



EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

June 24, 2014

GOV. MSG. NO. 1246

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

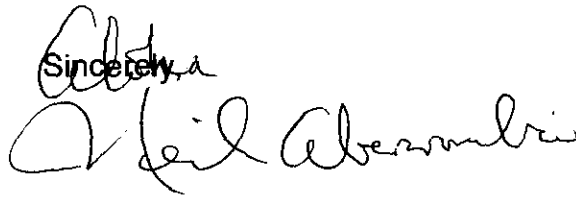
The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 24, 2014, the following bill was signed into law:

HB1772 HD1 SD1 CD1

RELATING TO THE GENERAL EXCISE TAX
ACT 143 (14)

~~Sincerely,~~


NEIL ABERCROMBIE
Governor, State of Hawaii

Approved by the Governor

on JUN 24 2014

HOUSE OF REPRESENTATIVES
TWENTY-SEVENTH LEGISLATURE, 2014
STATE OF HAWAII

ACT 143
H.B. NO. 1772
H.D. 1
S.D. 1
C.D. 1

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 pursuant to the
2 authority granted by Congress under title 38 United States Code
3 section 8153, the United States Department of Veterans Affairs
4 (VA) established a new initiative in September 2013 titled
5 Patient-Centered Community Care. Under this program, VA medical
6 centers will have the ability to purchase non-VA medical care
7 for veterans through contracted medical providers when they
8 cannot readily provide the needed care due to geographic
9 inaccessibility or limited capacity.

10 The legislature further finds that the Patient-Centered
11 Community Care program will augment the health care services
12 provided at VA medical center facilities and under the VA fee
13 basis program. It will provide a vehicle for VA medical centers
14 to work with local health care service providers to give
15 expanded access to health care to 8.6 million veterans of the
16 United States uniformed services, including one hundred twelve
17 thousand who reside in Hawaii.



1 The purpose and mission of the Patient-Centered Community
2 Care program is to ensure access to high-quality, low-cost
3 health care services for veterans, which is crucial to ensuring
4 military readiness, national defense, and the health and welfare
5 of the residents of the State. The program will also help
6 provide VA medical centers with standardized health care quality
7 metrics, timely return of medical documentation, cost avoidance
8 with fixed rates for services across the board, guaranteed
9 access to care, and enhanced tracking and reporting of non-VA
10 medical care expenditures over traditional non-VA medical care
11 services.

12 The VA contractors will establish and maintain regional
13 networks of health care providers in various regions of the
14 United States by spring of 2014. On behalf of the VA, the
15 contractor will make advances to health care providers,
16 including doctors, hospitals, and other providers, for costs of
17 health care services provided to veterans under the Patient-
18 Centered Community Care program. Using the medicare payment
19 schedule established by the Centers for Medicare and Medicaid
20 Services, the VA will reimburse the contractor for the costs or
21 advancements made to third party health care providers.



1 The legislature understands that some uncertainty may exist
2 about whether the amounts received by a contractor of the
3 Patient-Centered Community Care program for the costs or
4 advancements to third party health care providers, on behalf of
5 the federal government, are subject to the state general excise
6 tax. The legislature finds that, to avoid increasing the costs
7 of health care services delivered through the Patient-Centered
8 Community Care program and any adverse consequences to veterans
9 from the increased costs, it is desirable to clarify that the
10 amounts received by a contractor of the Patient-Centered
11 Community Care program are not subject to the state general
12 excise tax.

13 The purpose of this Act is to clarify that the amounts
14 received by a contractor of the Patient-Centered Community Care
15 program for the costs or advancements to third party health care
16 providers, pursuant to a contract with the United States
17 Department of Veterans Affairs for the administration of the
18 Patient-Centered Community Care program, are excluded from the
19 state general excise tax.

20 SECTION 2. Section 237-24, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§237-24 Amounts not taxable. This chapter shall not
2 apply to the following amounts:

- 3 (1) Amounts received under life insurance policies and
4 contracts paid by reason of the death of the insured;
5 (2) Amounts received (other than amounts paid by reason of
6 death of the insured) under life insurance, endowment,
7 or annuity contracts, either during the term or at
8 maturity or upon surrender of the contract;
9 (3) Amounts received under any accident insurance or
10 health insurance policy or contract or under workers'
11 compensation acts or employers' liability acts, as
12 compensation for personal injuries, death, or
13 sickness, including also the amount of any damages or
14 other compensation received, whether as a result of
15 action or by private agreement between the parties on
16 account of the personal injuries, death, or sickness;
17 (4) The value of all property of every kind and sort
18 acquired by gift, bequest, or devise, and the value of
19 all property acquired by descent or inheritance;
20 (5) Amounts received by any person as compensatory damages
21 for any tort injury to the person, or to the person's
22 character reputation, or received as compensatory



