A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

11

Part I

2 SECTION 1. The legislature finds that many Hawaii residents are increasingly unable to obtain timely and 3 4 appropriate health care because of physician and dentist shortages, which primarily affect the rural areas of the State. 5 6 Shortages in the areas of family practice, obstetrics, 7 gynecology, and orthopedics are especially acute. 8 Because of the need to repay student loans to fund a 9 physician's increasingly high cost of professional education,

10 physicians are discouraged from working in shortage areas, which

12 The legislature finds that the establishment of various 13 programs such as student loan repayment and state-funded 14 physician and dentist stipend programs may be used to encourage 15 and enable physicians and dentists to provide care in shortage 16 areas.

17 The purpose of this part is to direct the legislative
18 reference bureau to research the actions, programs, or
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generally provide lower incomes.

approaches of other jurisdictions to address physician and
 dentist shortages including student loan repayment and stipend
 programs.

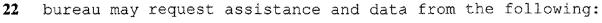
SECTION 2. (a) The legislative reference bureau shall
research the actions, programs, or approaches other
jurisdictions have taken to address physician and dentist
shortages including student loan repayment and stipend programs.
(b) The legislative reference bureau shall include in its
research of student loan repayment and stipend programs in other
jurisdictions:

11 (1) General regulations regarding application procedures, policies, and contracts;

13 (2) Regulations regarding procedures and penalties for
14 student loan repayment and stipend repayment defaults;
15 (3) An estimate of the minimum level of initial and on16 going funding needed to establish student loan
17 repayment and stipend programs; and

18 (4) An estimate of the number of participating physicians
19 and dentists in such programs and an estimate of
20 student loan repayment and stipend payment amounts.

21 (c) In conducting this study, the legislative reference





(1) University of Hawaii John A. Burns School of Medicine;
 and

3 (2) Hawaii State Center for Nursing.

4 (d) The legislative reference bureau shall submit a report
5 of its findings, recommendations, and any proposed legislation
6 to the legislature not later than twenty days prior to the
7 convening of the regular session of 2009. Any contract issued
8 pursuant to this part shall be exempt from chapter 103D, Hawaii
9 Revised Statutes.

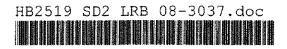
SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2008-2009 for the legislative reference bureau to conduct the research set out in section 2.

15 The sum appropriated shall be expended by the legislative 16 reference bureau for the purposes of this part.

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Part II

18 SECTION 4. Purpose. The purpose of this part is to 19 increase access to physician and dental services for residents 20 of the State who live in federally designated "medically 21 underserved areas" or "health professional shortage areas" by



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granting certain benefits to physicians and dentists who provide
 services in those areas.

3 SECTION 5. There is created a pilot project to provide certain tax and other benefits similar to those provided in an 4 enterprise zone for physicians and dentists who agree to work 5 within certain areas of the State for a certain period. This 6 7 pilot project shall be placed within the enterprise zone program 8 of the department of business, economic development, and 9 tourism. The department of health shall work cooperatively with 10 the department of business, economic development, and tourism to 11 implement this part.

12 SECTION 6. Definitions. As used in this part, unless the 13 context clearly requires otherwise:

14 "Department" means the department of business, economic
15 development, and tourism.

16 "Director" means the director of business, economic17 development, and tourism.

18 "Health professional shortage area" generally means a 19 geographic area within the State that is served by an inadequate 20 supply of physicians or dentists and includes a geographic 21 service area identified as a health professional shortage area



by the Health Resources and Services Administration of the 1 2 United States Department of Health and Human Services. 3 "Medical or dental establishment" means a single physical 4 location where a medical practice is conducted by a physician or 5 dentist providing professional services. 6 "Medical practice" may include one or more medical or 7 dental establishments, any number of which may be located within 8 a medical practice shortage zone. 9 "Medical practice shortage zone" means either a health 10 professional shortage area or a medically underserved area, or 11 both, that is: 12 (1) Within the jurisdiction of a county government; and 13 (2) Eligible for the benefits under this part. 14 "Medically underserved area" generally means a geographic 15 location within the State that has insufficient health resources 16 in terms of physician or dental personnel or facilities, or 17 both, to meet the medical or dental needs of the resident 18 population and includes a geographic service area identified as 19 a medically underserved area by the Health Resources and 20 Services Administration of the United States Department of

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Health and Human Services.

