
A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS FOR MEDICAL SERVICES.

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

1 SECTION 1. The legislature finds that Hawaii has the
2 highest cost of living in the nation. The general excise tax is
3 levied on nearly all economic activity, which creates a highly
4 regressive tax system by disproportionately affecting low-income
5 and middle-class families as a percentage of total income.

6 Although businesses are required to pay general excise taxes out
7 of their gross receipts, those taxes are passed on to customers
8 in the form of higher prices.

9 Health care is a major expense for local families. Hawaii
10 is one of only a handful of states that taxes medical and dental
11 services. Each physician supports an average of \$2.2 million in
12 annual economic output and 13.84 jobs. Hawaii's tax policy
13 burdens the ability of medical professionals to support the
14 local community and makes their services more expensive for
15 residents. Forty-one states generally exclude medical services
16 from their sales taxes.



1 Because the general excise tax affects almost all areas of
2 economic activity, it can make it difficult for average families
3 to afford basic life expenses like medical care. The purpose of
4 this Act is to help alleviate the general excise tax burden on
5 local households by exempting medical services.

6 SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended
7 by adding a new section to be appropriately designated and to
8 read as follows:

9 "§237- Exemption for medical services. (a) There shall
10 be exempted from, and excluded from the measure of, the taxes
11 imposed by this chapter all of the gross proceeds arising from
12 the sale of medical services.

13 (b) As used in this section, "medical services" means:
14 Professional services provided by hospitals, medical clinics and
15 facilities that are licensed by the appropriate state agencies
16 and services are rendered under chapters 436E, 442, 447, 448,
17 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,
18 458, 459, 461, 461J, 463E, 465, 465D, 466D, 466J, and 468E."

19 SECTION 3. In codifying the new section added by section 2
20 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating
2 the new sections in this Act.

3 SECTION 4. New statutory material is underscored.

4 SECTION 5. This act shall take effect upon its approval
5 and shall apply to taxable years beginning after December 31,
6 2023.

INTRODUCED BY:

Jan Mt
JAN 20 2023



H.B. NO. 688

Report Title:

General Excise Tax; Medical Services Exemption

Description:

Exempts medical services from the general excise tax.

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HB HMIA 2023-38-04

