

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 11  
S.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 11, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO EXCISE TAX ON HEALTH CARE,"

begs leave to report as follows:

The purpose of this measure is to exempt physician services, hospital charges, nursing services, and rehabilitation services from the county surcharge on state tax.

Testimony in support of this measure was received from the Healthcare Association of Hawaii, Hawaii Society of Clinical Oncology, three physicians, and one individual. The Department of Taxation (Department) and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that rising health care costs are a critical issue for Hawaii residents, particularly since medical costs may literally be a matter of life and death, and certainly a quality of life issue.

Your Committee has received a revenue impact statement from the Department that, should the proposal take effect on July 1, 2007, the annual general fund non-tax revenue loss is estimated at \$900,000 for fiscal year 2008 and after.

In its methodology, the Department stated that in 2002, business receipts from health and care services amounted to about



\$2,000,000,000. By applying the inflation rate, business receipts are estimated to be \$2,500,000,000 in fiscal year 2008. The Department further estimated the business receipts generated on Oahu to be \$1,700,000,000, or seventy per cent of the total business receipts. By applying the 0.5% county surcharge rate, the total collection for county surcharge is about \$9,000,000. The State receives ten per cent of the county surcharge collection, or \$900,000. The net county surcharge collection is \$8,100,000.

Your Committee believes any measure that makes healthcare more affordable deserves continuing discussion. In addition, it is the intent of your Committee to narrow the focus of this tax exemption.

Your Committee has amended this measure accordingly, by:

- (1) Deleting nursing home and nursing facility services; and
- (2) Changing the effective date to July 1, 2007, and repealing the tax exemption June 30, 2009.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 11, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 11, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:*	Committee Referral:	Date:
<i>SB 11 SDI</i>	<i>HTH/IGM, EDT, WAM</i>	<i>2/13/07</i>

The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>

Recommendation:    
 Adopted    
 Not Adopted

Chair's or Designee's Signature: *Will Espero*

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