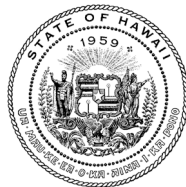


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 389, Relating to the General Excise Tax.

BEFORE THE:

Senate Committee on Health and Human Services

DATE: Wednesday, January 28, 2026

TIME: 1:30 p.m.

LOCATION: State Capitol, Room 225

Chair San Buenaventura, Vice-Chair McKelvey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. No. 389 for your consideration.

S.B. No. 389 amends Section 237-24.3(12), Hawaii Revised Statutes (HRS), to expand the General Excise Tax (GET) exemption for amounts received by a "hospital, infirmary, medical clinic, health care facility, or pharmacy, or a medical or dental practitioner" for healthcare-related goods or services purchased under the Medicare, Medicaid, or TRICARE programs.

The bill expands the definition of "medical or dental practitioner" to additionally include the following providers to qualify for the exemption:

- (1) an optometrist licensed pursuant to chapter 459;
- (2) an audiologist licensed pursuant to chapter 468E; and
- (3) a chiropractor licensed pursuant to chapter 442.

The bill is effective upon approval.

DOTAX recommends that the effective date of the bill be amended to January 1, 2027, to provide sufficient time for form instruction changes and notice to taxpayers.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Expand Medical Services Exemption to Optometrists, Audiologists, and Chiropractors

BILL NUMBER: SB 389

INTRODUCED BY: MCKELVEY, CHANG, FEVELLA, HASHIMOTO, KANUHA, RHOADS, SAN BUENAVENTURA, Moriwaki

EXECUTIVE SUMMARY: Expands the general excise tax exemption established by Act 47, Session Laws of Hawai‘i 2024, to include amounts received by optometrists, audiologists, and chiropractors, for healthcare-related goods or services purchased under the Medicare, Medicaid, and TRICARE programs.

SYNOPSIS: Amends Act 47, SLH 2024, to amend the general excise tax exemption for medical services purchased under the Medicare, Medicaid, or TRICARE programs.

Changes the definition of "medical or dental practitioner" to be a physician or osteopathic physician licensed pursuant to chapter 453; a dentist licensed under chapter 448; an advanced practice registered nurse licensed pursuant to chapter 457; a pharmacist licensed pursuant to chapter 461; an optometrist licensed pursuant to chapter 459; an audiologist licensed pursuant to chapter 468E; or a chiropractor licensed pursuant to chapter 442.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The drafting of this bill is unusual. To enhance transparency into what is actually being changed, we recommend that the bill be redrafted to amend the HRS effective January 1, 2026, instead of the 2024 session law. This would also eliminate questions about when the changes in the bill are to take effect.

The exemption for medical services enacted in 2024 was driven, in part, because medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the GE tax, whereas the same services rendered by individual or group practices or clinics are fully taxable. Insurance providers and Medicare do not compensate for the tax differential, leading some health care providers to bear additional economic costs.

The well-documented physician shortage in Hawaii was another driver of this legislation.

The apparent rationale for expanding the exemption in this fashion is that audiologists, optometrists, and chiropractors provide health care just as doctors, dentists, and nurses do. The exemption may help bring down health care costs in general, which may be a desirable policy goal.

One issue that may be debated is whether those practitioners face the same competition from nonprofit hospitals, infirmaries, or sanatoria. Dentists do not appear to face such competition and

they are exempted, and the audiologists, optometrists, and chiropractors appear to be similarly situated.

Another issue to be considered is whether the health practitioner shortage in Hawaii encompasses the professions sought to be included in this bill. The Foundation does not have information on this issue but hopes that it can help frame the debate.

Digested: 1/24/2026

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF DEFENSE
KA 'OIHANA PILI KAUA
OFFICE OF THE ADJUTANT GENERAL
3949 DIAMOND HEAD ROAD
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STEPHEN F. LOGAN
MAJOR GENERAL
ADJUTANT GENERAL
KA 'AKUKANA KENELALA

PHILLIP L. MALLORY III
BRIGADIER GENERAL
DEPUTY ADJUTANT GENERAL
KA HOPE 'AKUKANA KENELALA

TESTIMONY ON SENATE BILL 389
RELATING TO THE GENERAL EXCISE TAX
BEFORE THE SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

BY

BRIGADIER GENERAL WALTER R. ROSS, JR.
DIRECTOR
JOINT STAFF, HAWAII NATIONAL GUARD

January 27, 2026

Aloha Chair San Buenaventura, Vice-Chair Keohokalole, and Members of the Committee:

I am Brigadier General Walter Ross, Director of the Joint Staff, Hawaii National Guard, State of Hawaii, Department of Defense.