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1 "Qualified medical practice" means any corporation, partnership, or sole proprietorship that is authorized to do 2 3 business in the State and whose practitioner is licensed under chapter 448, 453, or 460, Hawaii Revised Statutes, that is 4 5 qualified under section 10 of this Act and subject to the state 6 corporate or individual income tax under chapter 235, Hawaii 7 Revised Statutes. "Taxes due the State" means income taxes due under chapter 8 9 235, Hawaii Revised Statutes.

SECTION 7. Medical practice shortage zone designation.
The director, in consultation with the director of health, shall
designate areas within the State as medical practice shortage
zones for a period of seven years. The director shall publish,
update, and make available to the general public on the
department's website a list of medical practice shortage zones
each year.

SECTION 8. Government assistance; prohibition. There
shall be no duplication of existing state tax incentives to
qualified medical practices that locate in a medical practice
shortage zone.

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1 SECTION 9. Rules; generally. The department may adopt rules in accordance with chapter 91, Hawaii Revised Statutes, to 2 3 implement this part. 4 SECTION 10. Qualified medical practice; designation. (a) A medical practice may obtain designation as a qualified medical 5 practice for purposes of this part if the medical practice 6 7 registers with the department and certifies that the medical 8 practice either: 9 Will begin the conduct of a medical practice within a (1)10 medical practice shortage zone within one year of the date of registration; or 11 12 (2) Is already actively engaged in the conduct of a 13 medical practice in an area immediately prior to the 14 area's being designated a medical practice shortage 15 zone; and enters into an agreement with the department, within six months 16 of the date of registration, to actively and continuously 17 conduct the medical practice within the medical practice 18 19 shortage zone for no less than seven consecutive years from the 20 date of the agreement; provided that no agreement may be entered 21 into after June 30, 2013, and that no benefits may be granted under this part after June 30, 2020. 22



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After designation of a medical practice shortage zone, 1 (b) 2 each qualified medical practice within a zone shall submit annually to the department an approved form, supplied by the 3 department, that provides the certification and information 4 necessary for the department to determine if the medical 5 6 practice continues to qualify as a qualified medical practice. The approved form shall be submitted by each medical practice to 7 the governing body of the county in which the medical practice 8 shortage zone is located and then forwarded to the department by 9 10 the governing body of the county.

11 (c) The form referred to in subsection (b) shall be prima 12 facie evidence of the qualification of a medical practice for 13 the purposes of this section.

SECTION 11. State business tax credit. (a) The director shall certify annually to the department of taxation the applicability of the tax credit provided in this part for a qualified medical practice against any taxes due the State. Except for the general excise tax, the credit shall be:

19 (1) Eighty per cent of the tax due for the first tax year;
20 (2) Seventy per cent of the tax due for the second tax
21 year;

22 (3) Sixty per cent of the tax due for the third tax year; HB2519 SD2 LRB 08-3037.doc

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1 (4)Fifty per cent of the tax due the fourth tax year; 2 (5)Forty per cent of the tax due the fifth tax year; 3 Thirty per cent of the tax due the sixth tax year; and (6) Twenty per cent of the tax due the seventh tax year. 4 (7)5 Any tax credit not usable shall not be applied to future tax 6 years.

(b) When a partnership is eligible for a tax credit under 7 this section, each partner shall be eligible for the tax credit 8 provided for in this section on the partner's income tax return 9 10 in proportion to the amount of income received by the partner from the partnership. Any qualified medical practice having 11 12 taxable income from the active conduct of a medical or dental 13 establishment, both within and outside a medical practice 14 shortage zone, shall allocate and apportion its taxable income 15 attributable to that production. Tax credits provided for in this section shall only apply to taxable income of a qualified 16 17 medical practice attributable to the active conduct of a medical 18 or dental establishment within a medical practice shortage zone. 19 In addition to any tax credit authorized under this (C)20 section, any qualified medical practice shall be entitled to a 21 tax credit against any taxes due the State in an amount equal to

