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LATE

THE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON WAYS AND MEANS

Hearing April 1, 2008 at 10:15 am
Testimony on H.B. 2540 HD 1
(RELATING TO HEALTH)

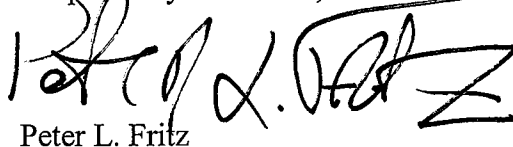
Chair Baker, Vice-Chair Tsutsui, and members of the Committee:

My name is Peter Fritz. I am an attorney specializing in tax law and I was an Administrative Rules Specialist under Directors Kamikawa, Okamura and Kawafuchi. I am testifying as a concerned citizen in support of H.B. 2540 HD1.

This bill amends section 235-2.3(b), Hawaii Revised Statutes ("HRS") to provide an income tax exemption and section 237-23(a), HRS to provide an General Excise Tax ("GET") exemption for a company ("Company") that provides potable water and is tax exempt under Internal Revenue Code ("IRC") section 512(c)(12). The Company is providing services that benefit the community of the same kind as would normally be provided a municipality or county.

- (1) It would be fair to for a Company that is operated exclusively for the benefit of a community to be taxed in the same manner as a municipality providing the same services. A company that is providing services to a community of the kind normally provided by government should be entitled to the same tax status.
- (2) The bill allows citizens in remote communities without access to public utility water services to operate a water service without being taxed as is the situation with water companies owned by a county or municipality. Currently, the Honolulu Board of Water Supply does not pay nor does it charge its water users a tax. This bill would provide the same treatment for community based nonprofit organizations providing potable water.

Respectfully submitted,



Peter L. Fritz