I am presenting this testimony in **SUPPORT** of SB389.

Passing this bill is essential for significantly improving healthcare access for our Hawaii National Guard (HING) servicemembers and their families. This proposed legislation seeks to build on the general excise tax exemption established by Act 47, Session Laws of Hawai'i 2024, by including payments made to optometrists, audiologists, and chiropractors for healthcare-related goods or services covered by TRICARE programs.

HING members are enrolled in TRICARE and depend on these licensed healthcare providers for vital services. By broadening the tax exemption to include these additional professionals, SB389 will ease financial stress and ensure better access to essential healthcare services. Supporting this bill will promote affordable care and enhance patient outcomes for those who dedicate themselves to serving our communities.

For these reasons, I humbly ask for your support with this measure.

Respectfully submitted,

Brigadier General Walter R. Ross, Jr.
walter.r.ross2.mil@army.mil
808-844-6087

Testimony in support of SB 389

Dear Chair Buenaventura and Vice Chair McKelvey

On behalf of the members of the Hawaii Optometric Association and all optometrists in Hawaii, we are submitting testimony in support of SB 389 which expands the general excise tax exemption established in Act 47, Session Laws of Hawaii 2024, to include amounts received by optometrists, audiologists, and chiropractors, for healthcare-related goods or services purchased under the Medicare, Medicaid, and TRICARE programs. SB 389 inclusion of these healthcare entities will put them on par with all other healthcare related services in Act 47.

Charlotte Nekota

Executive Director

Hawaii Optometric Association

SB-389

Submitted on: 1/27/2026 10:11:44 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Austin "Shiloh" Martin	Testifying for Libertarian Party of Hawaii	Oppose	Remotely Via Zoom

Comments:

Aloha Chair Aquino, Vice Chair Shimabukuro, and committee members.

I am Austin Martin, Chair of the Libertarian Party of Hawaii, testifying in opposition to SB 389 (Expanding GET Exemption for Certain Healthcare Providers).

SB 389 extends general excise tax exemptions to optometrists, audiologists, chiropractors, and similar designated providers, establishing preferential tax treatment for these professions while denying the same relief to physicians, nurses, and other healthcare workers. This arbitrary classification rewards organized lobbying rather than marketplace merit and shifts the tax burden onto non-exempt providers and consumers.

The result is higher costs for services outside the favored categories and further complexity in an already burdensome tax system. I am pleased to see openness toward the non-allopathic healthcare industry, and recommend deregulation as a better tool for growth than tax carve-outs. I recommend defeating this measure and prioritizing broad-based GET reduction or elimination that treats all professions and taxpayers equally.

Mahalo for your kokua to this matter.

Jan. 28, 2026, 1:30 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Health and Human Services
Sen. Joy A. San Buenaventura, Chair
Sen. Angus L.K. McKelvey, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN SUPPORT OF SB389 — RELATING TO GENERAL EXCISE TAX

Aloha Chair, Vice-Chair and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [SB389](#), which would expand the general excise tax exemption established by Act 47 to include amounts received by optometrists, audiologists and chiropractors for healthcare-related goods and services purchased through Medicaid, Medicare, and TRICARE.

Expanding the GET exemption for medical services would help make healthcare more affordable while addressing the state's physician shortage and shortages in medical staff.

Hawaii's physician shortage stands at 833, up from 768 in 2024. Rural areas have significant shortages of both specialists and primary care physicians, and Hawaii Island and Maui have the highest shortages as a percent of the workforce, at 40% and 41% respectively.¹

[Act 47](#) created a limited GET exemption for medical services payments provided under Medicare, Medicaid and TRICARE to address the tax burden on providers, but was limited in its application. The Legislature should

¹ "[Annual Report on Findings from the Hawai'i Physician Workforce Assessment Project](#)," University of Hawai'i, December 2025, p. 6.

take this opportunity to broaden that exemption, and its long-term goal should be to extend GET relief to all healthcare providers, which would end Hawaii's status as the only state that taxes medical care.²

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² Keli'i Akina, "[Let's end embarrassing tax on medical services](#)," Grassroot Institute of Hawaii, April 20, 2024.



