

Honolulu, Hawaii

FEB 07 2017

RE: S.B. No. 222

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 222 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to benefit individuals with disabilities and kupuna on limited income by exempting amounts received from sales of necessary medical devices and the repair of those devices from Hawaii's general excise tax by:

- (1) Providing a general excise tax exemption for amounts received from the sale of mobility enhancing equipment, durable medical equipment, prosthetic devices, prescription drugs sold pursuant to a doctor's prescription, diabetic supplies, medical oxygen, and human blood and its derivatives; and
- (2) Expanding the definition of "prosthetic devices" to include devices that are worn on the body.

Your Committee received testimony in support of this measure from Isle Interpret and two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that exempting amounts received from sales of necessary medical devices from Hawaii's general excise



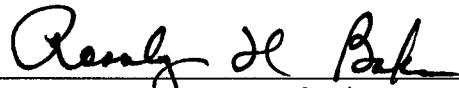
tax can benefit individuals with disabilities and the elderly who are on limited income. Expanding the scope of medical devices that qualify for the tax exemption will help individuals whose health care requires items such as a wheel chair, hearing aid, or pacemaker. Your Committee notes that the Department of Taxation has submitted testimony indicating that this expanded tax exemption can be implemented to apply to taxable years beginning after December 31, 2017, if the definition of "durable medical equipment" is modified to reflect the Medicare definition.

Accordingly, your Committee has amended this measure by:

- (1) Amending the definition of "durable medical equipment" to match the Medicare definition in title 42 Code of Federal Regulations section 414.202 and clarify that durable medical equipment includes bath and shower chairs, bed pans, and raised toilet seats, but does not include mobility enhancing equipment; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 222, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 222, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



