
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 established a new initiative in September 2013 titled Patient-
5 Centered Community Care for United States Department of Veterans
6 Affairs medical centers. Under this program, United States
7 Department of Veterans Affairs medical centers will have the
8 ability to purchase non-United States Department of Veterans
9 Affairs medical care for veterans through contracted medical
10 providers when they cannot readily provide the needed care due
11 to geographic inaccessibility or limited capacity. The Patient-
12 Centered Community Care program will augment the health care
13 services provided by the United States Department of Veterans
14 Affairs personnel at United States Department of Veterans
15 Affairs medical center facilities and under the United States
16 Department of Veterans Affairs fee basis program. It will
17 provide a vehicle for United States Department of Veterans
18 Affairs medical centers to work with local health care service



1 providers to give expanded access to health care to 8.6 million
2 veterans of the United States uniformed services, including one
3 hundred twelve thousand who reside in Hawaii.

4 The legislature further finds that the purpose and mission
5 of the Patient-Centered Community Care program is to ensure
6 access to high-quality, low-cost health care services for
7 veterans, which is crucial to ensuring military readiness,
8 national defense, and the health and welfare of the residents of
9 the State. The program will also help provide United States
10 Department of Veterans Affairs medical centers with standardized
11 health care quality metrics, timely return of medical
12 documentation, cost avoidance with fixed rates for services
13 across the board, guaranteed access to care, and enhanced
14 tracking and reporting of non-United States Department of
15 Veterans Affairs medical care expenditures over traditional non-
16 United States Department of Veterans Affairs medical care
17 services.

18 The United States Department of Veterans Affairs
19 contractors will establish and maintain regional networks of
20 health care providers in various regions of the United States by
21 spring of 2014. On behalf of the United States Department of
22 Veterans Affairs, the contractor will make advances to health



1 care providers, including doctors, hospitals, and other
2 providers, for costs of health care services provided to
3 veterans under the Patient-Centered Community Care program.
4 Using the medicare payment schedule, established by the Centers
5 for Medicare and Medicaid Services, the United States Department
6 of Veterans Affairs will reimburse the contractor for the costs
7 or advancements made to third party health care providers.

8 The legislature understands that some uncertainty may exist
9 about whether the amounts received by a contractor of the
10 Patient-Centered Community Care program for the cost or
11 advancement to third party health care providers, on behalf of
12 the federal government, are subject to the state general excise
13 tax. The legislature finds that to avoid increasing the costs
14 of health care services delivered through the Patient-Centered
15 Community Care program and any adverse consequences to veterans
16 from the increased costs, it is desirable to clarify that the
17 amounts received by a contractor of the Patient-Centered
18 Community Care program are not subject to the state general
19 excise tax.

20 The purpose of this Act is to clarify that the amounts
21 received by a contractor of the Patient-Centered Community Care
22 program for the costs or advancement to third party health care



1 providers, pursuant to a contract with the United States
2 Department of Veterans Affairs for the administration of the
3 Patient-Centered Community Care program, are excluded from the
4 state general excise tax.

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

7 "**§237-24 Amounts not taxable.** This chapter shall not
8 apply to the following amounts:

- 9 (1) Amounts received under life insurance policies and
10 contracts paid by reason of the death of the insured;
11 (2) Amounts received (other than amounts paid by reason of
12 death of the insured) under life insurance, endowment,
13 or annuity contracts, either during the term or at
14 maturity or upon surrender of the contract;
15 (3) Amounts received under any accident insurance or
16 health insurance policy or contract or under workers'
17 compensation acts or employers' liability acts, as
18 compensation for personal injuries, death, or
19 sickness, including also the amount of any damages or
20 other compensation received, whether as a result of
21 action or by private agreement between the parties on
22 account of the personal injuries, death, or sickness;



