

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2540
RELATING TO TAXATION**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 27, 2008

TIME: 10:00AM

ROOM: 308

This legislation provides an income and general excise tax exemption for nonprofit organizations organized under § 501(c)(12) of the Internal Revenue Code (relating to community irrigation or ditch organizations); provided the company receives 85% of its income from members for the sole purpose of meeting losses or expenses.

The Department of Taxation (Department) takes **no position** on this measure; however offers comments.

NOT FACTORED INTO EXECUTIVE BUDGET—The Department points out that this legislation has not been factored into the Executive Budget and is outside the executive priorities for tax relief this legislation session.

ELIMINATE REFERENCE TO 85% INCOME REQUIREMENT—As currently drafted, the description of the qualifying nonprofit organization that can qualify for the income and general excise tax exemptions specifically states that at least 85% of the income be from members for the purpose of covering costs and losses. The Department suggests that the proposed statutory language would read more clearly by eliminating reference to the 85% income component because this requirement is already established in the reference to IRC § 501(c)(12).

The new language could read:

Chapter 235 Provision:

(20) Section 501(c)(12), (15), and (16) (with respect to exempt organizations); except for companies that provide potable water under section 501(c)(12) [that collect at least eighty five per cent of its income from members for

~~the sole purpose of meeting losses and expenses];~~

Chapter 237 Provision:

(11) Companies that provide potable water and are exempt under section 501(c)(12), Internal Revenue Code [7 that collect at least eighty five per cent of its income from members for the sole purpose of meeting losses and expenses]."

REVENUE IMPACT—Given the lack of information on entities that could qualify under this bill, this bill will result in an indeterminate revenue loss.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, Exempt potable water

BILL NUMBER: HB 2540

INTRODUCED BY: Evans

STAFF COMMENTS: Amends HRS section 235-2.3 (b) to provide that companies that provide potable water under IRC section 501(c) (12) that collect at least 85% of their income from members for the sole purpose of meeting losses and expenses shall not be subject to state income taxation.

Amends HRS section 237-23 (a) to provide that companies that provide potable water under IRC section 501(c) (12) that collect at least 85% of their income from members for the sole purpose of meeting losses and expenses shall not be subject to the general excise tax.

EFFECTIVE DATE: Tax years beginning after December 31, 2007

STAFF COMMENTS: Under current law, IRC 501(c) (12) organizations, while exempt from federal income taxation, are taxable under the state income tax provisions.

It is unclear who this particular measure would benefit and how the operation is structured. If, in fact, a separate nonprofit has been set up to provide potable water, it is not what the federal law originally addressed in (c)(12) which applies to benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone or electric companies. Ditch and irrigation companies do not provide potable water and, therefore, it is curious to whom this proposal would apply. If, in fact, the (c)(12) company is being used to pass through income to a profit making company which in turn is covering the losses and expenses of the nonprofit, the expansion of the defined activity should be questioned.

While this measure would exempt from state income and general excise taxation an IRC 501(c)(12) organization that provides potable water, it would provide preferential tax treatment to a very select group of taxpayers. From the standpoint of equity, the adoption of this measure does not appear to be justifiable.

Digested 2/26/08



Horwath Kam & Company
An Accountancy Corporation
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Honolulu, Hawaii 96813 USA
808.524-8080 Tel
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www.horwath-hi.com

Before the Committee on Finance
Wednesday, February 27, 2008 at 10:00 AM
Conference Room 308

Support of House Bill No. 2540

Relating to Income Tax; General Excise Tax; Potable Water

VIA Email: FINtestimony@Capitol.hawaii.gov

Chair Oshiro, Vice-Chair Lee and Committee Members:

We support HB 2540 that “provides an income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c)(12) of the Internal Revenue Code and collect at least 85% of its income from members for the sole purpose of meeting losses and expenses”.

We support HB 2540 since exempting a federally recognized IRC 501(c)(12) tax exempt organization is just, equitable, good public policy, assist in relieving the social burden placed upon the State and its municipalities, and is long over looked and over due.¹ A IRC 501(c)(12) tax exempt organization is one of only a few of the 28 tax exempt organizations that the State has yet to recognize under IRC 501(c). We respectfully submit the following additional information, which we hope will be helpful to the Committee:

¹ Congress In 1916, Congress established exemption from federal income tax for mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations. 1916 Revenue Act, P.L. 64-271, sec. 11(a)(10), 39 Stat.766 (1916).

