
A BILL FOR AN ACT

RELATING TO HEALTH CARE SERVICES.

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

1 SECTION 1. The legislature finds that the 2021 Hawaii
2 physician workforce assessment report found that there is a
3 serious shortage of physicians in the State. Statewide, there
4 is a twenty-two per cent shortage of physicians, with neighbor
5 islands seeing a severe shortage, measuring forty per cent in
6 Hawaii county, twenty-six per cent in Kauai county, and forty
7 per cent in Maui county. The federal government has also
8 validated the shortage by designating Hawaii, Maui, and Kauai
9 counties as health professional shortage areas. Additionally,
10 Hawaii's congressional delegation has written to the Centers for
11 Medicare and Medicaid Services, recognizing the risk to our most
12 vulnerable communities. Moreover, the legislature recognizes
13 that the physician shortage will worsen unless mitigating steps
14 are taken immediately.

15 The legislature further finds that the general excise tax
16 and related county surcharges are levied on Hawaii businesses on
17 the sale of goods and services. The general excise tax applies



1 to medical services provided by group and private practice
2 physicians, making Hawaii the only state taxing medical services
3 in this way. The general excise tax and related county
4 surcharges are applied to the gross receipts of Hawaii medical
5 practices without regard to the high costs of providing medical
6 services in a high-cost state. Community physicians are often
7 operating small businesses with narrow profit margins, and
8 medicare, medicaid, and private insurer payments for medical
9 services are well below national levels. The general excise tax
10 and related county surcharges make medical practices unviable,
11 resulting in practice closures and challenges in recruiting and
12 retaining new or younger physicians.

13 The legislature also finds that the general excise tax and
14 related county surcharges are highly regressive forms of
15 taxation and disproportionately and adversely affect low-income
16 and middle-class families struggling to cope with the State's
17 high cost of living. Currently, physicians who receive
18 medicare, medicaid, and tricare payments are subject to the
19 general excise tax, although they may recoup this cost from
20 patients as a way to recover the expense. Although most



1 physicians do not currently pass along this cost to patients,
2 this practice may soon have to change.

3 The legislature additionally finds that while hospitals and
4 their employed physicians are exempt from the general excise tax
5 and related county surcharges, many Hawaii hospitals continue to
6 operate at a loss. If the general excise tax were imposed on
7 hospitals, it would result in nearly all hospitals having
8 negative margins, essentially taxing the institutions out of
9 business and significantly impairing patient access to health
10 care. Therefore, in order to safeguard patient access to care,
11 medical services performed within group and private practice
12 should be exempt from the general excise tax and related county
13 surcharges.

14 The purpose of this Act is to help reduce the impact of the
15 general excise tax on the shortage of physicians and advanced
16 practice registered nurses by exempting all gross proceeds from
17 medical services provided by physicians and advanced practice
18 registered nurses acting in the capacity of a primary care
19 provider from the general excise tax.



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

4 "§237- Exemption for medical services; physicians;
5 advanced practice registered nurses. (a) There shall be
6 exempted from, and excluded from the measure of, the taxes
7 imposed by this chapter all of the gross proceeds arising from
8 medical services provided by physicians and advanced practice
9 registered nurses acting in the capacity of a primary care
10 provider.

11 (b) For the purposes of this section, "medical services"
12 includes those services provided within hospitals, medical
13 clinics, and private medical practices that are performed by
14 health care practitioners who are licensed to render services
15 under chapter 453 or chapter 457."

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act shall take effect on January 1, 2024.

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H.B. NO. 240

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INTRODUCED BY:

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JAN 19 2023



H.B. NO. 240

Report Title:

General Excise Tax; Exemption; Medical Services; Physicians;
Advanced Practice Registered Nurses

Description:

Exempts gross proceeds from medical services provided by
physicians and advanced practice registered nurses acting in the
capacity of a primary care provider from the general excise tax.
Effective 1/1/2024.

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