

JAN 18 2023

A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1 SECTION 1. The legislature finds that medical service
2 providers are treated incongruously under the general excise tax
3 law. Medical services rendered at a nonprofit hospital,
4 infirmary, or sanitarium are exempt from the tax, whereas the
5 same services rendered by individual or group practices or
6 clinics are fully taxable. Insurance providers and medicare do
7 not compensate for the tax differential, leading some health
8 care providers to bear additional economic costs. Accordingly,
9 the purpose of this Act is to extend the general excise tax
10 exemption to medical services across the health care industry
11 and encourage cost-effective patient outcomes.

12 SECTION 2. Section 237-24.3, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "§237-24.3 Additional amounts not taxable. In addition to
15 the amounts not taxable under section 237-24, this chapter shall
16 not apply to:



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- 1 (1) Amounts received from the loading, transportation, and
2 unloading of agricultural commodities shipped for a
3 producer or produce dealer on one island of this State
4 to a person, firm, or organization on another island
5 of this State. The terms "agricultural commodity",
6 "producer", and "produce dealer" shall be defined in
7 the same manner as they are defined in section 147-1;
8 provided that agricultural commodities need not have
9 been produced in the State;
- 10 (2) Amounts received by the manager, submanager, or board
11 of directors of:
- 12 (A) An association of a condominium property regime
13 established in accordance with chapter 514B or
14 any predecessor thereto; or
- 15 (B) A nonprofit homeowners or community association
16 incorporated in accordance with chapter 414D or
17 any predecessor thereto and existing pursuant to
18 covenants running with the land,
19 in reimbursement of sums paid for common expenses;
- 20 (3) Amounts received or accrued from:



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1 office, as payments for costs and expenses incurred
2 for the administration of an employee benefit plan;
3 provided that this exemption shall not apply to any
4 gross rental income or gross rental proceeds received
5 after June 30, 1994, as income from investments in
6 real property in this State; and provided further that
7 gross rental income or gross rental proceeds from
8 investments in real property received by an employee
9 benefit plan after June 30, 1994, under written
10 contracts executed prior to July 1, 1994, shall not be
11 taxed until the contracts are renegotiated, renewed,
12 or extended, or until after December 31, 1998,
13 whichever is earlier. For the purposes of this
14 paragraph, "employee benefit plan" means any plan as
15 defined in title 29 United States Code section
16 1002(3), as amended;

17 (5) Amounts received for purchases made with United States
18 Department of Agriculture food coupons under the
19 federal food stamp program, and amounts received for
20 purchases made with United States Department of
21 Agriculture food vouchers under the Special



1 Supplemental Foods Program for Women, Infants and
2 Children;
3 (6) Amounts received by a hospital, infirmary, medical
4 clinic, health care facility, pharmacy, or a
5 practitioner licensed to administer the drug to an
6 individual for selling prescription drugs or
7 prosthetic devices to an individual [~~; provided that~~
8 ~~this paragraph shall not apply to any amounts received~~
9 ~~for services provided in selling prescription drugs or~~
10 ~~prosthetic devices.] and for services provided by the
11 hospital, infirmary, medical clinic, health care
12 facility, pharmacy, or licensed medical practitioner.~~

13 As used in this paragraph:

14 "Prescription drugs" are those drugs defined
15 under section 328-1 and dispensed by filling or
16 refilling a written or oral prescription by a
17 practitioner licensed under law to administer the drug
18 and sold by a licensed pharmacist under section 328-16
19 or practitioners licensed to administer drugs;
20 provided that "prescription drugs" shall not include



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1 cannabis or manufactured cannabis products authorized
2 pursuant to chapters 329 and 329D; and

3 "Prosthetic device" means any artificial device
4 or appliance, instrument, apparatus, or contrivance,
5 including their components, parts, accessories, and
6 replacements thereof, used to replace a missing or
7 surgically removed part of the human body, which is
8 prescribed by a licensed practitioner of medicine,
9 osteopathy, or podiatry and that is sold by the
10 practitioner or that is dispensed and sold by a dealer
11 of prosthetic devices; provided that "prosthetic
12 device" shall not mean any auditory, ophthalmic,
13 dental, or ocular device or appliance, instrument,
14 apparatus, or contrivance;

15 (7) Taxes on transient accommodations imposed by chapter
16 237D and passed on and collected by operators holding
17 certificates of registration under that chapter;

18 (8) Amounts received as dues by an unincorporated
19 merchants association from its membership for
20 advertising media, promotional, and advertising costs
21 for the promotion of the association for the benefit



1 of its members as a whole and not for the benefit of
2 an individual member or group of members less than the
3 entire membership;

4 (9) Amounts received by a labor organization for real
5 property leased to:

6 (A) A labor organization; or

7 (B) A trust fund established by a labor organization
8 for the benefit of its members, families, and
9 dependents for medical or hospital care, pensions
10 on retirement or death of employees,
11 apprenticeship and training, and other membership
12 service programs.

13 As used in this paragraph, "labor organization" means
14 a labor organization exempt from federal income tax
15 under section 501(c)(5) of the Internal Revenue Code,
16 as amended;

17 (10) Amounts received from foreign diplomats and consular
18 officials who are holding cards issued or authorized
19 by the United States Department of State granting them
20 an exemption from state taxes; and



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Report Title:

General Excise Tax; Medical Services; Exemptions

Description:

Exempts services provided by a hospital, infirmary, medical clinic, health care facility, pharmacy, or licensed medical practitioner from the general excise tax.

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