1. Purpose of IRC 501(c)(12). The purpose of a IRC 501(c)(12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under IRC 501(c)(12), a cooperative must receive 85 percent or more of its income each year from its members. The income must be collected solely to meet the cooperative's losses and expenses.²

2. General History of Cooperatives. The cooperative form of organization originated in England in the early 1800's to improve the economic lot of workers and farmers, two groups that suffered during the industrial revolution. Workers, with little bargaining power, suffered low wages. Farmers operated in an especially precarious economic environment, paying retail prices for their raw materials, but selling their output wholesale in markets that fluctuated widely and unpredictably. To gain economic power, workers and farmers organized and pooled resources to form sufficient capital to control the means of production, obtain supplies and services, or market their goods or services. The cooperative became very popular, and it spread to and throughout the United States. Congress recognized the contributions and importance of cooperatives even before ratification of the Sixteenth Amendment to the Constitution authorized the income tax. Congress provided exemption from federal excise taxes to cooperative companies, not-for profit mutual benefit associations, and agricultural, horticultural, and domestic building and loan associations. See, The War Revenue Act of 1898, Pub. L. No. 55-133, 30 Stat. 448 (1898) and Pub. L. No. 61-5 §38, 36 Stat. 11, 115 (1909).³

3. Congressional Legislative History of IRC 501(c)(12). After ratification of the Sixteenth Amendment, exemption from federal income taxes for mutual or cooperative insurance companies, ditch or irrigation companies, telephone companies and "like organizations" was first enacted in the Revenue Act of 1916, Pub. L. No. 64-271, ch. 462 § 11(a)(10), 39 Stat. 756, 767 (1916) ("1916 Statute"), reenacted in successive revenue acts, and in the 1939, 1954 and 1986 Internal Revenue Codes. Electric cooperatives, which were not specifically listed in the 1916 Statute, but were recognized by the Service as "like organizations" in I.T. 1671, C.B. II-1, 158 (1923) and Rev. Rul. 67-265, 1967-2 C.B. 205, were added to I.R.C. 501(c)(12)(C) in 1980. Before 1924, the statute limited cooperatives' income to assessments, dues, and fees from members. The Revenue Act of 1924, ch. 234, § 231(10), 43 Stat. 283 (1924), reduced the member-income requirement to 85 percent, allowing cooperatives to earn up to 15 percent of their income from nonmember sources. Congress intended to allow cooperatives to have other sources of income, such as interest on bank accounts, to pay for capital improvements, expansion, or to purchase real estate. See 65 Cong. Rec. 71287129 (1924). The 85 percent member-income test was intended to insure cooperatives continued serving members rather than placing

² Michael Seto and Cheryl Chasin. "General Survey of IRC 501 Cooperatives and Examination of Current Issues." IRS EO CPE Text, 2002.

³ Id.

their member-source income in investments, such as bonds or stocks, and becoming investment companies. See Cong. Rec. 3433 (1926).⁴

Furthermore, we recommend that the Committee revise HB 2540 to not only exempt companies that provide potable water and are exempt under section 501(c)(12) of the Internal Revenue Code and collect at least 85% of its income from members for the sole purpose of meeting losses and expenses but all organizations that are exempt under section IRC 501(c)(12).⁵

For these reasons, we strongly urge you to support the passage of HB 2540, and revise it, if possible. We appreciate this opportunity to submit our written testimony. If you or any member of the Committee has any questions, please feel free to contact us.

Respectfully submitted,
Horwath Kam & Company, An Accountancy Corporation



Howard K. Kam, Jr., CPA
Its Managing Director

February 25, 2008

⁴ Id.

⁵ In order to qualify for exemption under IRC 501(c)(12), an organization must: (a) Meet the organizational and operational requirements that apply to one of the types of organizations described in the Code, regulations derived thereof and revenue rulings, and (b) Receive 85 percent or more of its income from members for the sole purpose of meeting losses and expenses.

Napu'u Water Inc.