To: The Honorable Joy A. San Buenaventura, Chair
The Honorable Angus McKelvey, Vice Chair
Senate Committee on Health and Human Services

From: Paula Arcena, External Affairs Vice President
Mike Nguyen, Director of Public Policy
Maria Rallojay, Public Policy Specialist

Hearing: Wednesday, January 28, 2026, 1:30 PM, Conference Room 225

RE: **SB389 Relating to the General Excise Tax**

AlohaCare appreciates the opportunity to provide testimony in **support** of **SB389**. This measure expands the GET exemption established by Act 47 of 2024 to include amounts received by optometrists, audiologists, and chiropractors for healthcare-related goods or services purchased under the Medicare, Medicaid, and TRICARE programs.

Founded in 1994 by Hawai'i's Community Health Centers and the Queen Emma Clinics, AlohaCare is a community-rooted, non-profit health plan serving over 66,000 Medicaid and Medicaid-Medicare dual-eligible residents on all islands. Approximately 37 percent of our members are keiki. We are Hawai'i's only health plan exclusively dedicated to serving Medicaid-eligible beneficiaries. Our mission is to serve individuals and communities in the true spirit of aloha by ensuring and advocating for equitable access to quality, whole-person care for all.

AlohaCare is committed to improving access to care and strengthening the Medicaid program. Optometrists, audiologists, and chiropractors play a part in early detection, prevention, and treatment of health issues. These providers are partners in delivering whole-person care. Expanding the GET exemption to these providers supports a stable delivery system by promoting provider sustainability within the Medicaid program and reduces unnecessary administrative and financial burden on our safety-net providers.

While not focused solely on Medicaid, SB389 is an innovative proposal to recognize and reward current and future healthcare professionals, strengthen the state's healthcare workforce, and improve access to care for all residents.

Mahalo for this opportunity to testify in **support** of **SB389**.

SB-389

Submitted on: 1/27/2026 12:05:36 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Doris Segal Matsunaga	Testifying for Indivisible Hawaii	Support	Written Testimony Only

Comments:

There is a shortage of health providers of all kinds, esp on Neighbor Islands.

Indivisible Hawai‘i strongly supports this bill

LATE

Date: January 27, 2026

To: Senate Committee on Health and Human Services
For Hearing on Wed, Jan 28, 2026 at 1:30 pm

Fr: Doris Matsunaga, North Hawaii Action Network, a chapter of Indivisible Hawaii
Re: SB 389

Senator Joy A. San Buenaventura, Chair. Senator Angus L.K. McKelvey, Vice Chair, and Members of the Committee

North Hawaii Action Network, a chapter of Indivisible Hawaii, supports SB 389 which seeks to expand the general excise tax exemption established by Act 47, Session Laws of Hawaii 2024, to include amounts received by optometrists, audiologists, and chiropractors, for healthcare-related goods or services purchased under the Medicare, Medicaid, and TRICARE programs.

As a resident of Waimea on Hawaii Island, I know well that Hawaii has a chronic shortage of healthcare providers, esp. on the Neighbor Islands. It is very expensive to run a healthcare practice in our state, and one way to help lower the cost of health care in Hawaii is to exempt medical providers from paying the state General Excise Tax on any fees they receive.

To address Hawaii's shortage of healthcare providers, especially on Neighbor Islands, in 2024 the State Legislature passed a law exempting physicians, dentists and some medical clinics from state general excise tax (GET). This bill extends this benefit to optometrists, audiologists, and chiropractors, all necessary providers in short supply in Hawaii, especially on Neighbor Islands.

Mahalo.

SB-389

Submitted on: 1/27/2026 9:17:52 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Kaili Swan	Individual	Support	Remotely Via Zoom

Comments:

I am in strong support of this bill beacuse i go to kapiolani medical center for women and children medical center in town to see my eye doctor i can i use medicaid to help pay for the cost for visit and halp pay for the eye surgery if needed please pass this bill thank you.

LATE

SB-389

Submitted on: 1/27/2026 2:29:36 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Nancy D Moser	Individual	Support	Written Testimony Only

Comments:

I support SB389.

LATE

SB-389

Submitted on: 1/27/2026 3:16:51 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Judith White	Individual	Support	Written Testimony Only

Comments:

Health professionals should be exempt from collecting and paying this tax. Hopefully it can be extended to psychologists as well.

LATE

SB-389

Submitted on: 1/27/2026 4:31:51 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Tim Huycke	Individual	Support	Written Testimony Only

Comments:

I support SB389.

LATE

SB-389

Submitted on: 1/27/2026 5:02:40 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Roger Hamada	Individual	Support	Written Testimony Only

Comments:

I am testifying in SUPPORT of SB 389.

I am a retired lifelong resident of Hawaii. My health insurance is a Medicare Advantage plan. I utilize the services of optometrists and audiologists, as, I bet, do a number of my contemporaries.

