

JAN 17 2020

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# A BILL FOR AN ACT

RELATING TO AUDITORY DEVICES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that, according to an  
2 article in the Journal of the American Medical Association, poor  
3 hearing is an unmistakable health hazard, which threatens mind,  
4 life, and limb. Approximately eighty-five per cent of those  
5 with hearing loss are untreated. For older adults alone,  
6 untreated hearing loss increases health care costs by forty-six  
7 per cent over a period of ten years, compared with costs  
8 incurred by those without hearing loss.

9           The legislature also finds that hearing aids are expensive.  
10 The cost of hearing aids is not covered by Medicare and not all  
11 insurance policies provide hearing aid benefits. Purchasing  
12 hearing aids may be a financial hardship for families that have  
13 a deaf or hard of hearing child who requires the frequent  
14 replacement of a hearing aid as they grow older.

15           The purpose of this Act is to provide relief for  
16 individuals with disabilities and kupuna with limited incomes by



1 exempting auditory devices, such as hearing aids, from Hawaii's  
2 general excise tax.

3 SECTION 2. Section 237-24.3, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "§237-24.3 Additional amounts not taxable. In addition to  
6 the amounts not taxable under section 237-24, this chapter shall  
7 not apply to:

8 (1) Amounts received from the loading, transportation, and  
9 unloading of agricultural commodities shipped for a  
10 producer or produce dealer on one island of this State  
11 to a person, firm, or organization on another island  
12 of this State. The terms "agricultural commodity",  
13 "producer", and "produce dealer" shall be defined in  
14 the same manner as they are defined in section 147-1;  
15 provided that agricultural commodities need not have  
16 been produced in the State;

17 (2) Amounts received by the manager, submanager, or board  
18 of directors of:

19 (A) An association of a condominium property regime  
20 established in accordance with chapter 514B or  
21 any predecessor thereto; or



- 1           (B) A nonprofit homeowners or community association  
2                   incorporated in accordance with chapter 414D or  
3                   any predecessor thereto and existing pursuant to  
4                   covenants running with the land,  
5           in reimbursement of sums paid for common expenses;
- 6       (3) Amounts received or accrued from:
- 7           (A) The loading or unloading of cargo from ships,  
8                   barges, vessels, or aircraft, whether or not the  
9                   ships, barges, vessels, or aircraft travel  
10                  between the State and other states or countries  
11                  or between the islands of the State;
- 12          (B) Tugboat services including pilotage fees  
13                  performed within the State, and the towage of  
14                  ships, barges, or vessels in and out of state  
15                  harbors, or from one pier to another; and
- 16          (C) The transportation of pilots or governmental  
17                  officials to ships, barges, or vessels offshore;  
18                  rigging gear; checking freight and similar  
19                  services; standby charges; and use of moorings  
20                  and running mooring lines;



- 1           (4) Amounts received by an employee benefit plan by way of  
2           contributions, dividends, interest, and other income;  
3           and amounts received by a nonprofit organization or  
4           office, as payments for costs and expenses incurred  
5           for the administration of an employee benefit plan;  
6           provided that this exemption shall not apply to any  
7           gross rental income or gross rental proceeds received  
8           after June 30, 1994, as income from investments in  
9           real property in this State; and provided further that  
10          gross rental income or gross rental proceeds from  
11          investments in real property received by an employee  
12          benefit plan after June 30, 1994, under written  
13          contracts executed prior to July 1, 1994, shall not be  
14          taxed until the contracts are renegotiated, renewed,  
15          or extended, or until after December 31, 1998,  
16          whichever is earlier. For the purposes of this  
17          paragraph, "employee benefit plan" means any plan as  
18          defined in title 29 United States Code section  
19          1002(3), as amended;
- 20          (5) Amounts received for purchases made with United States  
21          Department of Agriculture food coupons under the