P.O. Box 4525
Kailua-Kona, Hawaii 96745

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Anthony B. Craven

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

Dear Representative Oshiro:

Re: Support of HB2540, Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) 12 of the IRC, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

We, the members of Napu'u Water, Inc., a Hawaii nonprofit-member corporation formed pursuant to Hawaii Revised Statutes Section 414D for the sole purpose of ensuring the availability of water to the rural communities known as *Pu'uwa'awa'a*, *Puuanahulu* and *Puu Lani Ranch* on the Island of Hawaii, and exempt under Internal Revenue Code Section 501(c) (12), urge you and the members of the House Finance Committee to support HB 2540.

HB 2540, if adopted, would exempt nonprofit organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

Internal Revenue Code Section 501(c) (12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The purpose of an Internal Revenue Code Section 501(c) (12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under the Code Section, a cooperative must receive

85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

We urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
- The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
- The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
- The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.

For these reasons, we strongly urge you to support the passage of HB 2540. We appreciate this opportunity to submit our written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact us.

Respectfully submitted,



Anthony B. Craven
President, Napu'u Water Inc.

TEL: 808-325-2314

Ernest.navinandy@gmail.com

Attached: first two pages of Articles of Incorporation

HB2540

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

STATE OF HAWAII

In the Matter of the Incorporation

-of-

NAPU'U WATER, INC.

FILED 02/04/2005 03:48 PM
Business Registration Division
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
State of Hawaii

ARTICLES OF INCORPORATION

-OF-

NAPU'U WATER, INC.

The undersigned, desiring to become incorporated as a nonprofit corporation in accordance with the laws of the State of Hawaii and to obtain the rights and benefits conferred by said laws upon nonprofit corporations, do hereby execute the following Articles of Incorporation.

**I
NAME**

The name of the Corporation shall be **Napu'u Water, Inc.**

**II
LOCATION OF THE CORPORATION**

The location of the Corporation and the street mailing address of its current principal office shall be 737 Bishop Street, Suite 3000, Honolulu, Hawaii 96813.

**III
REGISTERED AGENT AND INITIAL REGISTERED OFFICE**

The name of the Corporation's registered agent for service of process in the State of Hawaii is Blake W. Bushnell, Esq., 737 Bishop Street, Suite 3000, Honolulu, Hawaii 96813.

(1)

02/07/200520018

**IV
INCORPORATORS**

The names and addresses of the incorporators are:

- | <u>NAME</u> | <u>ADDRESS</u> |
|--|----------------|
| 1. Edward Cross, PMB 262, 65-1158 Mamalahoa Hwy., Kamuela, HI 96743 | |
| 2. Jerry King, 71-1645 Mamalahoa Hwy. #3, Kailua-Kona, HI 96740 | |
| 3. Arick Yanagihara, 1001 Bishop Street, Suite 2690, Honolulu HI 96813 | |

**V
PERIOD OF DURATION**

5.1 The duration of the Corporation shall be perpetual.

**VI
CORPORATE PURPOSES**

6.1 Purposes. This Corporation shall be a nonprofit corporation within the meaning of Chapter 414D of the Hawaii Revised Statutes. The Corporation is organized exclusively for the following purposes:

(a) To ensure the availability of water to the rural communities known as Puuanahulu, Puu Lani Ranch and Puuwaawaa ("Rural Communities")

(b) To operate exclusively as a mutual or cooperative "irrigation company" or "like organization" within the meaning of Section 501(c)(12) of the Internal Revenue Code, or corresponding provisions of any future United States Internal Revenue law, for the purpose of advancing the health, safety and welfare of people now living in and who may choose to live in the Rural Communities by providing, maintaining, upgrading and restoring as necessary water wells and water utility services. At all times eighty-five percent (85%) or more of the Corporation's income shall consist of amounts collected from the members for the sole purpose of meeting losses and expenses.

6.2 Restrictions. Notwithstanding any other provision of these Articles, the Corporation is organized and shall be operated exclusively for a purpose authorized under Section 501(c)(12) of the Internal Revenue Code and for no other purpose.

