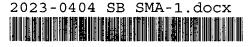
JAN 20 2023

### 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

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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	SECT	ON 3. New statutory material is underscored.
8	SECT	ON 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.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.