1 federal food stamp program, and amounts received for  
2 purchases made with United States Department of  
3 Agriculture food vouchers under the Special  
4 Supplemental Foods Program for Women, Infants and  
5 Children;

- 6 (6) Amounts received by a hospital, infirmary, medical  
7 clinic, health care facility, pharmacy, or a  
8 practitioner licensed to administer the drug to an  
9 individual for selling prescription drugs or  
10 prosthetic devices to an individual[+], including  
11 amounts received for the repair of and replacement  
12 parts for prosthetic devices; provided that this  
13 paragraph shall not apply to any amounts received for  
14 services provided in selling prescription drugs or  
15 prosthetic devices. As used in this paragraph:

16 "Prescription drugs" are those drugs defined  
17 under section 328-1 and dispensed by filling or  
18 refilling a written or oral prescription by a  
19 practitioner licensed under law to administer the drug  
20 and sold by a licensed pharmacist under section 328-16  
21 or practitioners licensed to administer drugs;



1 provided that "prescription drugs" shall not include  
2 cannabis or manufactured cannabis products authorized  
3 pursuant to chapters 329 and 329D; and

4 "Prosthetic device" means any artificial device  
5 or appliance, instrument, apparatus, or contrivance,  
6 including their components, parts, accessories, and  
7 replacements thereof, ~~[used]~~ worn on or in the human  
8 body to [replace a missing or surgically removed part  
9 of the human body,] artificially replace a missing  
10 portion of the body or prevent or correct a physical  
11 deformity or malfunction, which is prescribed by a  
12 licensed practitioner of medicine, osteopathy, or  
13 podiatry and that is sold by the practitioner or that  
14 is dispensed and sold by a dealer of prosthetic  
15 devices; provided that "prosthetic device" shall not  
16 mean any ~~[auditory,]~~ ophthalmic, dental, or ocular  
17 device or appliance, instrument, apparatus, or  
18 contrivance; provided further that prosthetic devices  
19 include hearing aids;



- 1           (7) Taxes on transient accommodations imposed by chapter  
2                   237D and passed on and collected by operators holding  
3                   certificates of registration under that chapter;
- 4           (8) Amounts received as dues by an unincorporated  
5                   merchants association from its membership for  
6                   advertising media, promotional, and advertising costs  
7                   for the promotion of the association for the benefit  
8                   of its members as a whole and not for the benefit of  
9                   an individual member or group of members less than the  
10                  entire membership;
- 11          (9) Amounts received by a labor organization for real  
12                  property leased to:
- 13                  (A) A labor organization; or
- 14                  (B) A trust fund established by a labor organization  
15                          for the benefit of its members, families, and  
16                          dependents for medical or hospital care, pensions  
17                          on retirement or death of employees,  
18                          apprenticeship and training, and other membership  
19                          service programs.

20                  As used in this paragraph, "labor organization" means  
21                  a labor organization exempt from federal income tax



1 under section 501(c)(5) of the Internal Revenue Code,  
2 as amended;  
3 (10) Amounts received from foreign diplomats and consular  
4 officials who are holding cards issued or authorized  
5 by the United States Department of State granting them  
6 an exemption from state taxes; and  
7 (11) Amounts received as rent for the rental or leasing of  
8 aircraft or aircraft engines used by the lessees or  
9 renters for interstate air transportation of  
10 passengers and goods. For purposes of this paragraph,  
11 payments made pursuant to a lease shall be considered  
12 rent regardless of whether the lease is an operating  
13 lease or a financing lease. The definition of  
14 "interstate air transportation" is the same as in 49  
15 U.S.C. section 40102."

16 SECTION 3. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2020.

19  
INTRODUCED BY: *Paul N. ...*  
*Rosa E. ...*





# S.B. NO. 2245

**Report Title:**

General Excise Tax; Auditory Devices; Exemption

**Description:**

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 devices worn on the body. Exempts gross receipts from the repair of prosthetic devices from the general excise tax.

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