As a retired older person on a fixed income, I have to watch my finances to make sure I can make ends meet. While I absolutely appreciate the GET exemption afforded me by Act 47, I do not understand why this was not extended to services received from "allied health professionals" who are licensed and subject to monitoring by the Professional & Vocational Licensing Division of DCCA.

In light of the fact that Hawaii is the ONLY state which directly taxes consumers of healthcare services, and, in light of legislators' claims of concern for the cost of living in our state, I would think that those legislators would see the value in SB 389 for giving us elders a little help.

Thank you for this opportunity to express my views.

LATE

SB-389

Submitted on: 1/27/2026 6:31:50 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Margaret N Sipple	Individual	Support	Written Testimony Only

Comments:

I believe that healthcare is incredibly expensive without an excise tax. As POA for a friend with dementia, I was shocked to find out that everyone must add this excise tax without limits on all healthcare bills including paying monthly for a \$12,000 Care Home for his total care. There are other ways to raise money rather than from the sick and disabled. It's time for the wealthy to pay their fair share. Those who can buy a luxury condo or a second home need to help those who need it. I've always felt that GETs are unfair, but this one takes the cake- so to speak. I'm not sure whether the city, county or state benefits from property taxes, but I think the fact that Hawaii has the highest tax rate in the country, but the lowest property taxes reveals priorities that benefit the wealthy.

LATE

SB-389

Submitted on: 1/27/2026 10:26:00 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Kevin Hughes	Individual	Support	Written Testimony Only

Comments:

Maintaining good hearing, eye sight and physical condition are critical in leading a healthy life and contributing to society longer. Please support this measure so we may provide at least some financial relief to those most in need of optometrists, audiologists, and chiropractor by eliminating GET for payments to certain healthcare providers under Medicare/Medicaid/Tricare.

by eliminating GET

LATE

SB-389

Submitted on: 1/28/2026 12:02:25 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Marcella Alohalani Boido	Individual	Support	Written Testimony Only

Comments:

Support. Thank you.

LATE

SB-389

Submitted on: 1/28/2026 12:23:44 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Tammy M DeBernardi	Individual	Support	Written Testimony Only

Comments:

Hawaii has a chronic shortage of healthcare providers, esp on the Neighbor Islands. It is very expensive to run a healthcare practice in our state, and one way to help lower the cost of health care in Hawaii is to exempt medical providers from paying the state General Excise Tax on any fees they receive.

To address Hawaii's shortage of healthcare providers, especially on Neighbor Islands, in 2024 the State Legislature passed a law exempting physicians, dentists and some medical clinics from state general excise tax (GET). This bill extends this benefit to optometrists, audiologists, and chiropractors, all necessary providers in short supply in Hawaii, esp on Neighbor Islands.

Tammy DeBernardi, Ka'u

LATE

SB-389

Submitted on: 1/28/2026 4:01:00 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Younghee Overly	Individual	Support	Written Testimony Only

Comments:

Mahalo for hearing this measure.

LATE

SB-389

Submitted on: 1/28/2026 9:31:10 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Martina Wing	Individual	Support	Written Testimony Only

Comments:

Dear Members of the Committee,

I support SB 389 which seeks to expand the general excise tax exemption established by Act 47, Session Laws of Hawaii 2024, to include amounts received by optometrists, audiologists, and chiropractors, for healthcare-related goods or services purchased under the Medicare, Medicaid, and TRICARE programs.

Hawaii has a chronic shortage of healthcare providers, esp on the Neighbor Islands where I live. It is very expensive to run a healthcare practice in our state, and one way to help lower the cost of health care in Hawaii is to exempt medical providers from paying the state General Excise Tax on any fees they receive.

To address Hawaii's shortage of healthcare providers, especially on Neighbor Islands, in 2024 the State Legislature passed a law exempting physicians, dentists and some medical clinics from state general excise tax (GET). This bill extends this benefit to optometrists, audiologists, and chiropractors, all necessary providers in short supply.

Sincerley,
Martina Wing
Resident of Kailua-Kona
Big Island

LATE

SB-389

Submitted on: 1/28/2026 10:52:57 AM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Anne Leake	Individual	Support	Written Testimony Only

Comments:

Excise tax on medical providers is regressive and affects low income citizens harder than than thos who are high income. Please eliminate this tax. Mahalo.

LATE

SB-389

Submitted on: 1/28/2026 12:03:32 PM

Testimony for HHS on 1/28/2026 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Martha Nakajima	Individual	Support	Written Testimony Only

Comments:

I support this bill. Thank you. Martha Nakajima, Honolulu, member of Indivisible