- 1 (4) The value of all property of every kind and sort
2 acquired by gift, bequest, or devise, and the value of
3 all property acquired by descent or inheritance;
- 4 (5) Amounts received by any person as compensatory damages
5 for any tort injury to the person, or to the person's
6 character reputation, or received as compensatory
7 damages for any tort injury to or destruction of
8 property, whether as the result of action or by
9 private agreement between the parties (provided that
10 amounts received as punitive damages for tort injury
11 or breach of contract injury shall be included in
12 gross income);
- 13 (6) Amounts received as salaries or wages for services
14 rendered by an employee to an employer;
- 15 (7) Amounts received as alimony and other similar payments
16 and settlements;
- 17 (8) Amounts collected by distributors as fuel taxes on
18 "liquid fuel" imposed by chapter 243, and the amounts
19 collected by such distributors as a fuel tax imposed
20 by any Act of the Congress of the United States;
- 21 (9) Taxes on liquor imposed by chapter 244D on dealers
22 holding permits under that chapter;



1 (10) The amounts of taxes on cigarettes and tobacco
2 products imposed by chapter 245 on wholesalers or
3 dealers holding licenses under that chapter and
4 selling the products at wholesale;

5 (11) Federal excise taxes imposed on articles sold at
6 retail and collected from the purchasers thereof and
7 paid to the federal government by the retailer;

8 (12) The amounts of federal taxes under chapter 37 of the
9 Internal Revenue Code, or similar federal taxes,
10 imposed on sugar manufactured in the State, paid by
11 the manufacturer to the federal government;

12 (13) An amount up to, but not in excess of, \$2,000 a year
13 of gross income received by any blind, deaf, or
14 totally disabled person engaging, or continuing, in
15 any business, trade, activity, occupation, or calling
16 within the State; a corporation all of whose
17 outstanding shares are owned by an individual or
18 individuals who are blind, deaf, or totally disabled;
19 a general, limited, or limited liability partnership,
20 all of whose partners are blind, deaf, or totally
21 disabled; or a limited liability company, all of whose
22 members are blind, deaf, or totally disabled;



1 (14) Amounts received by a producer of sugarcane from the
2 manufacturer to whom the producer sells the sugarcane,
3 where:

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

8 (B) The value or gross proceeds of the sale of the
9 sugar, and other products manufactured from the
10 sugarcane, are included in the measure of the tax
11 levied on the manufacturer under section 237-
12 13(1) or (2);

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

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



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

4 (16) Amounts received by a cooperative housing corporation
5 from its shareholders in reimbursement of funds paid
6 by the corporation for lease rental, real property
7 taxes, and other expenses of operating and maintaining
8 the cooperative land and improvements; provided that
9 the cooperative corporation is a corporation:

10 (A) Having one and only one class of stock
11 outstanding;

12 (B) Each of the stockholders of which is entitled
13 solely by reason of the stockholder's ownership
14 of stock in the corporation, to occupy for
15 dwelling purposes a house, or an apartment in a
16 building owned or leased by the corporation; and

17 (C) No stockholder of which is entitled (either
18 conditionally or unconditionally) to receive any
19 distribution not out of earnings and profits of
20 the corporation except in a complete or partial
21 liquidation of the corporation; [and]



1 (17) Amounts received by a managed care support contractor
2 of the TRICARE program that is established under title
3 10 United States Code chapter 55, as amended, for the
4 actual cost or advancement to third party health care
5 providers pursuant to a contract with the United
6 States[-]; and

7 (18) Amounts received by a contractor of the Patient-
8 Centered Community Care program that is established by
9 the United States Department of Veterans Affairs under
10 title 38 United States Code, section 8153, as amended,
11 for the actual costs or advancement to third party
12 health care providers pursuant to a contract with the
13 United States."

14 SECTION 3. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

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



Report Title:

GET; Exemption; Patient-Centered Community Care; Veterans Affairs

Description:

Exempts from the General Excise Tax amounts received by a contractor of the Patient-Centered Community Care Program established by the United States Department of Veterans Affairs for costs associated with health care provided to veterans outside of the Veterans Affairs system. Effective July 1, 2014. (HB1772 HD1)

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

