

JAN 20 2023

A BILL FOR AN ACT

RELATING TO THE RETENTION OF HEALTH CARE PROVIDERS.

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

1 SECTION 1. The legislature finds that the State is
2 suffering from a shortage of physicians and other health care
3 professionals. A recent Hawai'i Physician Workforce Assessment
4 Report found that there is a current deficit of "at least seven
5 hundred and fifty full-time providers, with primary care
6 specialties being the greatest need". The legislature
7 recognizes that the shortage is felt disproportionately on the
8 neighbor islands, with the federal government designating
9 Hawai'i, Maui and Kaua'i counties as health professional shortage
10 areas.

11 The legislature further finds that the State's existing tax
12 policy contributes to the State's physician shortage. The
13 State's general excise tax and related county surcharges are
14 levied on businesses that engage in the sale of goods and
15 services, which disproportionately and adversely affects low-
16 income and middle-class families already struggling to cope with
17 the State's high cost of living. The State's general excise tax



1 currently also applies to the sale of many medical services in
2 the State.

3 The legislature additionally finds that the State currently
4 exempts a number of services from the general excise tax,
5 including services relating to aircraft maintenance and leasing,
6 convention expenses, petroleum refining, and orchards. The
7 legislature notes that State hospitals and nonprofits are
8 currently exempted from the general excise tax but group and
9 private practice physicians are not, which contributes to an
10 unviable business environment for smaller practices with narrow
11 profit margins. As such, many group and private practice
12 physicians face closures of their businesses, as well as
13 challenges recruiting and retaining new or younger physicians.

14 According to a 2020 Grassroot Institute of Hawaii report
15 titled *How the State GET Affects Healthcare Costs in Hawaii*, "an
16 exemption from just the basic four per cent [general excise tax]
17 would equate to about \$5,275 (in savings) per each of the for-
18 profit sector's approximately thirty-eight thousand full-time
19 workers. That is equivalent to 6.7 per cent of the average
20 medical service worker's wage and 5.8 per cent of current state
21 [general excise tax] collections." As such, the legislature



1 finds that a general excise tax exemption for health care
2 providers practicing in the State could attract enough providers
3 and staff to generate sufficient economic activity to offset any
4 loss in general excise tax collections.

5 Accordingly, the purpose of this Act is to provide a
6 general excise tax exemption for medical services performed by
7 health care providers to recruit and retain a qualified medical
8 workforce in the State.

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

12 "§237- Exemption for medical services performed by
13 health care providers. (a) Beginning January 1, 2024, there
14 shall be exempted from, and excluded from the measure of, the
15 taxes imposed by this chapter all of the gross proceeds arising
16 from the sale of medical services performed by health care
17 providers.

18 (b) As used in this section:

19 (1) "Health care provider" means an individual licensed,
20 certified, or otherwise authorized or permitted by the
21 law of this state to administer health care in the



1 ordinary course of business or practice of a
2 profession; and
3 (2) "Medical services" means professional services
4 provided by health care providers and includes
5 services provided within hospitals, medical clinics,
6 and private medical practices."

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval.

9

INTRODUCED BY: 



S.B. NO. 761

Report Title:

General Excise Tax; Exemption; Medical Services; Health Care Providers

Description:

Beginning July 1, 2024, provides a general excise tax exemption for medical services performed by health care providers.

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