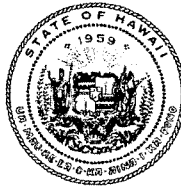


LINDA LINGLE  
GOVERNOR

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  
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 1742  
RELATING TO TAXATION**

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

**DATE: FEBRUARY 26, 2009**

**TIME: 3PM**

**ROOM: 308**

---

This measure repeals certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations; reduces the general excise tax rate on sales to the final consumer from 4% to 3.5%; and reduces the public service company tax rate and repeals certain public service company tax exemptions. The bill also subjects to the general excise tax certain sales of real property and sales of securities, commodity futures, and bonds. Conforming amendments to other laws are made.

The Department of Taxation (Department) **appreciates the intent of this measure and offers comments.**

The Department supports the concept of this measure and its purpose of reevaluating Hawaii's tax policy on a global level in light of the current economic conditions and the need to stimulate Hawaii's economy and patch the state's budget shortfall.

From the Department's perspective, this measure is a bold move to try and shift the current tax policy focus away from incentives through general excise tax exemptions, to a lower rate across the board. As the Tax Review Commission has suggested, the general excise tax will only be effective to the extent it maintains a relatively low rate across a relatively broad base.

The Department cautions the wholesale repeal of exemptions because these exemptions were important at some point and many of the general excise tax exemptions are part of the fundamental operation of the tax. The Department recommends that the Legislature carefully study the exemptions proposed in this measure.

The Department appreciates that the committee has heard this measure in the interest of balancing the State's budget this session. The Department suggests that these measures be kept alive for further discussion. The Department will also make itself available for further discussions

Department of Taxation Testimony

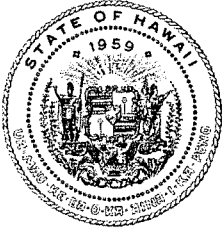
HB 1742

February 26, 2009

Page 2 of 2

on the global tax policy proposed in this bill.

The net revenue gain from this measure is estimated at \$60 million for FY10 and \$179 million per year for FY11 and after.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE  
GOVERNOR  
THEODORE E. LIU  
DIRECTOR  
MARK K. ANDERSON  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**THEODORE E. LIU**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Thursday, February 26, 2009  
3:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**HB 1742**  
**RELATING TO TAXATION.**

Chair Oshiro, Vice-Chair Lee, and Members of the Committee:

The Department of Business, Economic Development, and Tourism (DBEDT) appreciates the intent of this measure, however, due to the downturn of Hawaii's economy, the closing of many businesses and the loss of jobs, we are seriously concerned that Section 5, will eliminate some of the Enterprise Zone (EZ) Partnership Program benefits. One of the main priorities for the State and in particular DBEDT is economic development. The EZ program has proven to be valuable to businesses, communities, the counties, and is a job creator in areas where jobs are needed most.

The EZ program was established by the Legislature to help stimulate certain types of business activity such manufacturing, agriculture, information technology in areas where they are most needed or most appropriate. Coincidentally, the economic situation which created the EZ program back in the 80's where "unemployment was at 9.7%, almost 17,000 businesses had failed, and the government had huge budget deficits is very much where the US and Hawaii are today. The need for such a program is great and is as necessary as it was 20 years ago. The requirements for certification ensure that the program is creating jobs and economic growth in these distressed areas. The cost to create a job for 2007 has been estimated at \$1,800/job. There are about 200 companies currently in the EZ's 7 year program, and 992 jobs were created (when comparing to their starting base full-time employee count). In addition, the 2010 planned operating budget for the EZ program is only \$3,000. Businesses can not afford to lose this incentive program and the State cannot afford to lose this important economic development tool.

Thank you for the opportunity to offer testimony.

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON FINANCE**

February 26, 2009, 3:00 p.m.  
Room 308, State Capitol

In consideration of  
**H.B. 1742**  
**RELATING TO TAXATION.**

The HHFDC has serious concerns with H.B. 1742 to the extent that it affects General Excise Tax (GET) exemptions for certified affordable housing projects pursuant to section 237-29, Hawaii Revised Statutes. The Legislature's intent in creating the GET exemption for certified affordable housing projects was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. While we recognize that the intent of this bill is to address budgetary concerns, the GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

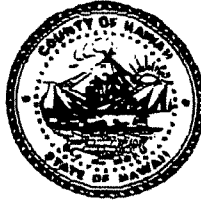
If it is the Committee's intent to move this measure forward, we respectfully request that it be amended to grandfather in existing projects whose operating budgets depend on the GET exemption on rents for the affordable units. These projects may not be able to raise rents to make up the 4 to 4.5 percent impact of the GET because of the deed restrictions limiting them to charging affordable rents. Grandfathering in existing rental projects will help to avoid the risk of default of affordable rental housing projects statewide. Accordingly, we request that a House Draft 1 replace section 56 of this bill with the following language:

"SECTION 56. This Act shall take effect on January 1, 2010 and shall be repealed on December 31, 2015; provided that:

- (1) The amendments made to sections 237-24.3 and 237-24.7, Hawaii Revised Statutes, by sections 20 and 21 of this Act shall not be repealed when those sections are reenacted on December 31, 2009, pursuant to section 4 of Act 239, Session Laws of Hawaii 2007;

- (2) With the exception of sections 237-24.3 and 237-24.7, Hawaii Revised Statutes, all sections of the Hawaii Revised Statutes amended by this Act shall be reenacted on January 1, 2016, in the form in which they read on the day prior to the effective day of this Act;
- (3) Sections 237-24.3 and 237-24.7, Hawaii Revised Statutes, shall be reenacted on January 1, 2016, in the form in which they read on December 31, 2007, pursuant to section 4 of Act 239, Session Laws of Hawaii 2007; and
- (4) The repeal of sections 201H-36 and 237-29, Hawaii Revised Statutes, by sections 39 and 47 of this Act shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2010."

Thank you for the opportunity to testify.



William P. Kenoi  
Mayor

Stephen J. Arnett  
Housing  
Administrator

County of Hawaii  
**OFFICE OF HOUSING AND  
COMMUNITY DEVELOPMENT**  
50 Wailuku Drive • Hilo, Hawai'i 96720-2484  
V/TT (808) 961-8379 • FAX (808) 961-8685

February 25, 2009

The Honorable Marcus R. Oshiro  
The Honorable Marilyn B. Lee, Vice Chair  
and Committee Members  
Committee on Finance

Twenty-Fifth Legislature  
Regular Session of 2009

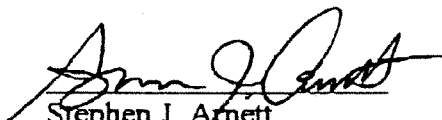
**SUBJECT: House Bill 1742**  
**Hearing Date: 2/26/09**  
**Time: 3:00 PM**  
**Conference Room: 308**

The Office of Housing and Community Development (OHCD) **strongly opposes** HB 1742, which repeals the General Excise Tax (GET) Exemption for Certified or Approved Housing Projects under HRS §237-29. This program is critical to the successful development and operation of affordable housing statewide.

The GET exemption for certified affordable housing projects assures the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

Furthermore, without the GET exemption on affordable rents, many affordable rental projects would not be able to meet operating expenses.

Thank you for your careful consideration of the negative impacts of this bill.

  
Stephen J. Arnett  
Housing Administrator

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, PUBLIC SERVICE COMPANY, Reduce rate, repeal certain exemptions and exclusions

**BILL NUMBER:** HB 1742

**INTRODUCED BY:** Say

**BRIEF SUMMARY:** Adds a new section to HRS chapter 237 to provide for the imposition of a privilege tax against a sole proprietorship, partnership, corporation, or limited liability entity that sells fee simple real property to another person. The tax shall be equal to 3.5 percent of the gross proceeds received from the sale of the real property less a deduction for any commission paid from the gross proceeds by the seller to a sales representative. The gross proceeds from the casual sale of real property shall be exempt.

Adds a new section to HRS chapter 237 to provide for the imposition of a privilege tax against a sole proprietorship, partnership, corporation, or limited liability entity that sells securities, commodity futures, or bonds owned or borrowed by the sole proprietorship, partnership, corporation, or limited liability entity to another person. The tax shall be equal to 3.5 percent of the gross income received from the sale of the securities, commodity futures, or bonds less a deduction for any commission paid from the gross income by the seller to a sales representative. The gross income from the casual sale of securities, commodity futures, or bonds shall be exempt.

Amends HRS chapter 237 to reduce the general excise tax rate to 3.5% and replace all references to the 4% rate to 3.5%.

Amends HRS section 237-23 to repeal the following general excise tax exemptions granted to: (1) fraternal benefit societies, orders or associations which provide payment of death, sick, accident, prepaid legal services, or other benefits to its members; (2) corporations, associations, trusts or societies organized for charitable, scientific, or education purposes including the operation of senior citizen housing facilities, operation of a prepaid legal services plan, operation of a homeless facility; (3) business leagues, chambers of commerce, boards of trade, agricultural and horticultural organizations; (4) hospitals, infirmaries, and sanitarium; (5) cooperative associations incorporated under HRS chapter 421 or IRC code section 521; (6) corporations, companies, associations, or trusts organized to establish cemeteries; and (7) nonprofit shippers associations.

Amends HRS section 237-24 to repeal the general excise tax exemption for: (1) the first \$2,000 received by any blind, deaf, or totally disabled person; and (2) amounts received by a producer of sugarcane from the manufacturer.

Amends HRS section 237-24.3 to repeal the general excise tax exemption for: (1) amounts received from the loading, transportation and unloading of agricultural commodities; (2) amounts received for the sale of liquor, cigarettes and tobacco products, and agricultural, meat or fish products to any person or

common carrier in interstate or foreign commerce; (3) amounts received for the unloading of cargo, tugboat service, or pilots to ships or barges; (4) amounts received for the sale of prescription drugs and prosthetic devices; (5) dues received by an unincorporated merchants association; (6) amounts received by a labor organization for the leasing of real property; (7) amounts received from the rental or leasing of aircraft or aircraft engines used for interstate commerce.

Amends HRS section 237-24.7 to repeal the general excise tax exemption for: (1) amounts received as compensation by community organizations, school booster clubs and nonprofit organizations under a contract with the chief elections officer for the provision of services; (2) amounts received as grants under HRS section 206M-15.

Amends HRS 237-29.55 to repeal the general excise tax exemption on the sale of tangible personal property imported for resale and provide that such transaction shall be subject to the 0.5% wholesale rate.

Amends HRS section 237-44 relating to the entertainment business to provide that the amount of admissions that shall be held in trust for the state shall be \_\_\_\_\_.

Amends HRS section 238-1 to repeal the use tax exemption for: (1) the leasing or renting of aircraft used in interstate air transportation; (2) the use of oceangoing vehicles for passengers or goods within the state; (3) the use of material, parts, or tools imported or purchased for aircraft service and maintenance or the construction of an aircraft maintenance facility; (4) the use of services or contracting imported for resale for use outside the state.

Amends HRS section 238-2 to reduce the use tax from 4% to 3.5%.

Amends HRS section 238-3 to repeal the use tax exemption for the use of an air pollution control facility.

Amends HRS sections 239-5, 239-7 and 239-10 to substitute references to the rate of 4% with \_\_\_\_\_%.

Amends HRS sections 246-34.5 and 349-10 to delete references to HRS chapter 237.

Repeals the following general excise tax exemptions:

- (1) HRS section 201H-36;
- (2) HRS section 237-16.8 - certain convention, conference, and trade show fees;
- (3) HRS section 237-17 - persons with impaired sight, hearing, or totally disabled;
- (4) HRS section 237-24.5 - stock exchanges
- (5) HRS section 237-24.9 - aircraft service and maintenance facility;
- (6) HRS section 237-26 - exemption of certain scientific contracts with the U.S.;
- (7) HRS section 237-27.5 - air pollution control facility;
- (8) HRS section 237-28.1 - exemption of certain shipbuilding and ship repair business;
- (9) HRS section 237-29 - exemptions for certified or approved housing projects;
- (10) HRS section 237-29.5 - exemption for sales of tangible personal property shipped out-of-state;
- (11) HRS section 237-29.53 - exemption for contracting or services exported out-of-state; and
- (12) HRS section 237-29.8 - call centers, exemption; engaging in business.



Repeals the following public service company tax provisions:

- (1) HRS section 239-6.5 - tax credit for lifeline telephone service subsidy;
- (2) HRS section 239-11 - exemption for certain contact carriers; and
- (3) HRS section 239-12 - call centers, exemption, engaging in business;

Amends HRS section 46-15.1 to repeal the general excise tax exemption for county projects that provide low and moderate income housing projects.

Amends HRS section 46-16.8 to allow a county that has adopted a county surcharge on state tax ordinance to amend the ordinance to reduce the rate in effect on June 30, 2009.

Amends HRS section 209E-11 to provide that no general excise tax exemption shall be granted for: (1) any qualified business that begins operation in an enterprise zone after June 30, 2009; or (2) a contractor who performs work for any qualified business that begins operation in an enterprise zone after June 30, 2009.

This act shall be repealed on December 31, 2015.

EFFECTIVE DATE: January 1, 2010 and as provided in the measure

STAFF COMMENTS: While this measure proposes to reduce the general excise tax rate to 3.5% at retail, it does so by substantially broadening the base by applying the tax to activities that are currently exempt.

This measure attempts to broaden the general excise tax base by repealing numerous exemptions including the broad-based exemption for not-for-profit organizations with the exception of religious organizations. It does retain the exempt recognition of gifts and donations to not-for-profit organizations, but it subjects income that would be received for services and products provided by these not-for-profit organizations. Thus, tuition received by a private school or income from a contract with the federal, state, or local government would be subject to the general excise tax albeit at a lower rate of 3.5%. It should be remembered that many of these organizations are conferred with tax-exempt status by both the federal and state income tax law because they are recognized as providing a public good or service that government would otherwise have to provide from scientific research to child protective services to affordable housing to medical services. Because these organizations are not burdened with the bureaucracy found in government, they can often provide these goods and services much more efficiently and at a lower cost that government can. Thus, the tax exempt status recognizes that if burdened with the payment of taxes, those goods and services would either come at a much higher cost or the delivery would be at a far lower quality. Thus, it makes no sense to impose the general excise tax on the gross receipts of the not-for-profit organizations in turn for a lesser tax rate as many of these organizations will go out of business.

Lawmakers should remember that the general excise tax is a tax on gross receipts and not on net income, so a company or in this case a not-for-profit organization pays the tax without regard for costs and expenses incurred for the goods or services provided.

While some of the other exemptions such as for scientific contracts may seem plausible targets for repeal, care should be exercised as to unintended consequences if repealed. For example, the exemption for

stevedoring activities was enacted with the thought that if the general excise tax was imposed on those activities the cost of everything brought in or sent out of the state would be that much more expensive, increasing the cost of living in Hawaii while making Hawaii made products less competitive on the world market.

In addition, it appears that the proposed general excise and use tax exemptions are to be repealed to make up for the loss in revenues due to the reduced general excise tax rate. While the continuance of some of these exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions, it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same income, or it would mean imposing the tax on another tax or where superior law prohibits taxation.

Those exemptions of questionable existence were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contributions to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary.

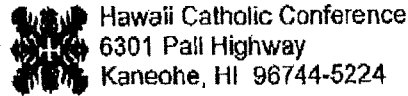
Among those general excise tax exemptions which, if repealed, could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), and reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchants association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions which beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, cemetery associations (HRS 237-23), income of the blind, deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

It appears that in reducing the general excise tax rate, lawmakers also want to change the rate imposed on public service companies as the public service company tax is a tax imposed in lieu of the general excise tax on public utilities. If that is the case, then adjustments to the rates imposed on financial institutions under HRS chapter 241 need to be adjusted as well as the insurance premiums tax both of which are imposed in lieu of the general excise tax.

While it may be desirable to reduce the general excise tax rate from 4% to 3.5%, the elimination of these exemptions may cause more inequities and problems. An examination and elimination of the tax credits would be a preferable method in the search for additional revenues.



**A JOINT LEGISLATIVE EFFORT**

FAX: 586-6001

Regarding: House Finance Committee

Hearing on: February 26, 2009 @ 3:00 p.m. in room 308

LATE TESTIMONY

**Date:** February 26, 2009

**To:** House Finance Committee  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice-Chair

**From:** Dennis Arakaki  
Executive Director  
Hawaii Family Forum / Hawaii Catholic Conference

**Re:** Opposition to HB 1742 Relating to Taxation

**HAWAII FAMILY FORUM BOARD**

Francis Oda  
President

Austin Imamura  
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Brogan, Mary Lou  
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Most Reverend Clarence Silva  
Bishop of Honolulu

Alexander, Very Rev. Marc  
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Coleman, David  
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Himenes, Dr. Carmen  
Ignacio, Carol  
Larson, Betty Lou  
Pfler, Prudencio  
Rauekhorat, Jerome  
Tong, Myron  
Yoshimitsu, Walter

Honorable Chair and members of the House Finance Committee, I am Dennis Arakaki, representing both the Hawaii Family Forum and the Roman Catholic Church in the State of Hawaii.

Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii. The Roman Catholic Church in Hawaii, under the leadership of Bishop Larry Silva, represents over 220,000 Catholics in Hawaii.

Hawaii Family Forum is opposed to this measure for the following reasons:

The Hawaii GET is a gross receipts tax, which means it will tap every dollar your nonprofit receives, not just your net income after expenses. Nonprofits would have to pay even if they are losing money.

- Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.
- Even donations that are exempt from state and federal taxes would be subject to excise tax.
- Nonprofit schools, which reduce state spending on education, would have to pay.
- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

Mahalo for the opportunity to testify.

# Good Shepherd Preschool

638 North Kuakini Street, Honolulu, Hawaii 96817 Phone: 533-3088 Fax: 808-536-1923

*"Families prepared for life with Jesus as Lord!"*



February 25, 2009

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice-Chair  
And the members of the Finance Committee

From: Gwyn Toilolo, Director  
Good Shepherd Preschool

Hearing: Thursday, Feb. 26, 2009, 3 pm, Room 308

RE: Opposition to HB 1742, Relating to taxation

Good Shepherd Preschool has been in operation in Liliha since 1970. We are committed to the community and to the education and health of our young children in Hawaii. In addition to providing an accredited preschool program for 100 2—5 year olds, Good Shepherd also provides a kindergarten, afterschool and summer programs.

We have been collaborating with Lanakila Elementary School for the past 4 years. During the summers we offer all kindergarteners going into 1st grade a very low cost reading program for 4 weeks. This program is an intense reading program that has been very successful in maintaining or raising the reading skills of the children that attend.

Our tuition for our preschool has been kept low to provide a great education at an affordable price. In fact we are one of the lowest priced schools in the area and are providing a fully accredited, quality school in an area that is experiencing a 66% poverty level. Our summer programs are supported by our fundraising efforts, we apply and receive private grants and hold an annual Silent Auction. This enables us to charge \$30 for a child for 4 weeks from 8—12.

This bill will negatively impact our ability to provide services for this community. Our school does not make big profits. HB 1742 will take away from our resources, especially at a time when our economy is not strong and we are already suffering the effects from it. Grantors, donations and clients are not able to financially support us and at the same time the need for affordable quality care is increasing.

We fear that this bill will force non-profits that are already struggling in this difficult economy to close. Our state government needs the support of the non-profits to provide essential services to the population.

We urge the committee not to pass the HB 1742. Thank you for the opportunity to testify.

Aloha,



## **Before the House Committee Finance**

DATE: February 26, 2009

TIME: 3:00 p.m.

PLACE: Conference Room 308

### **Re: HB 1742 Relating to Taxation Testimony of Melissa Pavlicek for NFIB Hawaii**

Thank you for the opportunity to testify. On behalf of the thousands of business owners who make up the membership of the National Federation of Independent Businesses in Hawaii, we ask that you reject HB 1742. NFIB respectfully opposes this measure in its current form.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

We believe that such legislation during these challenging economic times will add costs to doing business in Hawaii and will ultimately hurt businesses, their employees and the economy as a whole.

# **BIA-HAWAII**

**BUILDING INDUSTRY ASSOCIATION**

February 26, 2009

Honorable Marcus Oshiro, Chair  
Committee on Finance  
State Capitol, Room 308  
Honolulu, HI 96813

RE: HB 1742 "Relating to Taxation"

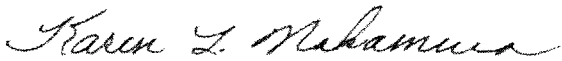
Chair Oshiro and Members of the Committee on Finance:

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii), Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

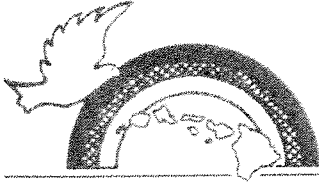
BIA-Hawaii strongly opposes the passage of HB1742, "Relating to Taxation" which would repeal the general excise tax exemption of Hawaii's nonprofit organizations. The repeal of the general excise tax exemption would be detrimental to the operations of nonprofits such as BIA-Hawaii. BIA-Hawaii promotes workforce development, job creation, advocacy at federal, state and local levels for the industry, home ownership, pride of workmanship, continuing education in our industry, and public awareness of the contributions of the construction industry to our economy and to society in general. We are already experiencing tough economic conditions that would be compounded by the repeal of the tax exemption.

We respectfully request that this bill be held.

Thank you for the opportunity to share our views with you.



Chief Executive Officer  
BIA-Hawaii




## The Arc of Kauai

for Children and Adults with Disabilities

5201 Akahi Street, Lihue, Hawaii 96766, Phone (808) 245-4132, Fax (808) 246-1721

DATE: February 26, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Ellen Ching, The Arc of Kauai 

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

My name is Ellen Ching and for the past 25 years, I have served as the Executive Director of The Arc of Kauai. The Arc of Kauai is a private non-profit organization that was formed by parents in 1961. Our primary mission is to secure for all people with developmental disabilities the opportunity to realize their goals and to choose where and how they learn, live, work and play. To this end, The Arc of Kauai develops implements and maintains a variety of programs and services for approximately 191 individuals.

**We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.**

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, the elderly, abused or neglected children or providing food, sheiter and health care to vulnerable populations and those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

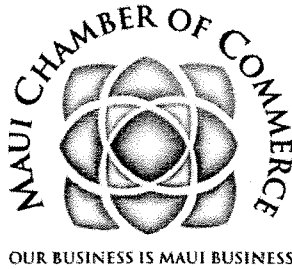
The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, and eliminate programs or lay off workers that would only increase the burden and pressure on the state government to provide vital community services and increase the burden on taxpayers.

**We urge the Committee to not pass H.B. 1742.** Thank you for this opportunity to testify.

When You Give Help, You Give Hope





**Testimony to the House Finance Committee  
Thursday, February 26, 2009 at 3p.m.  
Conference Room 308**

**RE: HOUSE BILL 1742 RELATING TO TAXATION**

Dear Chairman Oshiro & Members of the Committee on Finance,

The Maui Chamber of Commerce, a business organization whose mission it is to advance and promote a healthy economic environment for business, advocating for responsive government and quality education, while preserving Maui's unique community characteristics, opposes this bill..

We are a membership driven organization comprised of over 900 members, 88% of which are small businesses with fewer than 25 employees, representing nearly 21,000 employees. We oppose HB 1742 which will repeal certain general excise and use tax excise exemptions and exclusions.

This bill would impose GET on gross wages, which are currently exempt, without any offset for deductions. It would therefore amount to the equivalent of a huge income tax increase. We believe that the tax burden from the imposition of GET on wages would be greater than the benefit of a reduced rate on retail purchases from 4% to 3.5%. Moreover, this increased tax burden would fall entirely on Hawaii residents, with visitors getting to enjoy the benefit of the lower GET on retail purchases. Additionally, many of our organizations will be affected by this bill as it removes the GET exemption from non-profit organizations. Further, the bill eliminates the exemptions for non-profit hospitals, cemeteries, sale of prescription drugs and many other exemptions. Real property sales and sales of stocks and other securities which are now exempt, would become taxable for any business entity or individual engaged in a trade or business. And, lastly, this bill will impose GET on export sales

This is a time when we need to stimulate the economy and we do not believe this bill will help with that goal. Therefore, we oppose HB 1742 and ask you to do the same.

Sincerely,

Pamela Tumpap  
President



TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Valerie Danao, RN, BSN  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo Health Center is nonprofit with a mission to "... improve the quality of life for the people of Hawaii by providing ready access to primary and preventive holistic health services." We provide primary health care services to the community and the state, which include family practice, pediatric care, women's health OB-GYN, perinatal support services, teen clinics, preventive disease health education & lifestyle motivation classes, WIC nutrition services, homeless outreach & case management, behavioral health services and dental clinic. 71% of the patients seen are below the Federal Poverty Level, 32 % uninsured, 45% Medicaid QUEST, and by ethnicity 69% Asian Pacific Islanders, and 48% Native Hawaiians. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

**We urge the Committee to not pass H.B. 1742.** Thank you for this opportunity to testify.

Mahalo nui loa,  
  
Valerie Danao, RN BSN

To: Representative Oshiro, Chair Finance Committee  
Hearing: Thu 02/26/2009  
Time: 3:00 pm  
Place: Conference Room 308  
Electronic Testimony

Twenty-Fifth Legislature, State of Hawaii  
**RE: Testimony in Support of H.B. 1742**  
General Excise and Use Tax Reform

Mr. Chairman and honorable committee members, my name is William Schmidtke, President of the Hawaii Independent Auto Dealers Association, a Hawaii non-profit trade organization. **I and my members are opposed to H.B. 1742** as it relates to deleting the section "the sale price of any article accepted as part payment on any new article sold, if the full sale price of the new article is included in the "gross income" or "gross proceeds of the sales."

We as motor vehicle dealers collect from our customers the general excise tax and this change will result in higher transportation costs for our customers. Higher taxes on goods vital to our economy can have nothing but an adverse impact.

Thank you for the opportunity to testify.

Signed,

William L. Schmidtke  
President, Hawaii Independent Auto Dealers Association  
2027 Republican Street  
Honolulu, HI 96819



TESTIMONY ON BEHALF OF HAWAI'I PACIFIC UNIVERSITY TO THE  
COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES  
TWENTY-FIFTH LEGISLATURE, 2009

**SUBJECT: HB 1742, RELATING TO TAXATION**

Dear Chair Oshiro, Vice-Chair Lee and Members of the Committee on Finance:

My name is Kenneth T. Uemura and I am the Vice-President and Chief Financial Officer of Hawai'i Pacific University, the largest not-for-profit, tax-exempt 501(c)3 institution for higher education in the State of Hawaii, with over 8,000 students from across Hawaii, the United States and the world.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide valuable social goods and services. Hawai'i Pacific University's mission is to be an international learning community set in the rich cultural context of Hawai'i. Students from around the world join us for an American education built on a liberal arts foundation. Our innovative undergraduate and graduate programs anticipate the changing needs of the community and prepare our graduates to live, work, and learn as active members of a global society. We create unique higher education opportunities for Hawai'i students. Our programs address critical areas of need in Hawai'i, a few examples include, our Master's of Secondary Education, which enables students with non-teaching degrees to become qualified teachers, our nursing program which is the State's largest accredited nursing program, and our Bachelor's and Master's Social Work programs which provide training for social workers.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when costs, demands for increased support and financial aid are ballooning.

Taxing educational services would add tremendously to their costs for students and parents. We do not receive significant funding from the State for scholarships or program activities yet serve significant unmet needs of the State based on careful fiscal management and the contributions of private donors, tuition and excellent staff and faculty. In these challenging times, this would truly be a burden on our students, staff, faculty and institution.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Aloha,

Kenneth T. Uemura

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

**From:** Lisa Simmons, Life Time Resident of Hilo Hawaii.

**Regarding:** Opposition to HB 1742, relating to Taxation

*Dear Representatives;*

*I have lived here on the Big Island of Hawaii all of my 47 years of life and I have seen so much changes to this Island we call paradise. I can remember growing up and seeing maybe 1 or 2 people sleeping on park benches, but the aloha spirit was still strong and the churches & communities would gather together and help to feed, clothes and even house the needy if possible.*

*Today, our beautiful Hawaii has changed and not for the best. As prices of food, gas, rent continue to increase, so does the numbers of people needing services. Hawaii's non-profit organizations and churches have a huge responsibility to help where is needed, doing the best we can to fill in the gaps, but we need help. Please!*

*To impose a GET 4.5% on receipts for non-profits will force many charities to cut back or even close their doors. Understand that even a penny taken away for tax purposes will be deeply felt in providing direct services to the mentally ill, elderly, abused children, hungry and homeless. So please say, "No to HB 1742".*

*Thank you for this opportunity to testify.*



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 1:03 PM  
**To:** FINTestimony  
**Cc:** ibarrajosephine96@yahoo.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Josephine Ibarra  
Organization: Individual  
Address: P.O. Box 121 Kailua-Kona, HI  
Phone: (808) 896-2404  
E-mail: [ibarrajosephine96@yahoo.com](mailto:ibarrajosephine96@yahoo.com)  
Submitted on: 2/26/2009

Comments:  
Opposition to HB 1742, Relating to Taxation

I work for a non-profit organization who exists to promote acts of charity and justice and to serve those most in need...utilizing spiritual, human and material resources to empower those we encounter to experience dignity and respect. We outreach to families and individuals who are homeless, offer emergency shelter services, rental subsidies for persons who have disabilities, representative payee services to the severely mentally ill and community reintegration services to individuals returning to our communities from incarceration. Through these programs, we serve over 1,200 individuals on Hawaii Island alone.

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, emergency shelter, outreach to the homeless.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

I fear this bill would force many charities that already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

I urge the committee to NOT pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** Jackie Thorne [jackie@westprodev.com]  
**Sent:** Thursday, February 26, 2009 1:02 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation of Nonprofit Org

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

**FROM:** Jacquelyn Thorne, Treasurer, Arts of Kona  
P.O. Box 2678, Kamuela, HI 96743

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Arts of Kona, is a nonprofit with a mission to facilitate collaboration within the Arts Community in order to best promote and present the Arts in Kona and Hawai'i. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Our organization is working to promote the arts in the community. Most art and music programs have been cut from funding at public schools. Our organization would help ensure that students and adults would have the opportunity to enjoy and participate in various forms of art resulting in a better community and sharing of cultures. We make no corporate gain from our efforts. Arts of Kona like many other worthy non-profit organization largely runs on the good will of our members in an effort to serve the community. Taxing Non-profits would be unwise for a number of reasons

- Non-profits provide social goods and services that otherwise government itself would have to, such as
  - caring for the mentally ill,
  - taking care of the elderly,
  - helping abused or neglected children or providing food,
  - shelter and health care to those in need.
  - character building organizations such as churches and Scouting.
- Nonprofits provide these services more economically and efficiently than the state.
- Taxing them would add tremendously to their costs and make them less effective.
- The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses.
  - Nonprofits would have to pay whether they are losing money or not.
  - Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.
- Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.
- This bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers
- It would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

Given the economic condition of Hawaii, which equates to fewer dollars donated to nonprofits, we urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** Charlene Malendres [cmalendr@hawaii.edu]  
**Sent:** Thursday, February 26, 2009 1:00 PM  
**To:** FINTestimony  
**Subject:** Stop HB1742

I recently heard the news of HB 1742 and I am very concerned. I will not be in support of this bill. In this recession period our policy makers should be looking ahead into the future to help our nation get back to where we were, not oppress the people of low income. Non-profit organizations are the first and foremost agencies that many in this time of crisis have to rely on. By taxing the monies that are distributed to these non-profit agencies there will be a backlash that will be greater than our government can handle already. Non-profit agencies are already experiencing major cuts in staff and services to the people. House Bill 1742 should not be passed and it should be stopped.

Sincerely,  
Charlene Malendres



## FINTestimony

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**From:** Palaelaehoku Alapai [palaelaehokua@yahoo.com]  
**Sent:** Thursday, February 26, 2009 12:56 PM  
**To:** FINTestimony  
**Subject:** VOTE AGAINST HB 1742

To Whom It May Concern,

It has come to my attention that all of you ladies and gentlemen are looking to pass this HB1742 bill, that will tax our non-profit organizations. How can all of you feel that taxing these non-profit agencies will better our community? These agencies are funded by grants that have been awarded to them to assist with housing, employment readiness, lifeskills, etc that we as a state need to offer. Our agencies are already "hurting" due to funding being continuously "pulled" or less amounts of funds are "awarded." How can "we" feel comfortable taking funds away from prospective positions that these agencies can't provide if taxed? Please ladies and gentlemen remember that we as the people need to assist in bettering our community, not stripping it of what is needed.

Mahalo,  
Pala'ela'ehoku M. Alapai

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 12:57 PM  
**To:** FINTestimony  
**Cc:** dickleander@hawaii.rr.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Richard B. Leander, Jr., CPA,  
Organization: Richard B. Leander, Jr., CPA, LLC  
Address: P.M.B. 442, 75-1027 Henry Street Kailua-Kona, Hawaii 96740-3154  
Phone: 808-326-2613 / 808-989-2684  
E-mail: [dickleander@hawaii.rr.com](mailto:dickleander@hawaii.rr.com)  
Submitted on: 2/26/2009

### Comments:

This is in regard to the Non-Profits other than Religious Organizations. I hope the object here is to subject Internal Revenue Service Form 990-T income to Hawaii General Excise Tax. To subject my gifts of cash or property to eg. The West Hawaii Humane Society Association seems to be counter productive to the general will and desire of those who elect you.

I further believe that you must realize that all coins have two sides. One side may be good for the budget short fall today, but it may cause far reaching adverse effects to the economy crying to recover. Case in point the taxation of real estate sales which may further slow down this economy and put houseing still further out of reach of poorest of our brothers.

## **FINTestimony**

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**From:** Diane Underwood [diane@islandarchitect.net]  
**Sent:** Thursday, February 26, 2009 12:22 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Diane Wry, GIAC, Board Member

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Garden Island Arts Council, is a nonprofit with a mission to promote Art and Hawaiian Culture on Kauai, for residents and visitors.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

## **FINTestimony**

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**From:** Adrian Allan [aallan@lejardinacademy.com]  
**Sent:** Thursday, February 26, 2009 12:07 PM  
**To:** FINTestimony  
**Subject:** HB1742

To Whom It May Concern

Le Jardin Academy would like to join with the many voices from the Independent School's community in expressing its concern about the possibility of amending the General Exercise Tax (GET) rules for Hawaii. In these times when schools are doing their utmost to reduce costs for our parents, endowments are loosing value, and grants are almost impossible to find this could be the straw that breaks the camel's back.

Adrian Allan, Headmaster

## FINTestimony

---

**From:** Victor Corpuz [vcorpuz@fhb.com]  
**Sent:** Thursday, February 26, 2009 12:04 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;

and Members of the Committee on Finance

FROM: Friends of the Children's Justice Center of Maui, Inc.

HEARING: Thursday, Feb. 26, 3 pm., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Friends of the Children's Justice Center, is a nonprofit with a mission to provide assistance to abused and neglected children; promote the prevention of child abuse and neglect; and support the Children's Justice Center of Maui (part of the State Judiciary). We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to

provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Please find other ways to fund your spending or cut down on government spending.

Thank you for this opportunity to testify.

Respectfully,

Victor Corpuz  
Board Member

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At First Hawaiian Bank, we care about the environment.  
Please consider our planet's limited resources before printing this email.

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# GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:  
GARY M. SLOVIN  
CHRISTOPHER G. PABLO  
ANNE T. HORIUCHI  
MIHOKO E. ITO

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cpablo@goodsill.com  
ahoriuchi@goodsill.com  
meito@goodsill.com

## MEMORANDUM

**TO:** Representative Marcus R. Oshiro  
Chair, Committee on Finance  
Hawaii State Capitol, Room 306

**FROM:** Gary M. Slovin

**DATE:** February 26, 2009

**RE:** H.B. No. 1742 – Relating to Taxation  
Hearing: Thursday, February 26, 2009 at 3:00 p.m., Room 308 (Agenda #6)

---

Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

Covanta respectfully opposes Section 45 of HB 1742. These paragraphs would repeal tax exemptions that apply to the operations of the HPower waste-to-energy plant in Campbell Industrial Park. Much of the tax that would be imposed through the repeal of these sections would be borne by taxpayers of the City and County of Honolulu. Accordingly, the repeal of the exemptions would not increase the funds available to reduce the deficits being faced by both State and County governments.

Accordingly, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit comments.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:  
GARY M. SLOVIN  
CHRISTOPHER G. PABLO  
ANNE T. HORIUCHI  
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ahoriuchi@goodsill.com  
meito@goodsill.com

**MEMORANDUM**

**TO:** Representative Marcus R. Oshiro  
Chair, Committee on Finance  
Hawaii State Capitol, Room 306

**FROM:** Mihoko E. Ito

**DATE:** February 26, 2009

**RE:** H.B. No. 1742 – Relating to Taxation  
Hearing: Thursday, February 26, 2009 at 3:00 p.m., Room 308 (Agenda #6)

---

Dear Chair Oshiro and Members of the Committee on Finance:

I am Mihoko Ito, testifying on behalf of Wyndham Worldwide. Wyndham Worldwide offers individual consumers and business-to-business customers a broad suite of hospitality products and services across various accommodation alternatives and price ranges through its portfolio of world-renowned brands. Wyndham Worldwide has substantial interests in Hawaii that include Wyndham Vacation Ownership, with its new resort at Waikiki Beach Walk.

Wyndham Worldwide strongly opposes H.B. 1742, which proposes, among other things, to impose the general excise tax (GET) on real property sales and sales of securities, commodity futures, and bonds. These provisions would subject every time share transaction to the GET, even though conveyance taxes are already imposed on these transactions, and may also have other tax increase implications on time share operations. These changes will result in substantial cost increases, both from the actual tax and due to the additional cost of modifying sales and administrative processes. Ultimately, these new tax obligations could be passed on to the consumer, which may severely impact on an already ailing tourism industry, in these challenging economic times.

Thank you very much for the opportunity to submit testimony.





# THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • FAX: (808) 547-4646 • www.queens.org

Representative Marcus Oshiro, Chair  
House Committee on Finance

Thursday, February 26, 2009; 3:00 PM  
State Capitol, Conference Room 308

## Re: HB 1742 – RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Rick Keene, Executive Vice President and Chief Financial Officer of The Queen's Health Systems (Queen's), testifying on House Bill 1742, which repeals certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations; reduces the tax rate on sales to the final consumer from 4% to 3.5%; reduces also the public service company tax rate and repeals certain public service company tax exemptions; subjects to the general excise tax certain sales of real property and sales of securities, commodity futures, and bonds; and makes conforming amendments to other laws.

**Queen's is opposed to the repeal of the general excise tax exemption for nonprofit organizations and hospitals.** The current tax exemption does not serve to increase hospitals' profits; rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. According to the Healthcare Association of Hawaii, local hospitals incurred \$141 million in uncollected payments in 2008 resulting from bad debt and charity care. Queen's contributes to the well-being of Hawaii by giving back to the community more than \$40 million annually, including costs associated with health care services, education, and uncompensated care.

We would also note that credit rating agencies take into consideration legislation that will impact financial performance. This could lower the credit ratings of tax-exempt hospitals and lead to increased cost for debt financing. Such increased costs would make it more challenging for nonprofit hospitals to continue some of its community benefit programs, which could negatively impact the community's access to health care.

Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's economic outlook. However, we respectfully request that HB 1742 be amended to eliminate reference to nonprofit organizations and hospitals.

Thank you for the opportunity to testify.

Faxed Testimony: 2 copies + original to Room 306  
FIN Hearing  
3:00 p.m., Thursday, Feb. 26, 2009  
HB 1742



## Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347  
www.hawaiipca.net

To: **The House Committee on Finance**  
The Hon. Marcus R. Oshiro, Chair  
The Hon. Marilyn B. Lee, Vice Chair

**Testimony in Opposition to House Bill 1742**  
**Relating to Taxation**  
**Submitted by Beth Giesting, CEO**  
**February 26, 2009, 3:00 p.m. agenda, Room 308**

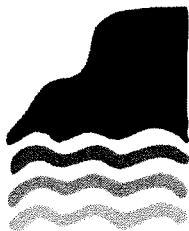
The Hawaii Primary Care Association strongly opposes this bill. Many nonprofit organizations make up the safety net for Hawaii, providing essential services such as health care, food, and housing, among others. Speaking for Community Health Centers across the state, there has been a growing need for the comprehensive health services they provide for many years but these needs have never been more acute than they are right now. Not only is there a growing demand as people lose their health insurance and have increased health problems due to chronic diseases, neglect, and increased economic anxiety, but the alternative resources for health care – emergency rooms, for example – are also under duress and incapable of increasing capacity. In most rural areas of the state, private physicians are also leaving or restricting their practices.

Repealing the nonprofit tax exemption, of course, will reduce the resources with which nonprofits operate at the very moment when many of the most essential, including Community Health Centers, are facing significant cuts in State funding. These reductions will result in both diminished services for our most vulnerable residents but also further increases in unemployment and need as nonprofits are forced to reduce staffing.

We ask you to please hold this bill in committee and thank you for the opportunity to testify.

# Hawai'i People's Fund

Change, Not Charity™



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[www.hawaiipeoplefund.org](http://www.hawaiipeoplefund.org)

A Member of The Funding Exchange

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Nancy Aleck, Executive Director

HEARING: Feb. 23, 3 p.m., Room 308

RE: **Opposition** to HB 1742, Relating to Taxation

Our organization, Hawai'i People's Fund, is a 501c3 nonprofit. We are a public foundation practicing social justice philanthropy. The funds we raise are awarded as grants to community organizations working at the grassroots level. We work very hard to raise every dollar. Our grantees work very hard to advocate and implement creative, positive social change.

Taxes play an important role in society, but this is an extremely regressive measure. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawai'i nonprofit organizations.

Nonprofits are tax-exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Taxing nonprofit organizations would add tremendously to their costs and make them less effective. The Hawai'i GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not. *[Note that it is already required that net income from fundraising events are GE-taxed.]* Even donations that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions.

H.B. 1742 would slash resources at a time when endowments, contracts, donations and other **sources of financial support (including state funding!) are shrinking** and when community demands for services are ballooning.

We fear this bill would force many charitable organizations that are already stretched beyond their means to close, eliminate programs or lay off workers.

**We urge the Committee to not pass H.B. 1742.**

Thank you for this opportunity to testify.



February 26, 2009

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE  
ON HB 1742 RELATING TO TAXATION**

Thank you Chair Oshiro and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with 380 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association opposes this bill.

A non-profit trade organization like ours was established to serve a specific industry and the general public in a complete and effective manner.

We provide our industry with information, interaction, and services at the lowest possible cost. We provide the general public with much the same, usually at no cost.

We are an avenue for quick access to industry specific information and action. Government does not have the time or resources to perform such functions for the multitude of industries, or for the general public with interest in these industries.

Our association is not budgeted to accrue net revenue from which to pay taxes. Our budget does not have the elasticity to add a tax expense without reducing services and staff resources.

Last year our organization ended nearly a \$40,000 operating loss and this year we are struggling just to keep up with that horrid pace. Adding the general excise tax burden drives us closer to the edge of a situation I don't want to contemplate just yet.

A tax expense would require increased dues and expenses on an industry that is reeling in this economic downturn, and is facing imminent tax increases on a number of fronts (i.e. fuel tax - federal and state, vehicle weight tax, registration fees, etc.).

HTA is a voluntary membership organization so we can anticipate losing membership with dues increases, further limiting our ability to serve. Service reductions would be felt by the general public as we would refer their needs to the appropriate government agency rather than provide direct assistance.

HTA provides "The Story Of A Bill" at no cost in the interest of educating everyone of the legislative process. The Office of Information gives this to their visitors and legislators are offered this for their own visitors. Such projects would have to be scaled back.

Anything we provide as a service would have to be eliminated or curtailed, and it is ultimately the public who will suffer the most.

Thank you.

## FINTestimony

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**From:** Nancy Bottelo [ceo@specialolympicshawaii.org]  
**Sent:** Wednesday, February 25, 2009 8:00 AM  
**To:** FINTestimony  
**Subject:** HB 1742, Relating to Taxation



**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
**FROM:** Nancy Bottelo, Special Olympics Hawaii  
**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308  
**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Special Olympics Hawaii, is a nonprofit with a mission to provide year-round sports training and athletic competition to Hawaii's children and adults with intellectual disabilities. Special Olympics is sports, but it is whole lot more. Through sports our special education students learn to follow rules, to be a part of a team, to pay attention to the coach - or teacher. They develop self confidence and self esteem, making them better students. A Yale University study showed that athletes perform better at work, at home, and at school the longer they participate in the Special Olympics program. Did you know that less than 10% of people with intellectual disabilities in the US are employed, as compared to 50% of Special Olympics athletes in the US being employed? This is a direct result of the fact that Special Olympics is not just sports. Special Olympics is the ONLY sports program available in the school for children with intellectual disabilities. These are not the students that are invited or encouraged - and sometimes not even allowed - to be on the varsity or JV sports teams

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, the special needs students, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Not for profit organizations would have to pay this tax, even when they were running in a deficit position, as we anticipate will happen this year. Therefore, H.B.1742 would slash resources at a time when endowments, state contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Our program, which already dramatically reduces state spending on physical education for the special education population, would have to pay. And Special Olympics is always free of charge to athletes and their families, we would not be able to pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Nancy Bottelo  
President and CEO  
Special Olympics Hawaii  
PO Box 3295

Honolulu, HI 96801

(808) 943-8808 ext 22

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Be a fan of dignity.

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# *Villa Roma Communications*

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: José Villa, Villa Roma Communications

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I have 10 years of senior management experience with Hawaii non-profits and work now as a freelance grant writer for a variety of organizations. I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Non-profits are tax-exempt because they provide social goods and services the government would otherwise have to provide. And they provide them more economically and more efficiently than the state can. One reason non-profits function more economically is that staff wages are typically lower than comparable jobs in the for-profit sector.

Why then are they still more effective? Because these staffs that are truly dedicated to their agency's mission. They are already "doing more with less" – and have for years. Taxing them would exacerbate an already tenuous situation by significantly increasing their costs and making them less effective.

The Hawaii GET is a gross receipts tax. It would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. H.B.1742 would, therefore, slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and, when community demands for services are ballooning.

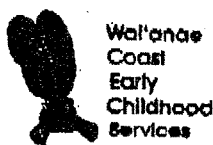
Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

This bill would force many charities to close, eliminate programs or lay off workers and would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

IT'S EITHER PAY ME NOW OR PAY ME LATER! If you constrain the ability of non-profits to do focus on the core strengths, the state will then have to provide the services.

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

*Villa Roma Communications* \* PMB 344, POB 3080 \* Honolulu, HI 96820 \* (808) 351-8013  
[info@villaromacomm.com](mailto:info@villaromacomm.com) \* [www.villaromacomm.com](http://www.villaromacomm.com)



Wai'anae  
Coast  
Early  
Childhood  
Services

TO: House Finance Committee  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

FROM: Wai'anae Coast Early Childhood Services  
Douglas Mersberg, Executive Director

RE: Opposition to HB 1742 – General Excise and Use Tax Reform

HEARING INFORMATION:

Date: February 26, 2009  
Time: 3:00 p.m.  
Place: Conference Room 308

Chairman Oshiro, Vice Chair Lee and members of the committee:

Thank you for this opportunity to testify on behalf of Wai'anae Coast Early Childhood Services against HB 1742, which would repeal the Hawaii General Excise Tax exemption for non-profit organizations (except for religious organizations). Our primary reasons for opposition to this bill are as follows:

- We provide early intervention services to infants and toddlers with special needs through contracts with the Department of Health. These contracts are funded by state tax revenue. In addition to damaging our ability to effectively deliver quality services to our keiki and families, applying the general excise tax to funds that were acquired through the state tax system would be the recollection of state tax revenues that have already been collected and distributed.
- The outcome of this bill would be a regressive income tax on those working in the preschool industry or their customers. The majority of preschool employees earn low wages. If preschools have to pay excise tax on our tuition fees, this would lower the funds we have to pay our employees. Our company would not be able to pass the cost on to our customers. For those preschools that could, they would be passing the cost on to parents who are at the lower end of their earning potential.
- HB 1742 bill would provide a tax advantage to religious organizations that operate preschools over other non-profit organizations.

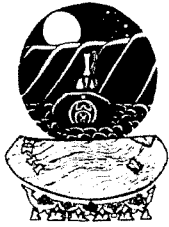
Our company delivers quality preschool services to low-income families to assist our children to be ready for school and early intervention services to infants and toddlers with special needs so they can reach their fullest potential. We don't believe that our efforts for the public good should be diminished by the passage of HB 1742.

We appreciate your consideration of our testimony.

84-1061 Noholio Road Wai'anae, Hawaii 96792

(808) 695-9400





**Waimānalo Health Center**  
Ola Hāloa  
The Sustaining of Life

February 25, 2009

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TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Christina Lee, MD, Medical Director, Waimanalo Health Center  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo Health Center, is a nonprofit with a mission to provide comprehensive preventive and holistic health services for all the people of Hawaii, particularly our constituency in Koolāupoko. We deliver health care to a large Native Hawaiian population (about 50% of our patients), uninsured, underinsured, and QUEST. We are a safety net for those patients who could not otherwise access health services due to financial constraints. Because of our services, patients are able to get the care they need and remain healthy and out of the costly emergency room. Without us, their medical problems would escalate and taking care of them once they reach emergency status is an even costlier burden on the health care system. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



To: Representative Marcus Oshiro, Chair;  
Representatives Marilyn Lee, Vice-Chair;  
and Members of the Committee on Finance

From: George Kon, Alliance for Drama Education  
Hearing: Thursday, February 26, 3:00pm, Room 308  
RE: Opposition to H.B. 1742, relating to Taxation

ADE is a 501©3 with a mission to help young Hawaii rehearse for life by mastering performing skills to needed to win jobs, justice and joy. Our flagship project "T-Shirt Theatre," makes its home in beautiful downtown Kalihi, USA. We strongly oppose H.B. 1742, relating to taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Non-profits are tax exempt because we provide indispensable social goods and services. This dispensation is not a hand out but rather an acknowledgement that non profits serve those special populations that are often overlooked and under attended to in the general course of serving the people. We help government to serve "all" of its constituents, even those with the least means to ask for help on their own.

Farrington sits in the shadow of five Federal Housing projects and a majority of the students qualify for lunch subsidies. We lose a full third of our freshman class by the time they are seniors. Programs like TST often make the difference between a student staying in school till graduation and creating the possibility for an employed future or becoming another drop-out statistic.

It is challenging to interest youth and to sustain their participation in culture and arts activities over an extended timeframe. ADE has been successful at employing the arts to create a rehearsal lab for students to practice and perform "life skills" for over a quarter of a century. We believe that we provide this service more economically and efficiently than could the state. Taxing us would tremendously add to our costs and hamstring our reach.

The Hawaii GET is a gross receipts tax which means that it would tap all our revenues even before expenses. We would have to pay even as we're losing money in this recession. H.B. 1742 would slash our resources at a time when contracts, donations and other financial support are shrinking. This is a time when Kalihi youth need our services even more urgently.

We fear this bill would force many charities that are stretched beyond their means, to close, eliminating prevention programs like ours. We urge the committee to vote down H.B. 1742. Thank you for this opportunity to testify.

To: Representative Marcus Oshiro, Chair;  
Representatives Marilyn Lee, Vice-Chair;  
and Members of the Committee on Finance

From: My Phuong Vong, Alliance for Drama Education  
Hearing: Thursday, February 26, 3:00pm, Room 308  
RE: Opposition to H.B. 1742, relating to Taxation

I am currently a board member for ADE, which is a 501©3 with a mission to help young Hawaii rehearse for life by mastering performing skills needed to win jobs, justice and joy. I am an alumnus of ADE's flagship project "T-Shirt Theatre," which is located at W. R. Farrington High School. As an alumnus of TST, I strongly oppose H.B. 1742, relating to taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

I am one of those students who live in the Federal Housing projects, Kamehameha IV Housing to be exact, and received free lunch when I attended Farrington. I come from a family of ten, with four brothers and three sisters. Life is very rough when your parents don't make much money and we as children of Kalihi are being labeled as good-for-nothing kids who have no future just because of where we live without knowing who we are as individuals. Programs like TST make the difference for me and my fellow students in the Farrington Complex. They give us a voice and teach us how to face the challenges that life offers. They are the sun that gives us energy and hope to continue schools and attain higher education. They help us see the world as a better place. They are the key to help us open doors to make a difference in our community rather than becoming drop-out statistics.

I am going to graduate with my bachelor's degree this May and am applying for graduate school to become a teacher. The reason I have that burning desire to go beyond high school is because of T-Shirt Theatre. I am proud to represent ADE and testify with them to say NO to H.B. 1742 bill. This bill will bring down many wonderful programs like ADE and that, I believe, is not the best solution to help our children in our community. Imagine losing thousands, maybe even more, of children whose lives can be changed for the better because of programs like ADE. To be left instead with kids who grow up to be drug dealers because their options are diminished due to this bill.

I really urge the committee to vote down the H.B. 1742 bill. So please help and speak up for me and the thousands who are affected by this bill. Thank you for giving me this opportunity to testify.

Email to [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Paula Ambre, Executive Director, The Maui Farm, Inc.

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Maui Farm, Inc. is a nonprofit organization with a mission to provide residential programs for individuals and families who are homeless and in transition to self-sufficient living. We serve young women ages 17 – 24 including foster youth, former foster youth, and youth who are homeless or at-risk of homelessness. We also serve families from Maui County who are homeless due to domestic violence and other economic challenges.

We **strongly oppose** H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the homeless, the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** Lynne Waihee [lynne@readtomeintl.org]  
**Sent:** Wednesday, February 25, 2009 10:20 AM  
**To:** FINTestimony  
**Cc:** Rep. Marcus Oshiro; Rep. Marilyn Lee  
**Subject:** Opposition to HB 1742, Relating to Taxation on nonprofits

As a board member of a number of nonprofit organizations, and as President of Read to Me International Foundation, I wish to voice my opposition to HB 1742, which would repeal the excise tax exemption of Hawai'i nonprofit organizations. While there may be a few who might weather the eroding of funds that such an act would bring, it would bring hardship to most organizations, and perhaps mean the closing of other organizations because of the difficulty of raising funds in these unprecedentedly trying times.

I realize that the State is facing challenges as never before, and that every means of funds need to be examined. Consider, however, what, I am sure, you will be hearing from many in the community who will be affected should this bill pass:

- Nonprofits offer services which the State does not, and in most cases, cannot—feeding the hungry, caring for the elderly, educating preschoolers, providing after-school care for working families, rehabilitating prisoners and addicts, providing shelter and health care for the needy; and even providing our citizens with culture and the arts—even more needed when economic times are tough.
- Nonprofits often pay for services which it does offer at rates below what the State would incur if they were to provide the same services.
- Nonprofits utilize volunteers, which often provide professional services gratis as a means of giving back to the community.
- Nonprofits take it upon themselves to raise funds to support their organizations.
- Nonprofits are generally formed because people know the needs in the community and are committed enough to fill those needs.

Of course, nonprofits can do this in part because they do have the benefit of being tax-exempt. Please do not burden them with another cost which may be the proverbial “straw that breaks the camel’s back.” They are far too precious resources for the State to gamble for more moneys for the coffers. In the end, the State may lose more than they gain.

On a personal note, our organization promotes reading aloud to children. Though we share a simple message—that every child should be read to every day for at least 10 minutes—we know that in that simple message lies the key to raising readers. Ours is a small organization operating on a slim budget. Through hard work and with committed workers and volunteers, we have been able to provide not only services for the general community, but for Hawai'i prisoners here and in Arizona. In Arizona, we have been able to provide a model program which the warden there feels every prison in America should have! Great testimony for our organization, but, which, I am sure, is only one of many which other nonprofits can boast. However, even with our success, we are in danger of raising funds to continue our work.

I beseech you to not pass HB 1742. Please do not add yet another impediment for so many who are already struggling to survive.

.Varmest aloha~

*Lynne Waihe'e*

President  
Read To Me International  
1833 Kalakaua Avenue, Suite 301  
Honolulu, HI 96815  
ph. (808) 955-7600; FAX (808) 955-7601

*"Sharing the love and joy of reading aloud"*

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Email to [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

Sample testimony:

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Your name, your organization

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, \_\_\_\_\_, is a nonprofit with a mission to

\_\_\_\_\_. (Describe your organization, its clients, members, etc.) We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

## FINTestimony

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**From:** Alfred M. Arensdorf, M.D. [ARENSDORA001@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 9:40 AM  
**To:** FINTestimony  
**Subject:** HB 1742 testimony for 02/26/2009, Rm 308, 3PM

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Alfred M. Arensdorf, MD  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

I serve on the boards or advisory boards or consult to the Friends of the Children's Justice Center - Maui, Maui Youth and Family Services, Aloha House, Malama, and Catholic Charities of Hawai'i.

I am retired from employment as the Medical Director of the Child and Adolescent Mental Health Division of the Department of Health. Based on my understanding of the vital role non-profit organizations in Hawaii perform in providing essential services under state contracts and my understanding of the most fragile status of non-profits during economic recessions, I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii non-profit organizations.

Non-profits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Non-profits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap non-profit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

I fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Mavis Lee, Waimanalo Health Center  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo Health Center, is a nonprofit with a mission to service the community with health care services to patients who can not afford medical care. (Describe your organization, its clients, members, etc.) We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



## Hawaii Youth Symphony

February 25, 2009

To: The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair  
Members of the House Committee on Finance

From: Selena Ching, Executive Director

RE: Testimony Opposing HB 1742, Relating to Taxation  
Hearing: Thursday, February 26, 3:00 pm

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The Hawaii Youth Symphony is a non profit organization that provides high quality music education to any interested youth in Hawaii, from any island, regardless of his or her family's financial constraints. We are the only statewide orchestra program in Hawaii. We serve more than 600 students per year. This year, we have students from Oahu, Kauai, Maui and the Big Island represented in our programs. We make excellent music education available to all Hawaii youth to ensure a bright future for music in our state.

We strongly oppose HB 1742 which would repeal the excise tax exemption on Hawaii's non profit organizations. The additional tax burden would cripple our organization which is already suffering from economic contractions from every sector in our community.

We realize that the state budget is suffering as well, and revenue needs to be generated from wherever possible. But the passage of HB 1742 would be placing a disproportionate load on a sector that is already assisting government by producing services that it cannot provide.

We urge you to help our non profit sector survive this economic downturn by not passing HB 1742.

Thank you for your consideration and this opportunity to testify.

## FINTestimony

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**From:** Jan, Malaiai Garden [jan.malaai@mac.com]  
**Sent:** Wednesday, February 25, 2009 10:16 AM  
**To:** FINTestimony  
**Subject:** Testimony on HB1742

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance  
FROM: Mala'ai: The Culinary Garden at Waimea Middle School  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Mala'ai: The Culinary Garden at Waimea Middle School, is a nonprofit with a mission to provide education and leadership at the school and within the community through developing gardening skills, promoting food safety and sustainable agricultural practices. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Non-profits benefit our communities in myriad ways, often taking the burden off government resources and thereby taxpayers. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Most non-profits exist on the edge of fiscal viability and a straight-up 4% reduction in funds equals crisis for our fledgling organization.

All of us are painfully aware of our current economic situation. Whenever demand for non-profit services goes up, our ability to fundraise decreases. For the State government to step in at this time to "raid" our already threatened fiscal existence demands an immediate review of short- and long-term impacts. Our garden gives away harvest to students and people in the community. Demand continues to grow as families become more pressured for food dollars. Further, these families are learning healthy eating alternatives with fresh produce and how to prepare it. Adding pressure to our existence interrupts more than the students' learning; it interrupts our contribution to the most politically vulnerable -- the hungry.

Think about it - the 4% gain to the State coffers has a huge cost to the big picture which will cost the State much more.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,  
Jan Dean, President  
808.775.0401

To: Representative Marcus Oshiro, Chair;  
Representative Marilyn Lee, Vice-Chair;  
and Members of the Committee on Finance

From: Walt Dulaney, Alliance for Drama Education  
Hearing: Thursday, February 26, 3:00pm, Room 308  
Re: Opposition to H.B. 1742, relating to Taxation

With State finances in dire straits, thank you for weighing all proposals that might snare deficit revenue. But I must respectfully ask that you quickly discard House Bill 1742 as both short-sighted and potentially lethal.

If the Hawaii General Excise Tax exemption for nonprofit organizations were repealed, private sector groups that take up the slack in government services would be sucked into a severe tailspin that would certainly send some crashing to earth.

Since 1980 the Alliance for Drama Education has stretched donated and fee-for-service dollars to help youngsters raised in the most isolated population center on Earth - gain performance skills needed to face the World. We have brought 5-8 day oral communication "boot camp" residencies to over 180 public schools to enliven and deepen instruction.

Helping isle keikis *project* and *pronounce* with *poise* and *personality* levels the classroom playing field today and increases their odds of winning jobs, justice and joy tomorrow. Since 1985 A.D.E.'s work has served the Castle Performance Arts Center and allowed T-Shirt Theatre of Kalihi to stage 60+ original productions.

T-Shirt Theatre utilizes original student and staff writing to develop performances that alert 5,000 Kalihi peers to potholes that may derail their health and stability. It requires long hours to build shows that red flag the STDs, bullying, ocean debris, domestic violence and ethnic prejudice that litter our at-risk neighborhood. But this labor produces deepened awareness for area audiences and life-changing direction for playwright-performers.

Tho' we've no intention of folding, if H.B. 1742 became law we'd need to hard scramble to replace sliced gross receipts - leaving less time to advance ADE's rehearse-for-life mission arming isle youngsters to compete where ever dreams direct them. And, auwe, the doors we'd rat-ta-ta-tap upon for funds to replace dollars siphoned by H.B. 1742 will be already over-tapped by urgent appeals from other-not-for-profit organizations. Ouch!

Testimony of Shirley Swinney

On HB1742

Before the House Finance Committee

February 26, 2008

Chair Oshiro, Vice-Chair Lee and Members of the Committee:

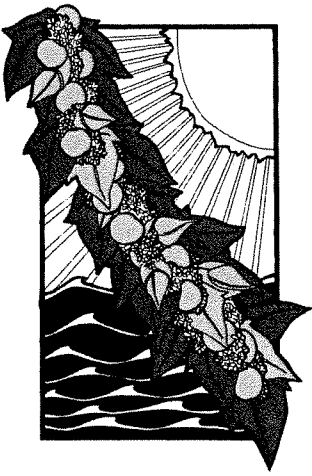
Thank you for this opportunity to testify in opposition to HB1742. My name is Shirley Swinney, a member of the Special Olympics Hawaii Board of Directors. Special Olympics is the ONLY sports program available in the school for children with intellectual disabilities. Our program dramatically reduces state spending on physical education for the special education population. And Special Olympics is always free of charge to athletes and their families.

HB1742 would repeal the Hawaii General Excise Tax exemption for nonprofit organizations. This bill on its face would increase tax receipts for the State at the front end and at the back end, have the State dole out more for services. HB1742 would put organizations that are now on the brink of closing, out of business -- nonprofits that are now efficiently providing services that government would otherwise have to provide. Consider this:

- The Hawaii GET is a gross receipts tax, which means it will tap **every** dollar a nonprofit receives, not just net income after expenses. Nonprofits would have to pay even if they are losing money.
- Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.
- Even donations that are exempt from state and federal taxes would be subject to excise tax.
- Nonprofit schools, which reduce state spending on education, would have to pay.

This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

I respectfully ask that you oppose HB1742 and thank you for this opportunity to testify.



*I Ola Lāhui*

*Rural Hawaii Behavioral Health Program*

677 Ala Moana Blvd. Suite 904 Honolulu, Hawaii 96813 ∞ [www.iolalahui.org](http://www.iolalahui.org) ∞ phone (808) 525-6255 ∞ fax (808) 525-6256

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Robin E. S. Miyamoto, Psy.D.  
Director of Training  
I Ola Lahui, Inc.

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, I Ola Lahui, is a nonprofit with a mission to provide culturally-minded evidence-based behavioral health care that is responsive to the needs of medically underserved and predominantly Native Hawaiian rural communities. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Robin E. S. Miyamoto, Psy.D.  
Director of Training  
I Ola Lahui, Inc.

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: Judith F. Lenthall, Executive Director  
Kaua'i Food Bank, Inc.

HEARING: Thursday, February 26, 3 PM, room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, the Kaua'i Food Bank, is a non-profit with a mission to feed the hungry; respond to emergencies, and eliminate Hunger. We gather food from the community and distribute it to about 50 other non-profit agencies and/or churches who then feed the needy islandwide. Recently, we have seen a 25% increase in demand for our services.

Non-profits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter, and health care to those in need.

Non-profits provide these services more economically and efficiently than the State. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations, and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs, or lay off workers and that it would force state governments to provide vital community services less efficiently than non-profits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Judith F. Lenthall  
Executive Director  
Kauai Food Bank  
(808) 246-3809, FAX (808) 246-4737  
e-mail: [food@hawaiiink.net](mailto:food@hawaiiink.net)



*A Non-Profit Human Service Agency*

**Main Office Location**

33 South King Street, Suite 300 \* Honolulu, HI 96813-4323  
Telephone (808) 521-4531 \* Fax (808) 521-4538

Honolulu Community Action Program

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*Bank of Hawaii*  
Iris Matsumoto  
*First Hawaiian Bank*  
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*Community Volunteer*  
Kevin Souza, Esq.  
*Native Hawaiian*  
*Chamber of Commerce*  
Sylvia Yuen, Ph.D.  
*Center on the Family*  
*University of Hawaii*

Joy Barua  
*Interim Executive Director*

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• WINDWARD  
Tel: (808) 239-5754

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Joy Barua, Interim Executive Director

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: **Opposition to HB 1742, Relating to Taxation**

Honolulu Community Action Program (HCAP) is a non-profit organization with a mission to provide opportunities and inspiration to enable low-income individuals and families achieve self-sufficiency. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii non-profit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.


Nonprofits provide these services more economically and efficiently than the State. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Furthermore, the proposed bill would impose dual-taxation on public dollars meant to benefit and impact the most needy. Public funding resources disallow the use of grant funds for tax payments. As such, non-profits would then be compelled to raise additional funds just to make tax payments. Please realize that this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force State government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

Therefore, we strongly urge you to not pass HB 1742. Thank you for this opportunity to testify.

Sincerely,

  
Joy Barua  
Interim Executive Director  
Honolulu Community Action Program (HCAP), Inc.



Representative Marcus R. Oshiro, Chair

Representative Marilyn B. Lee, Vice Chair

Mr. Lyntillus J. Boyd  
2550 Kuhio Ave. #1806  
Honolulu, HI 96815  
(808) 782-6177

Wednesday, February 26, 2009. 3:00 pm

### **Opposition to HB 1742**

I have been a resident of the state of Hawaii since September 2004. During that short period of time, I have volunteered or contributed to the following Non-profit organizations (one of which I belong to for religious practices - \*).

- 1) Soka Gakkai International (Global Buddhist Organization)\*
- 2) United States Organization (USO – Honolulu Airport)
- 3) Big Brothers and Big Sisters of Honolulu (Served as Big Brother)
- 4) Goodwill (Donations)
- 5) Oahu Pop Warner Football Organization (Member)
- 6) Kapahulu Youth Football Association (Serving as President)
- 7) I9 Sports – Flag Football (Asst. Coach)
- 8) United Nations Association of Hawaii (Member)

I could certainly name more, however the purpose of this testimony is to address my opposition to this proposal. The bottom line is that our individual (human) services are free. The needs that are being met by the existence and support of such non-profit organizations stand as a testament to why they should not be taxed. The participating citizens (in most cases, volunteers) of Non-profit Organizations, here in Hawaii have earned tax-exempt status through their unselfish, dedicated service to humanity.

Please do not pass HB 1742. Thank you for your time and consideration.

Respectfully yours

Lyntillus J. Boyd

February 25, 2009

Testimony in OPPOSITION to HB 1742  
RELATING TO TAXATION  
Presented to the House Committee on Finance  
at the public hearing to be held 3 p.m. Thursday, February 26, 2009  
in Conference Room 308  
Hawaii State Capitol

Testimony submitted by the David H. Rolf for  
The Hawaii Automobile Dealers Association  
Hawaii's franchised new car dealers

Chair Oshiro and members of the committee:

While the new car dealers understand the need to balance the budget and have a deep respect and admiration for the difficult task your committee is charged with, we must offer our opposition to portions of HB1742—particularly with regard to the proposal to eliminate the tax exemption for a vehicle taken in trade on the purchase of another vehicle.

#### **Price elasticity of demand**

The "law of demand" that is most famous in all of economics is this: that the higher the price of a good, the less consumers will purchase.

The formal economic term encompassing this is Price Elasticity of Demand.

In the case for automobiles, for every 1% increase in the price, the long term downturn in sales will be 1.35%. This bill would add \$471 to the price of the average vehicle purchased with a trade-in as part of the transaction—with a loss of 805 new vehicles sold annually.

Using price elasticity of demand formulas, this increase in price and 805 loss in new car sales would result in a loss in GET to the state amounting to -\$1,006,250.

While we don't have used car sale figures, a rough estimate would be that the loss in GET to the state for those sales would be about half of that figure... another -\$500,000 annual loss.

Total GET loss to the state: -\$1.5 million. We understand the state projects around \$4.5 million annual increase in taxes from eliminating the exemption through this measure.

The net gain to the state of \$3 million in revenue, however, would cost auto dealer revenues -\$21,735,000 on their new car sales alone. And perhaps half again as much on their used car sales. Losses to auto dealers of \$30 million in revenues, each year.

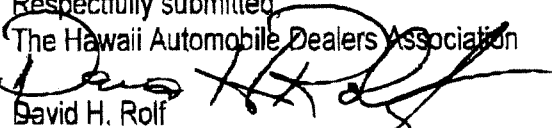
Losses coming at a time when dealers are only selling about half of the new cars they sold per year in 2005 (down from 70,000 new vehicles in '05... to a projected 36,000 for '09).

Losing \$30 million in sales represents an average loss of \$1 million in sales per dealer since there are 30 dealers in the state. This would be devastating to most.

**We request you reinstate provisions relating to the deduction of trade-ins, which have been deleted**

We respectfully request you reinstate the provisions in HB1742 (which have been deleted) relating to "the sale price of any article accepted as part payment on any new article sold, if the full sale price of the new article is included in the "gross income" or "gross proceeds of the sales."

Respectfully submitted,  
The Hawaii Automobile Dealers Association



David H. Rolf

1100 Alakea St. Suite 2601 Honolulu, Hi. 96813 Tel: 808 593-0031 Cel: 808 223-6015



# THE LEGISLATIVE CENTER

820 MILILANI STREET, SUITE 810  
HONOLULU, HAWAII 96813-2938  
PHONE: (808) 537-4308 • FAX: (808)533-2739

February 26, 2009

Testimony To: House Committee on Finance  
Representative Marcus R. Oshiro, Chair

Presented By: Tim Lyons, Legislative Committee Chair  
Aloha Society of Association Executives

Subject: H.B. 1742 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, Legislative Committee Chair for the Aloha Society of Association Executives. ASAE is composed of most major and minor trade association executives who make it their business to run and administer trade associations on a day to day basis. We are opposed to this bill.

We particularly think it is a positive goal to have the State of Hawaii taxation laws aligned as closely as possible with the federal taxation laws. Inasmuch as our activities are exempt under very strict guidelines from the federal government, we believe they should be mirrored to the extent possible on the state level.

We understand that the State is hunting for money in just about any place that you can find it however, we think an attempt to revoke the tax exemption status of non-profit organizations is

misguided. Many non-profit associations support Hawaii's very basic activity; that of tourism. It is our members who put on trade shows and conventions that allow for the opportunity to expose Hawaii to the rest of the marketplace. Additionally, because these expenses are not currently in the operating budgets of any of the organizations unless it is Unrelated Business Income, it is not accounted for and would require an overall increase in dues. While we realize that you are trying to gain income, we think that this cost shifting is not appropriate inasmuch as it is likely to affect the very existence of associations in the face of already declining memberships based on the poor economy.

Plus, we also do not understand the rationale in lowering the tax rate to the consumer from 4% to 3 ½% because of this repeal of the exemption. There does not seem to be a logical flow of the increased cost to associations and, therefore, their members as it is passed on to the consumer who typically does not buy from the association but buys from the member.

Based on the above, we are opposed to the passage of this bill and cannot recommend its adoption.

Thank you.

**Aloha Society of Association Executives – Hawaii Chapter**  
**Membership List**

American Red Cross – Hawaii Chapter  
Better Business Bureau of Hawaii  
Building Industry Association of Hawaii  
General Contractors Association of Hawaii  
Hawaii Association of Independent Schools  
Hawaii Association of Realtors  
Hawaii Bankers Association  
Hawaii Credit Union League  
Hawaii Food Industry Association  
Hawaii Hotel & Lodging Association  
Hawaii Insurers Council  
Hawaii Medical Association  
Hawaii Museums Association  
Hawaii Optometric Association, Inc.  
Hawaii Orthopedic Association  
Hawaii Pacific Tennis Foundation  
Hawaii Society of Certified Public Accountants  
Hawaii Transportation Association  
Hawaii Visitors & Convention Bureau  
Hawaii Wall & Ceiling Industry Association  
Honolulu Board of Realtors  
Honolulu County Medical Society  
Kaua'i Visitors Bureau  
Legislative Information Services of Hawaii  
NAMI Hawaii  
National Association of Insurance & Financial Advisors Hawaii  
NFIB  
Organizations Management, LLC  
Pacific and Asian Affairs Council  
Pacific Telecommunications Council  
Painting & Decorating Contractors Association  
Plumbing & Mechanical Contractors Association  
PROcom Hawaii  
Retail Merchants of Hawaii  
Sand Island Business Association  
Sheet Metal Contractors Association  
SMEI Honolulu  
The Legislative Center, Inc.  
Waikiki Improvement Association

## Good Shepherd Preschool

638 North Kuakini Street, Honolulu, Hawaii 96817 Phone: 533-3088 Fax: 808-536-1923

*"Families prepared for life with Jesus as Lord!"*



February 25, 2009

To: Representative Marcus Oshiro, Chair 506-6401  
 Representative Marilyn Lee, Vice-Chair  
 And the members of the Finance Committee

From: Gwyn Toilolo, Director GMS  
 Good Shepherd Preschool

Hearing: Thursday, Feb. 26, 2009, 3 pm, Room 308

RE: Opposition to HB 1742, Relating to taxation

Good Shepherd Preschool has been in operation in Liliha since 1970. We are committed to the community and to the education and health of our young children in Hawaii. In addition to providing an accredited preschool program for 100 2—5 year olds, Good Shepherd also provides a kindergarten, afterschool and summer programs.

We have been collaborating with Lanakila Elementary School for the past 4 years. During the summers we offer all kindergarteners going into 1st grade a very low cost reading program for 4 weeks. This program is an intense reading program that has been very successful in maintaining or raising the reading skills of the children that attend.

Our tuition for our preschool has been kept low to provide a great education at an affordable price. In fact we are one of the lowest priced schools in the area and are providing a fully accredited, quality school in an area that is experiencing a 66% poverty level. Our summer programs are supported by our fundraising efforts, we apply and receive private grants and hold an annual Silent Auction. This enables us to charge \$30 for a child for 4 weeks from 8—12.

This bill will negatively impact our ability to provide services for this community. Our school does not make big profits. HB 1742 will take away from our resources, especially at a time when our economy is not strong and we are already suffering the effects from it. Grantors, donations and clients are not able to financially support us and at the same time the need for affordable quality care is increasing.

We fear that this bill will force non-profits that are already struggling in this difficult economy to close. Our state government needs the support of the non-profits to provide essential services to the population.

We urge the committee not to pass the HB 1742. Thank you for the opportunity to testify.

Aloha,

## Good Shepherd Preschool

638 North Kuakini Street, Honolulu, Hawaii 96817 Phone: 533-3088 Fax: 808-536-1923

*"Families prepared for life with Jesus as Lord!"*



Email to FINtestimony@capitol.hawaii.gov

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

586-6719

RE: Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

Good Shepherd Preschool [part of the mission of Good Shepherd Lutheran Church], is a nonprofit organization that provides childcare for young children from Hawaii's diverse ethnic groups. The majority of our children reside in the Liliha and Kalihi areas of O'ahu. Many of these families are in the lowest ranks of our states economic levels, with about 66% at the poverty level. To provide support to these families, we have kept our fees to one of the lowest charged by any like organization on the island. Besides childcare, we also provide an after-school tutoring/mentoring program for Lanakila students grades 4 to 6; and summer reading programs for Lanakila Elementary school children from grades K-3. These programs are largely subsidized through fundraising we do each year specifically designated for these classes. None of the funds we obtain from this fundraising and/or grants we receive for the reading programs, are used by us for our own school's development. I know if you spoke with Ms. Geri Lee, Lanakila's principal [retired June 2008], she would credit our SAY Yes and summer classes with being an integral part of the reason Lanakila has moved up in Hawaii's public school ranks. We strive to be part of our community; and a large increase in our expenses would, without a doubt, decrease our ability to continue to support these programs. Needless to say, a decrease in our enrollment would also mean a decrease in our staff, another negative result of increasing our expenses.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. It is well known that here in the islands it is normal for both parents to have at a minimum one job each in order to just meet basic family needs. Adding the additional burden of unaffordable childcare is something you have the power to prevent. Passage of this bill would force us to raise our prices beyond the ability of most of the families we serve to be able to pay. A number of these families already receive assistance from the state, meaning increases in our tuition will ultimately result in increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Mahalo for this opportunity to testify on behalf of our school, our community and myself. Karen Sutherland-Pahia, Business Manager



TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Peter Sterne, Secretary, RCPBF

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Rotary Club of Poinpu Beach Foundation, is a nonprofit with a mission to

give funds to deserving people in our area. One example is that we give scholarships to women

studying nursing so that they can complete their education.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption

of Hawaii nonprofit organizations.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income

after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.

1742 would slash resources at a time when endowments, contracts, donations and other sources of

financial support are shrinking and when community demands for services are ballooning.

This bill could force many charities that are already stretched beyond their means to close,

eliminate programs or lay off workers and that it would force state government to provide vital

community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.



**Hamakua Health Center, Inc.**  
45-549 Plumeria Street  
Honokaa, Hawaii 96727

To: **House Finance Committee**  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

**Testimony in OPPOSITION of House Bill 1742**  
**Relating to Taxation**  
**Submitted by Susan B. Hunt, MHA, Chief Executive Officer**  
**February 26, 2009, 3:00 p.m., Room 308**

The Hamakua Health Center, Inc. strongly opposes HB 1742. Our mission is to care for all regardless of their ability to pay. HHC relies on a complex array of federal, state, and private funding to support our programs. The single most important source of health center funding is fees for mission related services received through private and public sources which would, under HB 1742 be taxable. Paying general excise tax on the money we receive from insurance billings would mean that we would need to scale back or cut programs and services now offered resulting in worker lay-offs and maintenance/upkeep reductions. Nominal fees charged to our poor and underserved residents who are without insurance coverage would likely be increased to offset the additional expense. This bill in reality taxes the most poor, underserved and vulnerable of our population.

The consequences of passing this bill include a detrimental effect on the non-profits that fill the huge gaps in services that the State cannot and/or will not provide. This bill places a heavy burden on those of us who are dedicated to the missions we embrace and will make it even harder for us to make ends meet.

Now more than ever, our health center is vitally important to the overall capacity of our strained health care system. The population in the North Hilo, Hamakua and North Kohala Districts is aging and more frequently experiencing complicated and expensive chronic conditions. For many patients there is no other place to turn for medical and behavioral health care but Hamakua Health Center's two clinics. One third of the HHC patient population has substance abuse and behavioral health problems. The State mental health system is collapsing and patients are turning to the health center. Hospitals and clinicians are sending uninsured patients to us because of the rising costs of uncompensated care as more and more people are losing their jobs.

We need every dollar that we receive to be put back into our operations to ensure that services are available for those who need them.

I request that the Finance Committee NOT pass HB 1742. Thank you for this opportunity to testify.



# HAWAII ORGANIC FARMERS ASSOCIATION

Office: 808-969-7789 Fax: 808-969-7759

PO Box 6863 Hilo HI 96720

hofa@hawaiiorganicfarmers.org www.hawaiiorganicfarmers.org

Toll Free: 1-877-ORG-ISLE (674-4753)

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TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Hawaii Organic Farmers Association, Elisha Goodman, President

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: **Opposition to HB 1742**, Relating to Taxation

Our organization, the Hawaii Organic Farmers Association (HOFA), is a nonprofit with a mission to provide organic certification and other services to our members. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as certification of farms that they meet federal organic certification standards.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to our costs and make us less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income, after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

HOFA has always struggled financially to provide services to our members. We are currently experiencing a financial crisis. Staff are on reduced hours or donating their time until we can make ends meet. We are looking at other ways to cut costs, boost revenues and become more efficient.

This bill would put more financial pressure on HOFA and many nonprofit organizations that are already stretched beyond their means to close. Eliminating programs would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

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Hawaii Organic Farmers Association

*Our mission is to protect the life of the land and the health of our communities through education about organic land care practices. Developing and strengthening certified organic farms enhances Hawaii's many fragile ecosystems and provides a base for a local sustainable economy.*

## **Testimony of Earl E. Bakken**

### **In Opposition to HB 1742 Relating to Taxation**

**House Committee on Finance  
Thursday, February 26 at 3pm  
Conference Room 308**

Aloha.

My name is Earl Bakken. I serve on the Board of numerous nonprofit organizations in Hawaii.

I am testifying in opposition to HB 1742 because it has the potential to cause major financial problems for our state's nonprofit sector, and result in fewer health, wellness and education related programs and services being offered to the people of Hawaii. This loss of community programs and services would reduce the quality of life of many who benefit from them.

Nonprofit organizations in Hawaii provide important services to those who most need them in our community. These are services that don't generate enough profit margin to attract for-profit corporations. Our state government has chosen not to provide these services directly, but rather through contracts with private nonprofit organizations whose missions are to provide these certain types of services. These State contracts represent important revenue sources for nonprofit organizations of this state.

In addition to what the State pays the nonprofit for the service, many nonprofits charge nominal fees to defray the cost of the service, and as a way to help recognize the value of the service. These service fees are also another important revenue source for the nonprofits.

All of this is put at risk by HB 1742, which proposes to levy General Excise Tax on all revenues to nonprofits. HB 1742 has the potential of creating significant economic and social harm to the State. I strongly urge you to vote against HB 1742.

Mahalo.



February 26, 2009

Chair Marcus Oshiro  
House Finance Committee  
Hawaii State House of Representatives  
State Capitol, Room 308  
Honolulu, HI 96813

RE: HB 1742, Relating to Taxation

Dear Chair Oshiro and members of the House Finance Committee:

The Hawai'i Alliance of Nonprofit Organizations (HANO) staunchly opposes HB 1742, which repeals the general excise tax exemption for non-religious, charitable organizations.

Nonprofits are already reeling from the impacts of state budget cuts. They have been expected to find alternative ways to sustain their operations and deliver critical safety net and social welfare services. Many of these organizations look to other revenue sources to offset these losses in the form of fundraisers and membership drives, but will be further hindered by general excise tax obligations under this proposed bill.

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.

This far-reaching bill would have dire implications on all types of nonprofits—health and human services, environmental groups, arts and culture organizations, private schools, civic and think tank groups, intermediary associations, and many more. This, at a time when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, child and elderly care. The costs will come back to the state full circle, two-fold in the form of crisis response, as a result of this methodical dismantling of the nonprofit sector.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of Hawai'i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development and products and capacity building services for its members.

We are in strong opposition to this measure and ask you not to pass this measure out of committee. Thank you for the opportunity to provide testimony.

Lisa Maruyama  
President and CEO

One South King Building  
33 South King St., Suite 501 • Honolulu, HI 96813  
info@hano-hawaii.org • hano-hawaii.org  
808-538-6111 • 808-538-6112





February 26, 2009

Honorable Marcus Oshiro, Chair  
 And Members of the Finance Committee  
 State House of Representatives  
 Hawai'i State Capitol  
 415 South Beretania Street; Room 306  
 Honolulu, Hawai'i 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 1742 - Related to Taxation

**CENTRAL OFFICE**

Pioneer Plaza  
 900 Fort Street Mall, Suite 1690  
 Honolulu, Hawai'i 96813

Tel: (808) 550-0804  
 Fax: (808) 550-0607  
 E-mail: [mhah@mutual-housing.org](mailto:mhah@mutual-housing.org)

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David M. Nakamura

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes House Bill No. 1742 which repeals the General Excise Tax ("GET") Exemption for certified or approved housing projects under HRS §237-29. Developers and owners of affordable housing projects rely on this GET exemption to make their projects financially feasible and to maintain the affordability of their rents for low-income families. This bill will have a detrimental impact on existing and future affordable rental apartments throughout the State.

As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double-up with family or friends. New rental housing production has not kept pace with the loss over the years of affordable housing units through demolition, speculation, and conversion to for-sale units.

It will take years to develop the projects to meet all of the need in the state. The GET exemption is one of the critical tools in helping organizations like Mutual Housing address our affordable rental shortage.

The GET exemption for certified affordable housing projects has been in place to assist the economic feasibility in the development of affordable housing projects. It has proven to be a successful incentive for the development and preservation of affordable housing and should be allowed to continue.

Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura  
 Executive Director



**Hawaii Farm Bureau**  
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819  
Phone: (808) 848-2074; Neighbor Islands: 1-800-482-1272  
Fax: (808) 848-1921; e-mail: [info@hfbf.org](mailto:info@hfbf.org)

TESTIMONY

HOUSE COMMITTEE ON FINANCE

RE: HB1742: RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our member farm and ranch families and organizations provides the following comments to HB1742, amending the current General Excise Tax Law.

During economic hard times, the most fragile are disproportionately negatively impacted. Hawaii's agriculture is in just that category. Astronomical input costs and an unprecedented drought over the last two years have put our farmers at risk far ahead of other business categories. Farmers have not been able to pass on higher input costs to the consumer, unlike other businesses. Add to this ruined crops, lower yields caused by the drought. The result? Reduced profitability and in some cases, no profits. In effect, our farmers and ranchers are paying their own form of tax by absorbing losses in their operations. Bottom line, our fragile condition doesn't allow us to absorb the same kind of tax increases that other businesses may be able to bear.

However, we understand that these times require extraordinary actions by every citizen in Hawaii. We know we must assist with the financial condition of the state. While increasing taxes on farm inputs such as fertilizers, boxes for packaging and crop protection needs would only further increased costs that cannot be passed on, and threaten the existence of farms. There may be some level of opportunity in increasing or imposing taxes on profits earned from the sales of agricultural products, or on purchasers of agricultural products. We need further discussion within the industry to understand and to provide further constructive suggestions.

We recognize the efforts underway and am willing to work with you on finding a solution that is best for Hawaii. Thank you.





Testimony before the  
House Committee on  
Finance

H. B. 1742 - Relating to Taxation  
Thursday, February 26, 2009  
3 p.m., Conference Room 308

By Patsy Nanbu, Controller  
Hawaiian Electric Company, Inc.

Chair Oshiro and Members of the Committee:

My name is Patsy Nanbu and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO).

HB 1742 repeals certain general excise and use tax exemptions and exclusions and reduces the tax rate imposed on sales to the final consumer from 4% to 3.5%. The bill also changes the Public Service Company (PSC) tax rate to an unspecified rate.

Public utilities pay the PSC tax under HRS Chapter 239 in lieu of the general excise tax and other miscellaneous taxes. Consequently, the proposed change in the general excise tax rate should be mirrored in the PSC tax provision.

As drafted, Section 29 of HB 1742 does not specify the PSC tax rates. To continue the intent of the in-lieu nature of the PSC tax, Hawaiian Electric proposes that Section 29 of HB 1742 include a 3.5% rate in each case where the current rate is 4.0%, consistent with the changes proposed to the general excise tax rate.

The current PSC tax rate is comprised of two components. The first component is the base rate (currently 4%) that is consistent with the general excise tax rate and is paid to the State. The second component is a variable rate, which is based on the ratio of the utility's net income to gross income and is paid to the respective counties in lieu of real property tax. HB 1742 does not specify the range of this variable rate component. The Company proposes that the variable rate should not exceed the current range of 1.885% to 4.2%.

Thank you for this opportunity to testify.



American Heart Association | American Stroke Association

*Learn and Live.*

Serving Hawaii

## Testimony Strongly Opposing HB 1742, "Relating To Taxation"

The American Heart Association is a nonprofit with a mission to build healthier lives, free of heart disease and stroke. Founded in 1924, the AHA is the nation's oldest and largest voluntary health organization dedicated to reducing heart disease and stroke. To help prevent, treat and defeat these diseases — Hawaii's No. 1 and No. 3 killers — we fund cutting-edge research, conduct lifesaving public and professional educational programs, and advocate to protect public health. Since 2000, the AHA has worked diligently toward reaching its 2010 goal of reducing heart disease and stroke deaths by 25 percent. Through the end of 2008, the AHA had not only reached, but surpassed that ambitious national goal by reducing heart disease and stroke deaths by over 30 percent. Even with that success, more deaths in Hawaii are attributed to cardiovascular disease (CVD), than motor vehicle crashes, HIV/AIDS, homicide, suicide, alcohol and drug use combined.

The toll of CVD can also be assessed through its impact on the healthcare system by examining the number of hospital discharges, length of stay, and associated charges for CVD hospital treatment. In 2005, the amount in hospital charges due to CVD in Hawaii totaled over \$604 million. Note that these charges do not reflect the total monetary impact of CVD. They only include charges that were incurred in a hospital setting and do not account for rehabilitation costs or work productivity loss. The monetary charges are also not adjusted for inflation over time.

### Serving Hawaii since 1948

For information on the AHA's educational or research programs, contact your nearest AHA office, or visit our web site at [www.americanheart.org](http://www.americanheart.org) or e-mail us at [hawaii@heart.org](mailto:hawaii@heart.org)

**Oahu:**  
677 Ala Moana Blvd., Ste. 600  
Honolulu, HI 96813-5485  
Phone: 808-538-7021  
Fax: 808-538-3443

**Maui County:**  
J. Walter Cameron Center  
95 Mahalani Street, No. 13  
Wailuku, HI 96793-2598  
Phone: 808-224-7185  
Fax: 808-224-7220

**Hawaii:**  
400 Hualani Street, Ste. 15  
Hilo, HI 96720-4333  
Phone: 808-961-2825  
Fax: 808-961-2827

**Call:**  
(Sponsored by Oahu office)  
Phone: 808-538-7021  
Fax: 808-538-3443

*"Building healthier lives,  
free of cardiovascular  
diseases and stroke."*

The AHA strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits like the AHA are tax exempt because they provide social goods and services that otherwise government itself would have to. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for our services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to **HOLD** H.B. 1742. Thank you for this opportunity to testify.

Respectfully submitted,  


Donald B. Weisman  
Hawaii Communications and Marketing/Government Affairs Director

# LEGAL AID SOCIETY OF HAWAII

Telephone: (808) 536-4302, Fax: (808) 527-8088  
924 Bethel St., Honolulu, HI 96813

George J. Zweibel, Esq.  
President, Board of Directors

M. Nalani Fujimori, Esq.  
Interim Executive Director

## TESTIMONY IN OPPOSITION OF HB1742 - RELATING TO DISTRICT COURT

February 26, 2009 at 3:00 p.m.

The Legal Aid Society of Hawaii hereby provides testimony to the House Committee on Finance on HB1742 – Relating to Taxation, in opposition of the bill.

H.B. 1742, Relating to Taxation, would repeal the excise tax exemption of Hawaii nonprofit organizations. Organizations like Legal Aid are tax exempt because we provide vital free legal services to the poor and most needy in this community. At our current levels of funding we are only able to reach one in three who apply for assistance. To be taxed as proposed under this bill, would increase our costs during a time in which we are already facing potential revenue short falls and even further reduce our ability to serve our clients

We realize that the state is facing difficult times with reduced state revenues; however taxing nonprofit organizations like ours is not the way to increase overall revenues. It's taking from the poor to give to the poor.

Thank you for this opportunity to testify.

Sincerely,

Nalani Fujimori  
Interim Executive Director  
527-8014



CATHOLIC CHARITIES HAWAII

To: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

From: Jerry Rauckhorst, President & CEO  
Catholic Charities Hawaii

Date: February 25, 2009

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: **Opposition to HB 1742, Relating to Taxation**

**Catholic Charities Hawaii strongly opposes H.B. 1742**, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that government would otherwise have to provide, such as caring for the mentally ill, assisting the elderly, helping abused and neglected children, and providing food, shelter and health care to those in need.

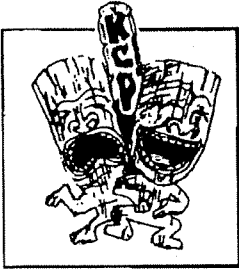
Serving Hawaii since 1947, Catholic Charities Hawaii is part of one of the nation's largest private networks of people helping people. Last year, Catholic Charities Hawaii helped over 52,000 people in need, regardless of religious, social, or economic backgrounds. We work closely with the state to help the government care for its most vulnerable citizens.

We fear this bill would force many nonprofit agencies that are already stretched beyond their means to eliminate programs, lay off workers or close their doors permanently. Without these agencies to provide vital services to the community, the responsibility to provide and fully fund these services would fall on the state, increasing the burden on taxpayers.

We urge the Committee not to pass H.B. 1742.

Thank you for the opportunity to offer testimony.





# Kauai Community Players

*Bringing Live Theatre to Kauai since 1960*

*Non-Profit Status 1971*

[www.kauaicommunityplayers.org](http://www.kauaicommunityplayers.org)

P.O. Box 343, Lihue, Kauai, HI 96766 808-245-7700

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February 25, 2009

RE: Testimony Against HB 1742, Relating to Taxation of Non-Profits

Dear Representative Marcus R. Oshiro, Chair,  
and all members of the Committee on Finance,  
House of Representatives, State of Hawaii:

Kauai Community Players has had non-profit status since 1971 and, in those years, has faced numerous financial hardships in carrying out our mission to bring live theatre to community audiences here on Kauai. We were the parent organization which formed Hawaii Children's Theatre, now a separate non-profit organization.

Finding more ways to tax non-profits is not only counter to the spirit of non-profits in the first place, but extremely inappropriate at a time when grant sources are shrinking and revenues from individual donations and ticket sales diminish as the economy weakens.

Culture, Education, Entertainment, Inspiration—the benefits Kauai Community Players has provided for decades—are even more important in times like these.

Please do not pass H.B. 1742. As much as the State may need additional revenue, taxing non-profits is misguided and unnecessary. The small additional revenue to the State is not worth the damage it will inflict on organizations such as ours who act from the heart and enrich the entire community.

Thank you for the opportunity to testify by letter.

Sincerely,

Wil Welsh, Board President  
Kauai Community Players

cc: KCP Board Members and Advisory Board

**HB 1742  
RELATING TO TAXATION  
Agenda 6**

**KEN HIRAKI  
VICE PRESIDENT – GOVERNMENT & COMMUNITY AFFAIRS  
HAWAIIAN TELCOM**

**FEBRUARY 26, 2009**

Chair Oshiro and Members of the Finance Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 1742, "Relating to Taxation." Hawaiian Telcom opposes several provisions of this measure.

HB 1742, among other things, repeals a number of State tax credits and exemptions. While recognizing the value of periodic reviews of Hawaii's tax code as a tool in the development of sensible tax policy, automatic repeal of the scope as proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed as to the financial and social consequences that this repeal will trigger.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 137, lines 19-22, page 138, lines 1-8), which provides a tax credit for lifeline telephone service. Responding to the problem of an increasing number of "shut-ins" (primarily among our senior and disabled population), the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below \$10,000.

For many of those enrolled in the program, the landline telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those that are disabled or seniors with their doctors, 911, or loved ones.

There are currently over 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and may be left without any means of communication in case of emergency

In addition, Hawaiian Telcom opposes the potential increase to the Public Services Company (PSC) Tax in Section 239-5, Hawaii Revised Statutes (page 104, line 17, page 105 lines 8,10 and page 106, lines 1,6,7, 12 and 20). As you are aware, our company is currently in Chapter 11 and cannot bear the burden of additional costs at this time. Any increase to the PSC tax will increase Hawaiian Telcom's cost of doing business and create disincentives for our company to invest in new products, services, and equipment.

Based on the aforementioned, we respectfully request that HB 1742 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provisions related to Sections 239-6.5, and 239-5.

Thank you for the opportunity to testify on this measure.



# Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiipacifichealth.org

[2 Copies]

Thursday – February 26, 2009

Conference Room 308

3:00pm

## The House Committee on Finance

To: Representative Marcus R. Oshiro, Chair and  
Representative Marilyn B. Lee, Vice Chair

From: Virginia Pressler, MD, MBA  
Executive Vice President

Re: **Testimony Opposing HB 1742, Relating to Taxation**

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My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals – Kapi'olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital – 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

**We oppose HB 1742**, which would effectively repeal the GE Tax Exemption for healthcare providers and create an additional burden on non-profit healthcare systems that are already organized towards providing a public benefit by serving as a safety net provider for Hawaii's patients.

All hospitals in Hawaii are part of the state safety net. Oahu private hospitals such as Kapiolani Medical Center For Women & Children, Straub Clinic & Hospital, Pali Momi, Queen's, Kuakini & others are the safety net for acute care patients not only on Oahu but also serving frequent transfers from the Neighbor Islands. Wilcox Memorial Hospital is the only full service acute care hospital on Kauai and is a major safety net for Kauai patients, including trauma. Hawaii Pacific Health provides care for thirty six percent (36%) of the total state Medicaid/QUEST discharges and loses tens of millions of dollars each year in order to provide care for these patients because of the inadequate reimbursement rates provided. The non profit hospitals of Hawaii Pacific Health provided \$20 million in uncompensated care to communities throughout Hawaii, including charity care and bad debt.

A significant amount of the Hawaii's hospital financial burden can be attributed to continual under-payment from government payers - Medicare and Medicaid/QUEST - which continue to be below cost. Hawaii's overall hospital payment percentage (93% of cost) is among the lowest of all states. On average, Hawaii hospitals lose 20 cents on every \$1.00 spent to provide care for a Med-Quest patient and 21 cents on every Medicare patient.

