Testimony Presented Before the
House Committee on Economic Development & Technology
Wednesday, February 5, 2025 at 10:00 a.m.
By
T. Samuel Shomaker, Dean and
Kelley Withy, MD, Professor, Department of Family Medicine and Community Health,
Hawaiʻi/Pacific Basin Area Health Education Center (AHEC) Director
John A. Burns School of Medicine
And
Michael Bruno, Provost
University of Hawaiʻi at Mānoa

HB 572 – RELATING TO GENERAL EXCISE TAX

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

Thank you for the opportunity to provide testimony in SUPPORT of Section 3 of HB 572 which exempts all medical and dental services from the general excise tax.

Hawaiʻi faces a shortage of almost 800 physicians. Increasing costs and reduced reimbursements have negatively impacted primary care providers, and many providers are struggling to keep their practices open especially on the neighbor islands. Through the surveys of physicians conducted by the John A. Burns School of Medicine (JABSOM) at the Hawaiʻi Health Workforce Summit as to what could be done to recruit and retain more physicians, the fourth most popular answer from the 274 respondents to the survey was eliminating the GET on medical services.

Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the general excise tax, while the same services rendered by individual or group practices or clinics are fully taxable. Presently, government programs such as Medicare, Medicaid, and TRICARE do not compensate for the difference created by the general excise tax, leading to some inconsistency in the economic impact to health care providers. Should the provider try to pass on the tax to the patient, they may be subject to criminal penalties. This measure would be beneficial in eliminating the disparity in compensation as well as easing the financial burden for privately practicing providers. This in turn may encourage more physicians to practice and remain in Hawaiʻi.

Thank you for the opportunity to provide testimony on this bill.