A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX EXEMPTIONS.

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

SECTION 1. The legislature finds that the annual report from the Hawaii physician workforce assessment project submitted to the 2020 legislature determined that there is a serious twenty-four per cent physician shortage in the State. The neighbor island shortage is more severe, measuring forty-four per cent in Hawaii county, thirty-six per cent in Maui county, and thirty-two per cent in Kauai county. The federal government has also validated the shortage by designating Hawaii, Maui, and Kauai counties as health professional shortage areas. Additionally, Hawaii's congressional delegation has written to the Centers for Medicare and Medicaid Services, recognizing the risk to our most vulnerable communities. Moreover, the legislature recognizes that the physician shortage will worsen unless mitigating steps are taken immediately.

The legislature further finds that the general excise tax and related county surcharges are levied on Hawaii businesses on the sale of goods and services. The general excise tax applies
to medical services provided by group and private practice
physicians, making Hawaii the only state taxing medical services
in this way. The general excise tax and related county
surcharges are applied to the gross receipts of Hawaii medical
practices without regard to the high costs of providing medical
services in a high cost state. Community physicians are often
operating small businesses with narrow profit margins, and
medicare, medicaid, and private insurer payments for medical
services are well below national levels. The general excise tax
and related county surcharges make medical practices unviable,
resulting in practice closures and challenges in recruiting and
retaining new or younger physicians.

The legislature also finds that the general excise tax and
related county surcharges are highly regressive forms of
taxation and disproportionately and adversely affect low-income
and middle class families struggling to cope with the State's
high cost of living. Currently, physicians who receive
medicare, medicaid, and tricare payments are subject to the
general excise tax, although they may recoup this cost from
patients as a way to recover the expense. However, most
1 physicians do not currently pass along this cost to patients,
2 but this practice may soon have to change.
3 The legislature further finds that while hospitals and
4 their employed physicians are exempt from the general excise tax
5 and related county surcharges, many Hawaii hospitals continue to
6 operate at a loss. If the general excise tax were imposed on
7 hospitals, it would result in nearly all hospitals having
8 negative margins, essentially taxing the institutions out of
9 business and significantly impairing patient access to health
10 care. Therefore, in order to safeguard patient access to care,
11 medical services performed within group and private practice
12 should be exempt from the general excise tax and related county
13 surcharges.
14 The purpose of this Act is to help reduce the impact of the
15 general excise tax on the shortage of physicians and advanced
16 practice registered nurses by exempting all gross proceeds from
17 medical services by physicians and advanced practice registered
18 nurses acting in the capacity as a primary care provider from
19 the general excise tax.
SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§237- Exemption for medical services; physicians; advanced practice registered nurses. (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter, all of the gross proceeds arising from medical services provided by physicians and advanced practice registered nurses acting in the capacity as a primary care provider.

(b) As used in this section, "medical services" provided by physicians and advanced practice registered nurses acting in the capacity as a primary care provider includes those services provided within hospitals, medical clinics, and private medical practices that are performed by licensed practitioners that are rendered under chapter 453."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2020.

INTRODUCED BY:
Report Title:
General Excise Tax; Exemption; Medical Services; Physician; Advanced Practice Registered Nurse

Description:
Beginning July 1, 2020, provides a general excise tax exemption for medical services by physicians and advanced practice registered nurses acting in the capacity as a primary care provider.

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