

STAND. COM. REP. NO.

2792

Honolulu, Hawaii

FEB 14 2020

RE: S.B. No. 2542

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2020  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 2542 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to, beginning  
July 1, 2020, provide a general excise tax exemption for medical  
services by physicians and advanced practice registered nurses  
acting in the capacity as a primary care provider.

Your Committee received testimony in support of this measure  
from the Office of the Mayor of the County of Hawai'i; Hawaii  
Medical Association; Hawaii - American Nurses Association; Hawaii  
Radiological Society; Hawaii Physician Shortage Crisis Task Force;  
Hawai'i Association of Professional Nurses; United Public Workers,  
AFSCME, Local 646, AFL-CIO; East Hawaii IPA; Hawaii Society of  
Clinical Oncology; Hawai'i Academy of Family Physicians; and  
fifteen individuals. Your Committee received testimony in  
opposition to this measure from one individual. Your Committee  
received comments on this measure from the Department of Taxation,  
Tax Foundation of Hawaii, Grassroot Institute of Hawaii, and  
Hawai'i State Center for Nursing.

Your Committee finds that the general excise tax and related  
county surcharges are levied on Hawaii businesses on the sale of



goods and services, including medical services provided by group and private practice physicians, making Hawaii the only state taxing medical services in this way.

Your Committee further finds that community physicians are often operating small businesses with narrow profit margins, and Medicare, Medicaid, and private insurer payments for medical services are well below national levels. The general excise tax and related county surcharges make medical practices unviable, resulting in practice closures and challenges in recruiting and retaining new or younger physicians. Therefore, in order to safeguard patient access to care and reduce the impact of the general excise tax on the shortage of physicians and advanced practice registered nurses, medical services performed within group and private practice should be exempt from the general excise tax and related county surcharges.

Your Committee has amended this measure by:

- (1) Specifying that the exemption for medical services from the general excise tax shall be made effective for gross receipts received on or after January 1, 2021;
- (2) Clarifying the definition of "medical services" by referencing chapter 457, Hawaii Revised Statutes, as it relates to advanced practice registered nurses; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2542, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2542, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Health,



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ROSALYN H. BAKER, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB2542	CPH, WAM	2/12/20		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)	✓			
NISHIHARA, Clarence K.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
WAKAI, Glenn	✓			
FEVELLA, Kurt				✓
<b>TOTAL</b>	6			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes