

JAN 20 2017

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# A BILL FOR AN ACT

RELATING TO HEALTH.

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

1           SECTION 1. The legislature finds that over fifty-eight  
2 million Americans reside in geographic areas or belong to  
3 population groups that are considered primary health care  
4 shortage areas. The demand for primary health care is projected  
5 to rise over the next five years. This increase in demand is  
6 largely due to population growth and aging and, to a smaller  
7 extent, expanded health insurance. As a result, the existing  
8 supply of physicians is unable to meet the demand for primary  
9 health care services.

10           In Hawaii, there is a shortage of approximately seven  
11 hundred physicians statewide. The issues contributing to  
12 Hawaii's physician shortage include:

- 13           (1) Low insurance reimbursement rates coupled with high  
14 volume reimbursement paperwork for physicians;
- 15           (2) High overhead expenses for rent and utilities for  
16 physicians to maintain their primary health care  
17 practices; and



1           (3) The State's overall high cost of living.  
2 The physician shortage is expected to increase as Hawaii's  
3 population ages. The supply of physicians is also affected by  
4 University of Hawaii medical students moving to the mainland for  
5 jobs with higher financial incentives upon graduation.

6           The legislature further finds that recruiting and employing  
7 nurse practitioners, physician assistants, and psychologists are  
8 viable options to reduce the primary health care physician  
9 shortage in Hawaii. These health care professionals are  
10 educated and trained to examine, diagnose, and treat patients,  
11 and including them as members of a primary health care practice  
12 increases efficiency and effectiveness. However, these health  
13 care professionals are also in high demand and face the same  
14 financial issues as physicians. Thus, incentives are needed to  
15 increase the number of health care professionals to meet the  
16 increasing demand for primary health care services.

17           The purpose of this Act is to address the physician  
18 shortage in Hawaii by providing an income tax credit to health  
19 care providers that recruit and employ licensed nurse  
20 practitioners, physician assistants, and psychologists to  
21 provide primary health care services.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to part I to be appropriately  
3 designated and to read as follows:

4 "§235- Primary health care provider income tax credit.

5 (a) There shall be allowed to each taxpayer subject to the tax  
6 imposed under this chapter, a primary health care provider  
7 income tax credit that shall be deductible from the taxpayer's  
8 net income tax liability, if any, imposed by this chapter for  
9 the taxable year in which the credit is properly claimed.

10 (b) The primary health care provider income tax credit  
11 shall be equal to the qualified costs of the taxpayer, up to a  
12 maximum of \$50,000 for the recruitment and employment of nurse  
13 practitioners, physician assistants, and psychologists to  
14 provide primary health care services. Only one primary health  
15 care provider income tax credit shall be allowed in the  
16 applicable taxable year for each provider's practice that is  
17 registered to do business in the State. The primary health care  
18 provider income tax credit may only be claimed in two different  
19 taxable years.

20 (c) As used in this section:



1       "Nurse practitioner" means an advanced practice registered  
2 nurse licensed under chapter 457.

3       "Physician assistant" means a person licensed under section  
4 453-5.3.

5       "Primary health care provider" means any person,  
6 corporation, facility, or institution licensed by the State,  
7 including family practice physicians, internal medicine  
8 physicians, obstetricians, gynecologists, and psychiatrists,  
9 that provide primary health care services; provided that the  
10 primary health care provider shall recruit and employ at least  
11 one or more of the following health care professionals:

- 12       (1) A nurse practitioner;  
13       (2) A physician assistant; or  
14       (3) A psychologist.

15       "Primary health care services" means health care provided  
16 by physicians specifically trained for and skilled in  
17 comprehensive first contact and continuing care for persons with  
18 any undiagnosed sign, symptom, or health concern not limited by  
19 problem origin (biological, behavioral, or social), organ  
20 system, or diagnosis. Primary health care includes health  
21 promotion, disease prevention, health maintenance, counseling,



1 patient education, and diagnosis and treatment of acute and  
2 chronic illnesses in a variety of health care settings.

3 "Psychologist" means a person licensed under chapter 465.

4 "Qualified costs" means costs that are necessary and  
5 directly incurred by the taxpayer for recruiting and employing  
6 nurse practitioners, physician assistants, and psychologists to  
7 provide primary health care services.

8 (d) In the case of a partnership, S corporation, estate,  
9 or trust, the tax credit allowable is for qualified costs  
10 incurred by the entity for the taxable year. The costs upon  
11 which the tax credit is computed shall be determined at the  
12 entity level. Distribution and share of the credit shall be  
13 determined pursuant to section 704(b) of the Internal Revenue  
14 Code.

15 (e) If the tax credit under this section exceeds the  
16 taxpayer's income tax liability, the excess of the credit over  
17 the liability may be used as a credit against the taxpayer's  
18 income tax liability in subsequent years until exhausted. All  
19 claims for the tax credit under this section, including amended  
20 claims, shall be filed on or before the end of the twelfth month  
21 following the close of the taxable year for which the credit may



1 be claimed. Failure to comply with this requirement shall  
2 constitute a waiver of the right to claim the credit.

3 (f) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim  
5 a tax credit under this section;


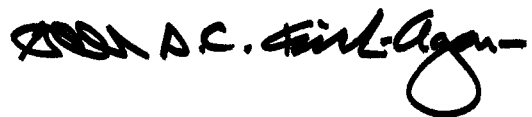
6 (2) May require the taxpayer to furnish reasonable  
7 information to ascertain the validity of the claim for  
8 the tax credit made under this section; and

9 (3) May adopt rules pursuant to chapter 91 to implement  
10 the purposes of this section."

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act, upon its approval, shall apply to  
13 taxable years beginning after December 31, 2016.

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INTRODUCED BY:   




# S.B. NO. 184

**Report Title:**

Income Tax Credit; Health Care Providers; Primary Care; Nurse Practitioners; Physician Assistants; Psychologists

**Description:**

Provides an income tax credit to primary health care providers that recruit and employ licensed nurse practitioners, physician assistants, and psychologists to provide primary health care services.

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