



TAX FACTS 98-1

General Excise Tax on Medical and Dental Services

This Tax Facts provides information about how the general excise tax (GET) applies to medical and dental services. The GET is a privilege tax imposed on business activity in the State of Hawaii. The tax is imposed on the gross income received by the person engaging in the business activity. Gross income from medical and dental services is subject to GET at the rate of 4% (plus the county surcharge if applicable). Although the GET is imposed on the provider, most providers visibly pass on the GET to their patients.

The following answers common questions asked by patients about the GET on medical and dental charges.

1 Can my doctor and dentist charge me GET?

Yes. The GET is an expense that doctors and dentists (providers) incur by doing business in Hawaii. They may charge you GET as a way to recover their expense. Although it is a common business practice for providers to visibly pass on the GET to their patients, it is not required by the GET Law. The visible pass on of the GET is a matter of contract between you and your provider. If your provider chooses to visibly pass on the GET to you, the provider must show the exact dollar amount or percentage of the tax. Under consumer protection laws, the amount that is visibly passed on and represented to be the GET cannot exceed the actual tax due on the transaction.

2 What is the maximum GET rate that my provider can charge me?

The maximum GET rate that your provider may visibly pass on to you is 4.166% (4.712% if subject to the county surcharge). This takes into account the fact that the provider's gross income includes any GET visibly passed on. For more information, see Tax Facts 37-1, "General Excise Tax (GET)," and Tax Announcement No. 2006-15, "General Excise Tax (GET) and County Surcharge Tax (CST) Visibly Passed on to Customers."

3 What is the county surcharge?

Certain counties have adopted ordinances establishing a county surcharge at the rate of 0.5%. Transactions attributable to counties with a surcharge are subject to the state GET or use tax rate of 4% and 0.5% county surcharge for a total rate of 4.5%. The county surcharge does not apply to activities taxed at the 0.5% rate (for example, wholesaling) or the 0.15% rate for insurance commissions.

4 Can my provider charge me GET for services that were paid for by my insurance company?

Yes. If your insurance plan does not cover the payment of the GET and does not limit the GET from being passed on to you, then your provider may visibly pass on GET to you. For example, your dentist charges you \$520.83 (\$500 for dental services + 4.166% GET). If your insurance plan covers all services (\$500) except for the tax and the insurance plan does not limit the GET from being passed on to you, then you are responsible for paying \$20.83 in GET.

5 If a participating provider has a contract with my insurance company, can the GET be computed on an amount greater than the eligible charge?

No. If a *medical* participating provider computes the GET on an amount greater than their gross income (for example, greater than your plan's eligible charge), the GET calculated will be more than the actual GET due on the transaction. Under consumer protection laws, GET that is visibly passed on cannot exceed the actual tax due on the transaction. However, for a *dental* participating provider, the insurance company may use both the allowed amount and the approved amount to calculate the patient's share.

6 What amount should be used to compute the GET, the claim that was filed with my insurance company or the eligible charge set by my insurance company?

If your provider is a participating provider and filed a \$150 claim with the insurance company and the insurance company reduced this amount to the eligible charge of \$110, the eligible charge is used to compute the GET.

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For more information, visit the Department of Taxation's website at tax.hawaii.gov

If your insurance plan covers the payment of the GET, then the GET should be included in the \$110 eligible charge.

If your insurance plan does not cover the payment of the GET and does not limit the GET from being passed on to you, then your provider may compute the GET on the eligible charge of \$110 and pass on the tax to you. If you do not know if your plan covers the payment of the GET, ask your insurance company.

7 If a non-participating provider does not have a contract with my insurance company, can GET be computed on the actual charge instead of the eligible charge?

Yes. Since a non-participating provider does not have a contract with your insurance company, the provider's gross income is the actual charge for services and not the eligible charge under your insurance plan. In this case, the non-participating provider may compute GET on the amount actually charged for services instead of the eligible charge.

For example, a non-participating provider charges you \$500 for services, but the eligible charge under your insurance plan is \$300. The GET is computed on the \$500 billed to you because that is the provider's gross income. Computing GET on the \$500 will not result in an amount greater than the actual tax due and will not violate any consumer protection laws.

8 If a provider does not visibly pass on the GET to its customer, does this mean there is no tax?

No. The provider is subject to GET regardless of whether it is visibly passed on or not. The tax law prohibits the business from claiming there is no tax charged if the business is subject to GET on the transaction. Businesses who violate this provision may be fined up to \$50 (section 237-49, HRS).

9 Are the amounts the physician receives from Medicare, Medicaid and/or TRICARE subject to GET?

Yes. The amounts the physician receives from Medicare, Medicaid and/or TRICARE are subject to GET.

10 My bill shows that 4.167% was added onto my bill. Is this allowed?

No. Rounding 4.166% to 4.167% is a violation of consumer protection laws because the amount that is visibly passed on cannot exceed the actual tax due.

Note: If the transaction is subject to the county surcharge, the tax rate visibly passed on cannot exceed 4.712% for Oahu, Hawaii, or Kauai.

11 Are there any exemptions from the GET that a provider can claim?

Yes. The gross income from the sale of prosthetic devices and prescription drugs (including vaccines) to an individual by a hospital, infirmary, medical clinic, health care facility, pharmacy, physician, dentist, or other practitioner licensed to administer the drug to an individual is exempt from the GET. The exempt sale must be separately stated from any administrative and service fees. A provider cannot charge you GET on an amount for which the provider is claiming a GET exemption.

12 Who can I contact for more information?

For more information on consumer protection laws, contact the Office of Consumer Protection at (808) 586-2630.

For more information on the GET, contact the Department of Taxation at (808) 587-4242 or toll-free at 1-800-222-3229.

Where to Get Forms and Information

Website: tax.hawaii.gov

Telephone: 808-587-4242

Toll-Free: 1-800-222-3229

Telephone for the hearing impaired: 808-587-1418

Toll-Free for the hearing impaired: 1-800-887-8974

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