

HOUSE BILL REPORT

HB 1588

As Reported By House Committee On:
Finance

Title: An act relating to tax exemptions for hearing instruments.

Brief Description: Exempting hearing instruments from sales and use tax.

Sponsors: Representatives Mulliken, Dickerson, Kastama, Thompson, Boldt, Clements, Romero, Mason, Conway, Blalock, Hatfield, Scott, O'Brien, Costa, Ogden, Dunn, Kessler, Kenney and Cooper.

Brief History:

Committee Activity:

Finance: 2/11/97, 3/6/97 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Thompson.

Staff: Linda Brooks (786-7153).

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. Services subject to sales and use tax include the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

Washington law provides for some sales and use tax exemptions. Sales of hearing instruments and replacement parts are exempt. However, sales and use taxes apply to labor and service charges for repairing, cleaning, or altering a hearing instrument.

The Legislature originally exempted hearing aids from sales and use tax in 1986. Subsequent to its enactment, the Department of Revenue issued a number of publications explaining the hearing aid and other tax exemptions. At least three publications erroneously stated that hearing aid repairs were also exempt from sales

and use tax. More recent publications have corrected the error. The department, however, reports that very little, if any, tax is currently collected on hearing aid repairs.

Summary of Bill: Labor and service charges for repairing, cleaning, or altering a hearing instrument are exempted from retail sales and use taxes.

Appropriation: None.

Fiscal Note: Requested on January 31, 1997.

Effective Date: The bill takes effect on October 1, 1998.

Testimony For: Extending the sales and use tax exemptions to cover hearing aid repairs should be viewed as a technical correction to the earlier legislation. When the sales and use tax exemption on hearing aid repairs was first enacted, *Tax Topics*, published by the Department of Revenue, said that repairs were exempt from sales and use taxes. Furthermore, people with disabilities end up spending a lot of extra money on items to help them function better. Exempting hearing aid repairs from sales and use tax helps to reduce the cost of having a hearing aid.

Testimony Against: None.

Testified: Lisa Thatcher, Washington Hearing Aid Society.