**VII
NONPROFIT AND POWERS**

7.1 Nonprofit Nature. The Corporation is nonprofit in nature and will not issue shares of stock. No dividends shall be paid and no part of the income or profit of the Corporation shall be distributed to its members, directors, or officers, except for services

02/07/200520018

FINtestimony

From: Ron Finelli [konaron46@hawaii.rr.com]
Sent: Monday, February 25, 2008 11:47 AM
To: FINtestimony
Subject: HB1823 Agenda #1 Feb 27, 2008

Testimony in favor of HB 2540

To Chair Oshiro, Vice Chair Lee, and committee members,

The Big Island of Hawaii currently has no public area where it is legal for pistol and rifle shooters to sight in their firearms or practice the skill of shooting safely. The police and other law enforcement departments are also subject to the courtesy of land owners for a place to practice or qualify with hand guns or rifles. A public shooting range in West Hawaii is long over due considering the hundreds of shooters and hunters who would make use of such a facility.

Your support for this facility would be greatly appreciated.

Thank you,

Ronald Finelli

Kona, HI

808-989-1758

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25 February 2008

Dear Representative Oshiro:

Re: Support of HB2540 , Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) 12 of the IRC, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

I, as a member of Napu'u Water Inc., a Hawaii **nonprofit-member corporation** formed pursuant to Hawaii Revised Statutes Section 414D for the sole purpose of ensuring the availability of water to the rural communities known as *Pu'uwa'awa'a*, *Puuanahulu* and *Puu Lani Ranch* on the Island of Hawaii, and exempt under Internal Revenue Code Section 501(c) (12), urge you and the members of the House Finance Committee to support HB 2540.

HB 2540, if adopted, would exempt **nonprofit** organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

Internal Revenue Code Section 501(c) (12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The purpose of an Internal Revenue Code Section 501(c) (12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under the Code Section, a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

I urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
- The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
- The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
- The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.

For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,

John S McKinney
71-1409 Puu Kamanu Ln #53
Kailua Kona, HI 96740-8334
(808) 325-0560

FINtestimony

From: Mike Armstrong [southshores@cox.net]

Sent: Monday, February 25, 2008 3:26 PM

To: FINtestimony

Subject: Bill support letter users fnl

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

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2/25/2008

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Respectfully submitted,

Mike and Jolene Armstrong
71-1678 Puu Napoo Dr.
Kailua-Kona, Hi 96740

FINtestimony

From: Wendy Light and Richard Toledo [toelight@gmail.com]
Sent: Monday, February 25, 2008 1:59 PM
To: FINtestimony
Cc: Rep. Cindy Evans
Subject: HB2540 27th February Agenda 1-A

To: Representative Marcus R. Oshiro
 Finance Committee Chair
 Hawaii State Capitol, Room 306
 415 South Beretania St.
 Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25th February 2008

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2/25/2008

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Respectfully submitted,

Richard Toledo and Wendy Light
71-1776 Puu Lani Drive, Kailua Kona, Hawaii 96740

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

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Respectfully submitted,

Oke & Patricia Aholer

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25 February 2008

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Respectfully submitted,

Shawn Sullivan-Anderson

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Kerry L. Humble

Written testimony for Finance committee, February 27th, 10am, Agenda 1, Item 1

25 February 2008

Dear Representative Oshiro:

Re: Support of HB2540, Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) 12 of the IRC, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

I, as a member of Napu'u Water Inc., a Hawaii ~~nonprofit-member corporation~~ formed pursuant to Hawaii Revised Statutes Section 414D for the sole purpose of ensuring the availability of water to the rural communities known as *Pu'uwa'awa'a*, *Puuanahulu* and *Puu Lani Ranch* on the Island of Hawaii, and exempt under Internal Revenue Code Section 501(c) (12), urge you and the members of the House Finance Committee to support HB 2540.

HB 2540, if adopted, would exempt nonprofit organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

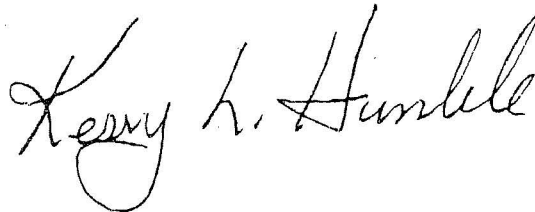
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I urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
- The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
- The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
- The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.

For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,

Handwritten signature of Kerry L. Humble in cursive script.

