

Honolulu, Hawaii

FEB 15 2023

RE: S.B. No. 1035  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Health and Human Services, to which was referred S.B. No. 1035 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to exempt amounts received for health care related goods or services that are reimbursed through Medicaid, Medicare, or TRICARE from the general excise tax.

Your Committee received testimony in support of this measure from the University of Hawai'i System, AARP Hawai'i, Hawai'i Association of Professional Nurses, Kūpuna Caucus' Health and Medical Services Sub-Committee of the Democratic Party of Hawai'i, East Hawaii Independent Physicians Association dba Big Island Docs, Hawaii Medical Association, Hawai'i Island Chamber of Commerce, Klein Natural Health and Wellness Center, Hawai'i Provider Shortage Crisis Task Force, and ten individuals. Your Committee received comments on this measure from the Department of Taxation, Grassroot Institute of Hawaii, Tax Foundation of Hawaii, and Hawai'i Society of Naturopathic Physicians.

Your Committee finds that medical services rendered by private individual or group practices or clinics are subject to the general excise tax. Hawaii is one of only two states that levies a tax on medical services. Further, Medicare, Medicaid,



and TRICARE prohibit medical service providers from adjusting their fees to account for the tax. The tax disproportionately and significantly burdens private medical service providers, exacerbating the financial difficulty of operating a private practice and disincentivizing private medical service providers from servicing low-income, vulnerable, and active and retired military service individuals. This measure removes this disincentive by exempting Medicare, Medicaid, and TRICARE reimbursements for health care related goods or services from the general excise tax.

Your Committee notes the concerns raised in testimony that this measure, as currently written, excludes medical services provided by naturopathic physicians from the proposed general excise tax exemption. Naturopathic physicians function as primary care physicians in the State, and, similar to those providers defined as "medical practitioners" in this measure, naturopathic physicians aid in relieving the State's ongoing health care provider shortage. Your Committee additionally notes the Department of Taxation's request for an effective date of January 1, 2024. Your Committee finds that these issues merit further consideration and respectfully requests your Committee on Ways and Means and Commerce and Consumer Protection consider these concerns.

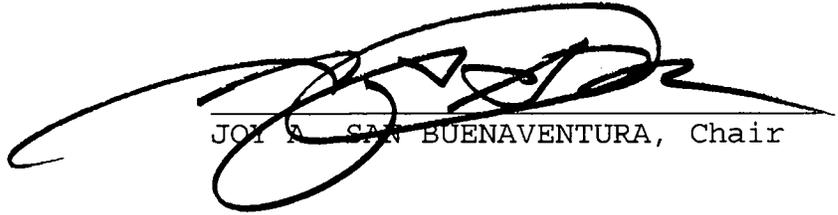
Your Committee has amended this measure by:

- (1) Inserting an effective date of December 31, 2050, to encourage further discussion; and
- (2) 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 Health and Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1035, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1035, S.D. 1, and be referred to your Committees on Ways and Means and Commerce and Consumer Protection.



Respectfully submitted on  
behalf of the members of the  
Committee on Health and Human  
Services,



JOY A. SAN BUENAVENTURA, Chair



