



DISABILITY AND COMMUNICATION ACCESS BOARD

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February 21, 2020

TESTIMONY TO THE HOUSE COMMITTEE ON FINANCE

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.

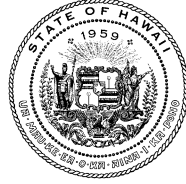
Thank you for this opportunity to testify.

Respectfully submitted,

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To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Rona M. Suzuki, Director
Department of Taxation

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

Date: Friday, February 21, 2020

Time: 11:00 A.M.

Place: Conference Room 308, 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

PETER L. FRITZ

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HOUSE OF REPRESENTATIVES
THE THIRTIETH LEGISLATURE
REGULAR SESSION OF 2020

COMMITTEE ON FINANCE

Testimony on H.B. 1633 HD 1
Hearing: February 21, 2020

RELATING TO AUDITORY DEVICES

Chair Luke, Vice Chair Kobayashi and members of the Committee, my name is Peter Fritz. I am an individual with a hearing disability and a tax attorney. I am testifying today **in support** of H.B. 1633 HD 1. Exempting auditory devices such as hearing aids will benefit Hawaii's kupuna who may have a fixed income and the disabled by making auditory devices more affordable. The effective date should be changed to apply to years beginning after December 31, 2020 to coincide with a calendar tax year.

This bill exempts the sale of auditory devices, such as hearing aids, from the general excise tax ("GET"). I paid an additional \$127.00 for the GET when I purchased my hearing aids because the seller visibly passed on the tax.

Hearing loss is now known to be the largest modifiable risk factor for developing dementia, exceeding that of smoking, high blood pressure, lack of exercise and social isolation, according to an international analysis published in The Lancet in 2017, Vol. 390, No. 10113. [http://dx.doi.org/10.1016/S0140-6736\(17\)31756-7](http://dx.doi.org/10.1016/S0140-6736(17)31756-7). The analysis indicated that preventing or treating hearing loss in midlife has the potential to diminish the incidence of dementia by 9 percent.

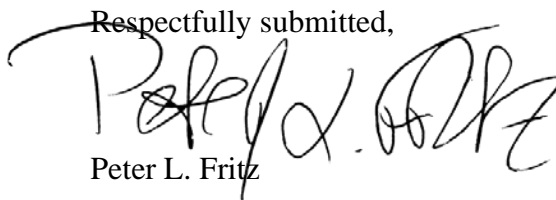
Difficulty hearing can impair brain function by keeping people socially isolated and inadequately stimulated by aural input. The harder it is for the brain to process sound, the more it has to work to understand what it hears, depleting its ability to perform other cognitive tasks. Information that is not heard impairs the brain's ability to remember it. An inadequately stimulated brain tends to atrophy.

Under normal circumstances, cognitive losses occur gradually as people age, the wisest course may well be to minimize and delay them as long as possible and in doing so, reduce the risk of dementia.

Reducing the cost of auditory devices by exempting such devices from Hawaii's GET helps to make them more affordable.

Thank you for the opportunity to testify.

Respectfully submitted,



Peter L. Fritz