A BILL FOR AN ACT

RELATING TO AUDITORY DEVICES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAIʻI:

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

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

The purpose of this Act is 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.

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

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

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

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

(A) An association of a condominium property regime
established in accordance with chapter 514B or
any predecessor thereto; or
(B) A nonprofit homeowners or community association
incorporated in accordance with chapter 414D or
any predecessor thereto and existing pursuant to
covenants running with the land,
in reimbursement of sums paid for common expenses;

(3) Amounts received or accrued from:

(A) The loading or unloading of cargo from ships,
barges, vessels, or aircraft, whether or not the
ships, barges, vessels, or aircraft travel
between the State and other states or countries
or between the islands of the State;

(B) Tugboat services including pilotage fees
performed within the State, and the towage of
ships, barges, or vessels in and out of state
harbors, or from one pier to another; and

(C) The transportation of pilots or governmental
officials to ships, barges, or vessels offshore;
rigging gear; checking freight and similar
services; standby charges; and use of moorings
and running mooring lines;
(4) Amounts received by an employee benefit plan by way of contributions, dividends, interest, and other income; and amounts received by a nonprofit organization or office, as payments for costs and expenses incurred for the administration of an employee benefit plan; provided that this exemption shall not apply to any gross rental income or gross rental proceeds received after June 30, 1994, as income from investments in real property in this State; and provided further that gross rental income or gross rental proceeds from investments in real property received by an employee benefit plan after June 30, 1994, under written contracts executed prior to July 1, 1994, shall not be taxed until the contracts are renegotiated, renewed, or extended, or until after December 31, 1998, whichever is earlier. For the purposes of this paragraph, "employee benefit plan" means any plan as defined in title 29 United States Code section 1002(3), as amended;

(5) Amounts received for purchases made with United States Department of Agriculture food coupons under the
federal food stamp program, and amounts received for
purchases made with United States Department of
Agriculture food vouchers under the Special
Supplemental Foods Program for Women, Infants and
Children;

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

 "Prescription drugs" are those drugs defined
under section 328-1 and dispensed by filling or
refilling a written or oral prescription by a
practitioner licensed under law to administer the drug
and sold by a licensed pharmacist under section 328-16
or practitioners licensed to administer drugs;
provided that "prescription drugs" shall not include

cannabis or manufactured cannabis products authorized
pursuant to chapters 329 and 329D; and

"Prosthetic device" means any artificial device
or appliance, instrument, apparatus, or contrivance,
including their components, parts, accessories, and
replacements thereof, [used] worn on or in the human
body to [replace a missing or surgically removed part
of the human body,] artificially replace a missing
portion of the body or prevent or correct a physical
deformity or malfunction, which is prescribed by a
licensed practitioner of medicine, osteopathy, or
podiatry and that is sold by the practitioner or that
is dispensed and sold by a dealer of prosthetic
devices; provided that "prosthetic device" shall not
mean any [auditory,] ophthalmic, dental, or ocular
device or appliance, instrument, apparatus, or
contrivance; provided further that prosthetic devices
include hearing aids;
(7) Taxes on transient accommodations imposed by chapter 237D and passed on and collected by operators holding certificates of registration under that chapter;

(8) Amounts received as dues by an unincorporated merchants association from its membership for advertising media, promotional, and advertising costs for the promotion of the association for the benefit of its members as a whole and not for the benefit of an individual member or group of members less than the entire membership;

(9) Amounts received by a labor organization for real property leased to:

   (A) A labor organization; or

   (B) A trust fund established by a labor organization for the benefit of its members, families, and dependents for medical or hospital care, pensions on retirement or death of employees, apprenticeship and training, and other membership service programs.

As used in this paragraph, "labor organization" means a labor organization exempt from federal income tax
under section 501(c)(5) of the Internal Revenue Code, as amended;

(10) Amounts received from foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes; and

(11) Amounts received as rent for the rental or leasing of aircraft or aircraft engines used by the lessees or renters for interstate air transportation of passengers and goods. For purposes of this paragraph, payments made pursuant to a lease shall be considered rent regardless of whether the lease is an operating lease or a financing lease. The definition of "interstate air transportation" is the same as in 49 U.S.C. section 40102."

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

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