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To: The Honorable Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair;
and Members of the Senate Committee on Commerce, Consumer Protection, and Health

From: Rona M. Suzuki, Director
Department of Taxation

Re: H.B. 1633, H.D. 1, Relating to Auditory Devices

Date: Friday, March 13, 2020

Time: 9:30 A.M.

Place: Conference Room 229, State Capitol

The Department of Taxation (Department) offers the following comments on H.B. 1633, H.D. 1.

H.B. 1633, H.D. 1, amends the general excise tax exemption for amounts received by hospitals, medical practitioners, etc., for the sale of prescription drugs and prosthetic devices to individuals under section 237-24.3(6), Hawaii Revised Statutes, by expanding it to include amounts received for the repair and replacement of prosthetic devices. This measure amends the definition of "prosthetic device" by clarifying it and specifying that it includes hearing aids. H.B. 1633, H.D. 1 has a defective effective date of July 1, 2050.

The Department is able to administer the changes proposed in this measure provided a functional effective date is inserted, but respectfully requests the measure be made effective no earlier than January 1, 2021. This will allow sufficient time to make the necessary form and computer system changes.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE, Exemption for Hearing Aids and Repair of Prosthetics

BILL NUMBER: HB 1633, HD-1

INTRODUCED BY: House Committee on Health

EXECUTIVE SUMMARY: Exempts gross receipts from the sale of auditory devices, such as hearing aids, from the general excise tax. Amends the definition of "prosthetic device" to include hearing aids and devices worn on the body. Exempts gross receipts from the repair of prosthetic devices from the general excise tax. Takes effect on 7/1/2050.

SYNOPSIS: Amends section 237-24.3(6), HRS, allow the exemption for prescription drugs and prosthetic devices to apply to (1) amounts received for the repair of and replacement parts for prosthetic devices, and (2) auditory devices, including hearing aids.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The bill is intended to exempt feminine hygiene products from GET.

Existing law, namely section 237-24.3(6), exempts sales of prescription drugs and prosthetic devices. Over-the-counter medicines and products, whether to promote ocular, auditory, or dental health, are not currently exempt.

The purpose clause of the bill states that it is intended to provide relief for individuals with disabilities and kupuna with limited incomes by exempting auditory devices, such as hearing aids, from Hawaii's general excise tax. The same rationale could be applied to glasses and dental work, so it is questionable why auditory devices are being singled out for special treatment.

In addition, the bill provides an exemption for parts and services to repair a prosthetic device. Parts of a prosthetic device could be generic, such as screws and wires. It may be difficult to put a lid on this exemption if it is enacted.

Digested 2/19/2020



DISABILITY AND COMMUNICATION ACCESS BOARD

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March 13, 2020

TESTIMONY TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

House Bill 1633, HD1 – Relating to Auditory Devices

The Disability and Communication Access Board (DCAB) supports House Bill 1633, HD1 Relating to Auditory Devices which exempts gross receipts from the sale of auditory devices, such as hearing aids, from the general excise tax. It also amends the definition of "prosthetic device" to include devices worn on the body and exempts gross receipts from the repair of prosthetic devices from the general excise tax.

This bill would reduce the cost burden associated with purchasing auditory devices, including hearing aids. Hearing is an equally important sense upon which an individual depends for communication. According to the Hearing Loss Association of America, two-thirds of Americans have hearing loss by the time they reach their 70s. Moreover, there are academic studies demonstrating how hearing loss increases the risk of cognitive problems, including dementia. Increasing the affordability of hearing aids and other auditory devices for an individual with a hearing loss is an important step toward addressing this troubling trend.

Thank you for this opportunity to testify.

Respectfully submitted,

KIRBY L. SHAW
Executive Director