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

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HB 2540, if adopted, would exempt **nonprofit** organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

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Respectfully submitted,



Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Ronald E. Campbell

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25 February 2008

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Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, Item 1

25 February 2008

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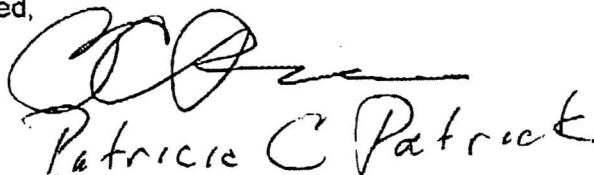
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Respectfully submitted,



Patricia C Patrick

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Sam Taguma

Written testimony for Finance committee, February 27th, 10am, Agenda 1, Item 1

25 February 2008

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Respectfully submitted,

Samuel Iaquima

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Terence M. Sheldon

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25 February 2008

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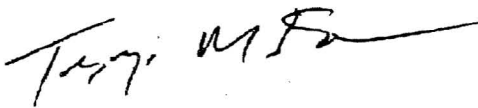
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Hawaii State Capitol, Room 306
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Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

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Respectfully submitted,



P.O. BOX 1553

KAILUA KONA

HI 96745

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

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Respectfully submitted,

Robert S. Mitchell Sr.

71-1540 B MAMALAHOA HWY
KAILUA KONA
HI 96740

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

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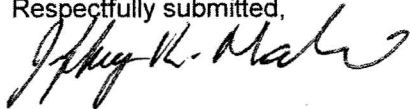
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71-1540 A MAMALAKO A HWY

KAILUA KONA

HI 96740

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

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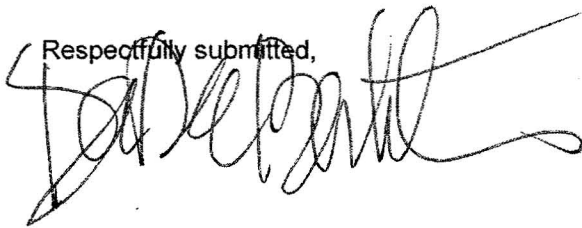
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Respectfully submitted,



P.O. Box 6736
KAMUELA HI 96743

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

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Respectfully submitted,

Henry C. Pritchell

71-1540 C MAMALAHOA HWY

KAILUA KONA

HI 96740

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

Dear Representative Oshiro:

Re: Support of HB2540, Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) 12 of the IRC, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

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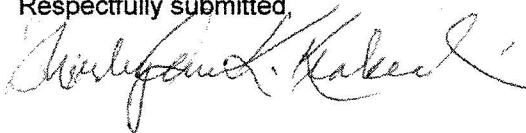
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For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,



SHIRLEYANN KEAKEALANI

71-1442 MAMALAHOA HWY
KAILUA KONA HI 96740

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jonathan R. ...". The signature is written in a cursive style with a long, sweeping underline.

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

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Thomas C. Scheetz

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Deborah Goodwin

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

25 February 2008

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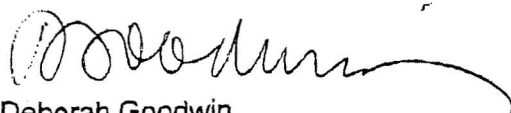
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Deborah Goodwin
71-1637 Puu Lani Drive #24
Kailua Kona, Hawaii 96740
808.325.2308

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Michael & Sheri Hamilton

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Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

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Respectfully submitted,  
James and Mary Helen Higgins
71-1644 Puu Napoo Drive #12 (lot #5)
Kailua-Kona HI 96740
Phone: 808-325-7209

FINtestimony

From: Mary Helen Higgins [bmamo@hawaiiantel.net]
Sent: Monday, February 25, 2008 1:22 PM
To: FINtestimony
Subject: Support for HB2540

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

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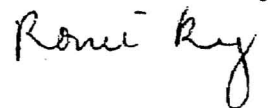
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Dan Lanterman



STACEY LANTERMAN

71-1722 PU'U KAMANU LOOP #62
KAILUA-KONA HI 96740

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Finance Committee Chair
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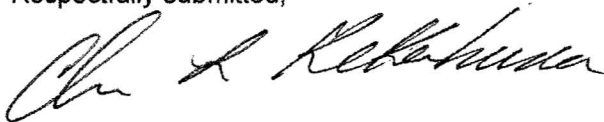
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CLAREESE KEKAHUNA

