

STAND. COM. REP. NO. **510** -24

Honolulu, Hawaii  
**FEB 16**, 2024

RE: H.B. No. 1675  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committee on Health & Homelessness, to which was referred H.B. No. 1675 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to exempt medical services provided by a licensed physician or an advanced practice registered nurse acting in the capacity of primary care providers from the general excise tax.

Your Committee received testimony in support of this measure from the State Health Planning and Development Agency; University of Hawai'i at Mānoa John A. Burns School of Medicine; Disability and Communication Access Board; Hawaii Medical Association; American College of Obstetricians and Gynecologists - Hawai'i Section; Philippine Medical Association of Hawai'i; Maui Orthopedic Institute; Hawaii Provider Shortage Crisis Task Force; Hawaii Institute for Pain; Orchid Isle Wellness Center, LLC; Grassroot Institute of Hawaii; Dr. Smith Family Medicine; Hawai'i Association of Professional Nurses; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; Indivisible Hawaii Healthcare Team; and Save Medicaid Hawaii.

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Your Committee finds that Hawaii is facing a severe physician shortage. Your Committee further finds that Hawaii is one of only two states to impose a general excise tax on the sale of medical services provided by individual private practice or group private practice physicians. The general excise tax does not currently apply to hospitals or to physicians and other health care professionals employed by hospitals, health maintenance organizations, and other larger health care systems, while the same services rendered by individual or group practices or clinics are fully taxable. This inconsistency in the economic impact to health care providers has led to the closure of medical practices and increased challenges in recruiting and retaining new or younger physicians to practice in Hawaii. This measure is intended to mitigate some of these challenges by eliminating the disparity in compensation and ease the financial burden for primary care providers engaged in private practice.

Your Committee has amended this measure by:

- (1) Beginning the exemption from the general excise tax on January 1, 2026, rather than January 1, 2025;
- (2) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the concern raised by the Department of Taxation in testimony that because there is no definition for "primary care provider" in this measure, there may be ambiguity about the types of medical specialties and nature of services that would qualify for the exemption. Your Committee therefore respectfully requests the Hawaii Medical Association to provide a definition of "primary care provider" to your Committee on Finance, should it choose to deliberate on this measure.

As affirmed by the record of votes of the members of your Committee on Health & Homelessness that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1675, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1675, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Health &  
Homelessness,

*Della Au Belatti*

DELLA AU BELATTI, Chair