1 damages for any tort injury to or destruction of
2 property, whether as the result of action or by
3 private agreement between the parties (provided that
4 amounts received as punitive damages for tort injury
5 or breach of contract injury shall be included in
6 gross income);

7 (6) Amounts received as salaries or wages for services
8 rendered by an employee to an employer;

9 (7) Amounts received as alimony and other similar payments
10 and settlements;

11 (8) Amounts collected by distributors as fuel taxes on
12 "liquid fuel" imposed by chapter 243, and the amounts
13 collected by such distributors as a fuel tax imposed
14 by any Act of the Congress of the United States;

15 (9) Taxes on liquor imposed by chapter 244D on dealers
16 holding permits under that chapter;

17 (10) The amounts of taxes on cigarettes and tobacco
18 products imposed by chapter 245 on wholesalers or
19 dealers holding licenses under that chapter and
20 selling the products at wholesale;



- 1 (11) Federal excise taxes imposed on articles sold at
2 retail and collected from the purchasers thereof and
3 paid to the federal government by the retailer;
- 4 (12) The amounts of federal taxes under chapter 37 of the
5 Internal Revenue Code, or similar federal taxes,
6 imposed on sugar manufactured in the State, paid by
7 the manufacturer to the federal government;
- 8 (13) An amount up to, but not in excess of, \$2,000 a year
9 of gross income received by any blind, deaf, or
10 totally disabled person engaging, or continuing, in
11 any business, trade, activity, occupation, or calling
12 within the State; a corporation all of whose
13 outstanding shares are owned by an individual or
14 individuals who are blind, deaf, or totally disabled;
15 a general, limited, or limited liability partnership,
16 all of whose partners are blind, deaf, or totally
17 disabled; or a limited liability company, all of whose
18 members are blind, deaf, or totally disabled;
- 19 (14) Amounts received by a producer of sugarcane from the
20 manufacturer to whom the producer sells the sugarcane,
21 where:



1 (A) The producer is an independent cane farmer, so
2 classed by the Secretary of Agriculture under the
3 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
4 the Act may be amended or supplemented;

5 (B) The value or gross proceeds of the sale of the
6 sugar, and other products manufactured from the
7 sugarcane, are included in the measure of the tax
8 levied on the manufacturer under section 237-
9 13 (1) or (2);

10 (C) The producer's gross proceeds of sales are
11 dependent upon the actual value of the products
12 manufactured therefrom or the average value of
13 all similar products manufactured by the
14 manufacturer; and

15 (D) The producer's gross proceeds of sales are
16 reduced by reason of the tax on the value or sale
17 of the manufactured products;

18 (15) Money paid by the State or eleemosynary child-placing
19 organizations to foster parents for their care of
20 children in foster homes;

21 (16) Amounts received by a cooperative housing corporation
22 from its shareholders in reimbursement of funds paid



1 by the corporation for lease rental, real property
2 taxes, and other expenses of operating and maintaining
3 the cooperative land and improvements; provided that
4 the cooperative corporation is a corporation:

5 (A) Having one and only one class of stock
6 outstanding;

7 (B) Each of the stockholders of which is entitled
8 solely by reason of the stockholder's ownership
9 of stock in the corporation, to occupy for
10 dwelling purposes a house, or an apartment in a
11 building owned or leased by the corporation; and

12 (C) No stockholder of which is entitled (either
13 conditionally or unconditionally) to receive any
14 distribution not out of earnings and profits of
15 the corporation except in a complete or partial
16 liquidation of the corporation; ~~and~~

17 (17) Amounts received by a managed care support contractor
18 of the TRICARE program that is established under title
19 10 United States Code chapter 55, as amended, for the
20 actual cost or advancement to third party health care
21 providers pursuant to a contract with the United
22 States ~~[-]~~; and



1 (18) Amounts received by a contractor of the Patient-
2 Centered Community Care program that is established by
3 the United States Department of Veterans Affairs
4 pursuant to title 38 United States Code section 8153,
5 as amended, for the actual costs or advancements to
6 third party health care providers pursuant to a
7 contract with the United States."

8 SECTION 3. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on July 1, 2014;
11 provided that the amendments made to section 237-24, Hawaii
12 Revised Statutes, by section 2 of this Act shall not be repealed
13 when that section is reenacted on December 31, 2018, pursuant to
14 section 4 of Act 70, Session Laws of Hawaii 2009, as amended by
15 section 2 of Act 164, Session Laws of Hawaii 2013.

APPROVED this 24 day of JUN , 2014


GOVERNOR OF THE STATE OF HAWAII