71-1442 MAMALAHOA HWY

KAILUA KONA HI 96740

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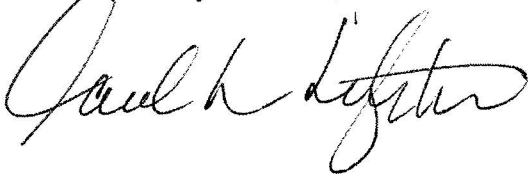
Internal Revenue Code Section 501(c) (12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The purpose of an Internal Revenue Code Section 501(c) (12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under the Code Section, a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

I urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
- The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
- The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
- The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.

For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,



P.O. Box 684
KAILUA KONA HI 96745

FINtestimony

From: Stephen and Cathleen Rickard [scrick@hawaiiantel.net]
Sent: Tuesday, February 26, 2008 7:34 AM
To: FINtestimony
Subject: In support of HB2540

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

Dear Representative Oshiro:

Re: Support of HB2540, Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) 12 of the IRC, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

I, as a member of Napu'u Water Inc., a Hawaii **nonprofit-member corporation** formed pursuant to Hawaii Revised Statutes Section 414D for the sole purpose of ensuring the availability of water to the rural communities known as *Pu'uwa'awa'a*, *Puuanahulu* and *Puu Lani Ranch* on the Island of Hawaii, and exempt under Internal Revenue Code Section 501(c) (12), urge you and the members of the House Finance Committee to support HB 2540.

HB 2540, if adopted, would exempt **nonprofit** organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

Internal Revenue Code Section 501(c) (12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The purpose of an Internal Revenue Code Section 501(c) (12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under the Code Section, a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

I urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- ← Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
 - ← Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
 - ← The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
 - ← The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
 - ← The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.
- For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,

Stephen C. Rickard
71-1688 Puu Napoo Drive, #8
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SALLY H. RICE
71-1361 HAWAII BELT RD.
KAILUA-KONA, HI 96740-8308

Representative Marcus R. Oshiro
Finance Committee Chair
Hawaii State Capitol, Room 306
415 South Beretania St.
Honolulu HI 96813

LATE

Written testimony for Finance committee, February 27th, 10am, Agenda 1, item 1

23 February 2008

Dear Representative Oshiro:

Re: Support of HB2540, Relating to income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c) (12) of the IRS, and collect at least 85% of their income from members for the sole purpose of meeting losses and expenses.

I, as a member of Napu'u Water Inc., a Hawaii **nonprofit-member corporation** formed pursuant to Hawaii Revised Statutes Section 414D for the sole purpose of ensuring the availability of water to the rural communities known as *Pu'uwa'awa'a*, *Puuanahulu* and *Puu Lani Ranch* on the Island of Hawaii, and exempt under Internal Revenue Code Section 501(c) (12), urge you and the members of the House Finance Committee to support HB 2540.

HB 2540, if adopted, would exempt **nonprofit** organizations from Hawaii income tax and general excise tax if they are exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (12).

Internal Revenue Code Section 501(c) (12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The purpose of an Internal Revenue Code Section 501(c) (12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under the Code Section, a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

I urge you and the members of the House Finance Committee to support HB 2540 for the following reasons:

- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., provide an invaluable service to their members, which are generally in rural communities, at cost.
- Internal Revenue Code Section 501(c) (12) organizations, such as Napu'u Water, Inc., relieve the government from the burden of providing such services to rural and outlying communities.
- The State of Hawaii has adopted all of the provisions of Internal Revenue Code Section 501, except for Code Sections 501(c) (12), (15), and (16).
- The adoption of HB 2540 would bring about a fair and equitable State tax result for all federally tax exempt nonprofit organizations, under Internal Revenue Code Section 501(c), situated in the State of Hawaii.
- The adoption of HB 2540 would not significantly impact tax revenues to the State of Hawaii.

For these reasons, I strongly urge you to support the passage of HB 2540. I appreciate this opportunity to submit written testimony. If you or any member of the House Finance Committee has any questions, please feel free to contact me.

Respectfully submitted,

Sally Rice