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1	a percent	age of unemployment taxes paid. The amount of the	
2	credit shall be equal to:		
3	(1)	Eighty per cent of the unemployment taxes paid during	
4		the first tax year;	
5	(2)	Seventy per cent of the taxes paid during the second	
6		tax year;	
7	(3)	Sixty per cent of the taxes paid during the third tax	
8		year;	
9	(4)	Fifty per cent of the taxes paid during the fourth tax	
10		year;	
11	(5)	Forty per cent of the taxes paid during the fifth tax	
12		year;	
13	(6)	Thirty per cent of the taxes paid during the sixth tax	
14		year; and	
15	(7)	Twenty per cent of the taxes paid during the seventh	
16		tax year.	
17	(d)	Tax credits provided for in subsection (c) shall only	
18	f 8 apply to the unemployment tax paid on employees employed at the		
19	medical or dental establishment or establishments located within		
20	the medical practice shortage zone. Any tax credit not usable		
21	shall not	be applied to future tax years.	

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1 SECTION 12. State general excise and use tax exemptions. 2 The director shall certify annually to the department of 3 taxation that any qualified medical practice is exempt from the payment of general excise taxes on the gross proceeds from the 4 5 conduct of a medical practice for any medical or dental establishment within a medical practice shortage zone. 6 The director shall also certify annually to the department of 7 taxation that any qualified medical practice is exempt from the 8 9 use tax for purchases by the qualified medical practice for any medical or dental establishment within a medical practice 10 shortage zone. The gross proceeds received by a contractor 11 12 licensed under chapter 444, Hawaii Revised Statutes, shall be exempt from the general excise tax for construction within a 13 14 medical practice shortage zone that is performed for a qualified medical practice within a medical practice shortage zone. 15 The 16 exemption shall extend for a period not to exceed seven years. SECTION 13. County incentives. A county may propose 17 18 county incentives to be made available in a medical practice shortage zone, including: 19

- 20 (1) Reduction of permit fees;
- 21 (2) Reduction of user fees;
- 22 (3) Reduction of real property taxes; and



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1	(4) Regulatory flexibility, including, but not limited to:	
2	(A) Special zoning districts;	
3	(B) Permit process reform;	
4	(C) Exemptions from local ordinances; and	
5	(D) Other public incentives,	
6	which shall be binding upon the locality upon	
7	designation of the medical practice shortage zone.	
8	SECTION 14. Termination of medical practice shortage zone.	
9	Upon designation of an area as a medical practice shortage zone,	
10	the proposals for regulatory flexibility, tax incentives, and	
11	other public incentives specified in this part shall be binding	
12	upon the county governing body to the extent and for the period	
13	of time specified in the agreement by the director pursuant to	
14	section 10. If the county governing body is unable or unwilling	
15	to provide any of the incentives set forth in section 13 or	
16	other incentives acceptable to the director and the director has	
17	not adopted rules that supersede inconsistent ordinances and	
18	rules relating to medical practice shortage zones, then the	
19	medical practice shortage zone shall terminate. Qualified	
20	medical practices located within a medical practice shortage	
21	zone shall be eligible to receive the state tax incentives	
22	provided by this part even though the zone designation has	
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terminated. No medical practice may become a qualified medical 1 2 practice within that zone after the date of zone termination. SECTION 15. This part does not affect rights and duties 3 4 that matured, penalties that were incurred, and proceedings that 5 were begun, before its effective date. 6 Part III 7 SECTION 16. If any provision of this Act, or the 8 application thereof to any person or circumstance is held 9 invalid, the invalidity does not affect other provisions or 10 applications of the Act, which can be given effect without the invalid provision or application, and to this end the provisions 11 12 of this Act are severable. 13 SECTION 17. This Act shall take effect upon its approval, except that section 3 shall take effect on July 1, 2008, and 14

15 part II of this Act shall be repealed on June 30, 2020.



Report Title:

Student Loan Repayment; Stipend; Medical Practice Shortage Zones

Description:

Requires legislative reference bureau to study student loan repayment and stipend payment programs in other jurisdictions to encourage physicians and dentists to serve shortage areas. Appropriates funds. Creates temporary pilot project with the department of business, economic development, and tourism's enterprise zone program to grant tax and other benefits similar to those in an enterprise zone to physicians and dentists who establish or maintain practices in shortage areas. (HB2519 SD2)

