STAND. COM. REP. NO. **5(0** -24

Honolulu, Hawaii

FEB 1.6 , 2024

RE: H.B. No. 1675

H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Health & Homelessness, to which was referred H.B. No. 1675 entitled:

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

begs leave to report as follows:

The purpose of this measure is to exempt medical services provided by a licensed physician or an advanced practice registered nurse acting in the capacity of primary care providers from the general excise tax.

Your Committee received testimony in support of this measure from the State Health Planning and Development Agency; University of Hawai'i at Mānoa John A. Burns School of Medicine; Disability and Communication Access Board; Hawaii Medical Association; American College of Obstetricians and Gynecologists - Hawai'i Section; Philippine Medical Association of Hawai'i; Maui Orthopedic Institute; Hawaii Provider Shortage Crisis Task Force; Hawaii Institute for Pain; Orchid Isle Wellness Center, LLC; Grassroot Institute of Hawaii; Dr. Smith Family Medicine; Hawai'i Association of Professional Nurses; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; Indivisible Hawaii Healthcare Team; and Save Medicaid Hawaii.

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Your Committee finds that Hawaii is facing a severe physician shortage. Your Committee further finds that Hawaii is one of only two states to impose a general excise tax on the sale of medical services provided by individual private practice or group private practice physicians. The general excise tax does not currently apply to hospitals or to physicians and other health care professionals employed by hospitals, health maintenance organizations, and other larger health care systems, while the same services rendered by individual or group practices or clinics are fully taxable. This inconsistency in the economic impact to health care providers has led to the closure of medical practices and increased challenges in recruiting and retaining new or younger physicians to practice in Hawaii. This measure is intended to mitigate some of these challenges by eliminating the disparity in compensation and ease the financial burden for primary care providers engaged in private practice.

Your Committee has amended this measure by:

- (1) Beginning the exemption from the general excise tax on January 1, 2026, rather than January 1, 2025;
- (2) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the concern raised by the Department of Taxation in testimony that because there is no definition for "primary care provider" in this measure, there may be ambiguity about the types of medical specialties and nature of services that would qualify for the exemption. Your Committee therefore respectfully requests the Hawaii Medical Association to provide a definition of "primary care provider" to your Committee on Finance, should it choose to deliberate on this measure.

As affirmed by the record of votes of the members of your Committee on Health & Homelessness that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1675, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1675, H.D. 1, and be referred to your Committee on Finance.

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Respectfully submitted on behalf of the members of the Committee on Health & Homelessness,

DELLA AU BELATTI, Chair

Record of Votes of the Committee on Health & Homelessness

Bill/Resolution No.: HB1675	Committee Referral: HLT, FIN			Date: 2/14/24		
The committee is reconsidering its previous decision on the measure.						
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)						
HLT Members		Ayes	Ayes (WF	R) Nays	Excused	
1. BELATTI, Della Au (C)					
2. TAKENOUCHI, Jenn	a (VC)				1 (5) Taux (1)	
3. AMATO, Terez						
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4. ILAGAN, Greggor			124 124 124 124 124 124 124 124 124 124		186. <u>- 1</u> 8 1711), 182.	
5. KOBAYASHI, Bertran	nd					
			14,786 (1.1) 1631-25 (1.1)			
6. MARTEN, Lisa		The Street		in the state of th	Maria Residente	
7. NISHIMOTO, Scott Y			(i) 1387 4 5.			
8. GARCIA, Diamond			inggigle (All. 12			
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TOTAL (8	8)	8				
The recommendation is:						
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)						
Vice Chair's or designee's signature:						
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO						