tourism, to provide certain tax and other benefits, similar to those provided in an enterprise zone, for physicians and dentists who agree to work within those areas for a certain period. Provides that no agreement may be entered into after June 30, 2021 and no benefits may be granted after June 30, 2028.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