Reimbursements to Hawaii Pacific Health hospitals and physicians on the front line of essential care fall woefully short of covering annually increasing costs. We provide care regardless of a patient's income or insurance status and the compounding nature of relentless annual shortfalls ripples across the entire healthcare system, imperiling access for every one and putting quality at risk.

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KAPI'OLANI  
MEDICAL CENTER  
AT PALI MOMI



KAPI'OLANI  
MEDICAL CENTER  
FOR WOMEN & CHILDREN



**Straub**  
CLINIC & HOSPITAL



*Wilcox Health*

With no choice but to absorb these losses, hospitals have been forced to delay infrastructure improvements, sell assets, increase debt burden and limit community health and wellness programs. Ultimately, continued inadequate reimbursement from Government payers, puts our mission in jeopardy. The State is not and has not been paying its fair share of Medicaid costs.

Repeal of the tax exemption will only exacerbate the predicament hospitals face. Moreover, a repeal date, even if not immediately imposed, will have adverse impacts on our credit rating and ability to obtain financing at reasonable cost. We urge you to hold this bill. Thank you for the opportunity to testify.





Pauahi Tower, Suite 2010  
1003 Bishop Street  
Honolulu, Hawaii 96813  
Telephone (808) 525-5877  
Facsimile (808) 525-5879

**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

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HOUSE COMMITTEE ON FINANCE  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

Thursday, February 26, 2009  
3:00 p.m.

### **HB 1742**

Chair Oshiro, Vice Chair Lee and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** H.B. 1742. The bill would impose a 4 per cent general excise tax for Hawaii Insurers Council, which is an Oahu-based business league. Hawaii Insurers Council is recognized by the IRS as a 501 (c)(6) non-profit organization. The impact of this tax may cause membership to decline and would create financial hardship for the organization that might lead to staff reductions.

We respectfully request that H.B. 1742 be held.

Thank you for this opportunity to testify.



*I Ola Lāhui, Inc.*

677 Ala Moana Blvd. Suite 904, Honolulu HI 96813

[www.iolalahui.org](http://www.iolalahui.org)

ph: (808)525-6255

fax: (808)525-6256

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Aukahi Austin, Ph.D., I Ola Lahui, Inc.  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

I am Dr. Aukahi Austin, Executive Director of I Ola Lāhui Rural Hawai'i Behavioral Health Program, a 501(c)(3) non-profit organization in Hawai'i. I wish to express my strong opposition to H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

I Ola Lāhui provides psychology training and behavioral health services to Hawai'i's rural and underserved communities. Our mission is to provide culturally-minded evidence-based behavioral health care that is responsive to the needs of medically underserved and predominantly Native Hawaiian rural communities. In recognition of Hawai'i's urgent need for more quality mental health care, I Ola Lāhui is committed not only to providing services, but also to investigating the effectiveness of the services we provide and to training future providers with the hope of making a substantial contribution to the health and well being of the lāhui.

I Ola Lāhui is a non-profit service organization that works very hard to meet the growing demand for behavioral health services in Hawai'i's most needy communities. In this difficult economic climate, I Ola Lāhui and other behavioral health providers have been given the heavy responsibility of providing services to accommodate for state funded programs that have encountered heavy cutbacks in funding.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are

ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Mahalo for the opportunity to testify.

A. Aukahi Austin, Ph.D.  
Executive Director  
I Ola Lāhui, Inc.  
677 Ala Moana Blvd., Suite 904  
Honolulu, HI 96813  
(808)525-6255  
aaustin@iolalahui.org

# HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 702 Honolulu, Hawaii 96813

Phone: (808) 531-2198 Fax: (808) 534-1199

Web site: <http://www.hysn.org> E-mail: [info@hysn.org](mailto:info@hysn.org)

Alan Shina, President

Judith F. Clark, Executive Director

Acadia Hawaii Residential Treatment  
Center (Formerly Children's  
Comprehensive Services)

Adolescent Services Program, Kaiser  
Permanente Medical Care System

Aloha House

American Civil Liberties Union of Hawaii

Assistive Technology Resource Ctr. of HI  
Bay Clinic, Inc.

Big Brothers Big Sisters of Honolulu

Big Island Substance Abuse Council

Blueprint for Change

Bobby Benson Center

Catholic Charities Hawaii

Central Oahu Youth Services Assn.

Child and Family Service

Coalition for a Drug Free Hawaii

Community Assistance Center

Domestic Violence Action Center

EPIC, Inc.

Family Support Services of West Hawaii

Foster Family Programs of Hawaii

Friends of the Missing Child Center of HI  
Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Behavioral Health

Hawaii Foster Parent Association

Hawaii Student Television

Healthy Mothers Healthy Babies Coalition

Hina Mauka Teen Care

Kahi Mohala Behavioral Health

Kama'aina Kids, Inc.

KEY (Kaula-Heeia Ecumenical Youth)  
Project

Kids Behavioral Health

Kids Hurt Too

Kokua Kalihini Valley

Life Foundation

Marimed Foundation

The Maui Farm, Inc.

Maui Youth and Family Services

Palama Settlement

P.A.R.E.N.T.S., Inc.

Parents and Children Together (PACT)

Planned Parenthood of Hawaii

Salvation Army Family Intervention Svcs.

Salvation Army Family Treatment Svcs.

Sex Abuse Treatment Center

Susannah Wesley Community Center

Turning Point for Families

Waikiki Health Center

Women Helping Women

YouthVision

YWCA of Kauai

February 25, 2009

To: Representative Marcus Oshiro, Chair  
And members of the Committee on Finance

## Testimony in Opposition to HB 1742 Relating to Taxation

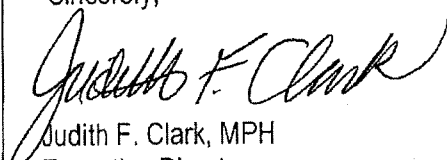
Hawaii Youth Services Network, a statewide coalition of about fifty youth-serving organizations, opposes HB 1742 Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Non-profit organizations provide essential health, education, and human services to vulnerable populations, such as young children, persons with disabilities and the elderly. They enhance the quality of community life through culture and arts and environmental programs.

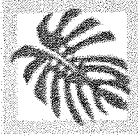
Any payments for excise taxes would have to be taken from the funds that support critically needed services. If non-profit organizations are required to pay excise taxes on their revenues, the result will be a reduction in the quality and quantity of services that ensure that our people are safe, healthy, and have opportunities for education and employment. Charities are already struggling to maintain services in the face of reduced government contracts and declining donations and this bill will only make matters worse.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH  
Executive Director



TOWER HILL  
RESOURCES

Kūlia i ka nū'u... Strive for the highest

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

FROM: Bill Musick, Tower Hill Resources

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I would like to express my strong opposition to H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would simply cause them to cut these important services.

H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. This bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

*Bill Musick*

Bill Musick

Principal

BMusick@Tower-Hill.com



# HISTORIC HAWAII FOUNDATION

## EXECUTIVE COMMITTEE

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**Lani Ma'a Lapilio**  
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## EXECUTIVE DIRECTOR

Kiersten Faulkner

## VIA EMAIL:

FINtestimony@capitol.hawaii.gov

## To:

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

## From:

Kiersten Faulkner *Kiersten Faulkner*  
Executive Director, Historic Hawai'i Foundation

## Committee Date:

Thursday, February 26, 2009  
3:00 p.m.  
Conference Room 308

## Subject:

**Opposition to HB1742, Relating to Taxation**

On behalf of Historic Hawai'i Foundation, I am writing to in strong opposition to HB1742, which would repeal the excise tax exemption of Hawai'i nonprofit organizations.

Historic Hawai'i Foundation (HHF) was organized in 1974 as a 501(c)(3) charitable organization. Like other Hawai'i nonprofits, HHF provides social goods and services more efficiently and effectively than the government could otherwise. In recognition of the societal benefit provided by these organizations, the state has exempted donations to the non-profits from the general excise tax.

HHF depends on contributions from individuals, businesses and organizations for the revenue that enables its programs. The annual receipts that are related to its membership programs, program services, or other mission-related income, are currently exempt from GET.

At all times, HHF runs a lean operation. HB1742 would slash resources at a time when many other sources of support are shrinking. In this challenging economic environment, additional taxation could mean the difference in whether or not a program continues, with implications for staffing and other expenditures. This is not in the best economic interest of the State and is not in the best interest of society at large.

Therefore, HHF opposes HB1742 and respectfully asks the committee not to pass it.







# Hawai'i Island United Way, Inc.



**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Hawaii Island United Way, Inc.

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

The Hawaii Island United Way, Inc. (HIUW) is a nonprofit organization with a mission, "To unite people, organizations, and resources to build a healthier community". We are an island-wide networking agency that also raises funds which currently support 50 health and human service programs on Hawaii Island. These programs are developed and delivered by 35 local non-profit agencies with long track records of service. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

We all know the value and support that non-profit health and human service organizations provide our community; during strong and challenging economic times. At a time when services are needed most-our revenue sources are limited. The additional burden to non-profit agencies proposed by this Bill, will ***adversely affect the ability for many non-profits to survive.***

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

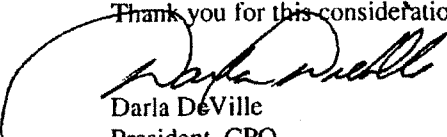
The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Also this *Bill will add to administrative costs, possibly limiting grant opportunities and discouraging donors.* Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nearly one- third of our student population attends nonprofit schools, dramatically reducing state spending on education. This Bill would place an additional burden on private school budgets, passing the additional expense to parents. We may then see an increase to our public school enrollments- something we are NOT prepared for.

We fear this Bill would force many charities that are already stretched beyond their means, to close, eliminate programs, or lay off workers. This would force the state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers once again.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Thank you for this consideration,

  
Darla DeVille  
President, CPO



# NFCA

National Fraternal Congress of America

## Why HB 1742 is Bad for Fraternal Organizations and Bad for the State of Hawaii and its People

- **Taxing not-for-profit organizations such as fraternal benefit societies is poor public policy –** This bill appears to subject a variety of not-for-profit organizations, including fraternal benefit societies, to the state excise tax. Applying this tax to fraternal organizations would be unprecedented. No state in the union taxes fraternal organizations; nor does the United States Government.
- **Taxing fraternal organizations would have a devastating effect on their ability to serve local community service groups and charities –** Fraternal benefit societies use their tax exemption to fund community service activities and partner with other nonprofit groups to better serve those in need. Taxing these organizations would undermine their ability to conduct this work and leave many groups without an important source of funding or volunteers.
  - In 2007 in Hawaii, fraternal organizations donated over \$2.1 million in volunteer service and direct financial aid to their communities. (See attached for a sample of some of the projects and organizations we support in the state.)
  - 9,000 Hawaii citizens are members of fraternal benefit societies. The four largest societies are Thrivent, Knights of Columbus, Independent Order of Foresters and Woodmen of the World.
- **Fraternal organizations' community service activities are needed now more than ever –** Undermining fraternal organizations' ability to conduct meaningful community service projects during the current fiscal crisis would result in a sharp reduction in volunteerism at a time when many individuals need help to fill the ever-widening gap in government programs.
- **The loss in support for community service programs would not be offset by new tax revenue –** Because it is difficult to determine the specific lines of business that may be subject to the state's excise tax under the provisions of H. 1742, it is impossible to estimate the amount of tax revenue that may be generated from this legislation. However, it is certain that such revenues would not come close to the value of the direct financial aid and the volunteer support provided by fraternal organizations to community service groups and charitable organizations throughout the state.



**BOYS & GIRLS CLUB**  
OF THE BIG ISLAND

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Ivan Nakano, Boys and Girls Club of the Big Island (BGCBI)

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

100 Kamakahonu Street  
Hilo, Hawaii 96720

Ph. 808-961-5536  
Fax: 808-961-5189

Visit the Club's Website  
at [www.bgcbi.com](http://www.bgcbi.com)

*Chief Professional Officer*  
Warren H.W. Lee

*Chief Volunteer Officer*  
Ivan I. Nakano

*Chief Volunteer Officer Elect*  
William Walter

*Vice President*  
Toby Taniguchi

*Treasurer*  
Donn Mende

*Secretary*  
Newton J. Chu

*Directors*  
Fred Blas  
Russell Chin  
Bonnie Geiger  
Michael Gleason  
Russell A. Hayashi  
Steven Jacunski  
Randy Kurohara  
Rhea Lee  
Julia Neal  
Mitchell Roth  
William Takaba  
Akira Watanabe  
Wayne Yamauchi

Our organization, Boys & Girls Club of the Big Island, is a nonprofit with a mission to "inspire and enable Big Island youth of all backgrounds, especially those from disadvantaged circumstances, to become productive and responsible citizens by offering quality programs in a safe and caring environment." In 2008, our organization served 2,642 youth ages 6 through 18, providing them with positive youth development programs/activities during out-of-school hours. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing



**Hawaii Island United Way**  
Member Agency

the burden on taxpayers.

BGCBI Board of Directors urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Respectfully yours,

Ivan Nakano  
Chief Volunteer Officer, Boys & Girls Club of the Big Island

To: The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn Lee, Vice Chair  
House Committee on Finance

From: Laura Robertson, President/CEO  
Goodwill Industries of Hawaii, Inc.

Date: February 26, 2009

Re: **Testimony opposed to H.B. 1742 – Relating to Taxation**

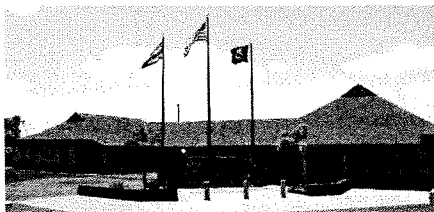
We applaud the legislature for its leadership in addressing the state's economic crisis. While we appreciate the intent of measures that seek to address the plight of Hawaii's taxpayers, we respectfully oppose this measure which will eliminate vitally important tax exemptions.

Goodwill Industries of Hawaii anticipates that it will be unable to pass the costs associated with the elimination of certain exemptions on to consumers and that this measure may have the unintended consequence of burdening the non-profit sector in general and Goodwill in particular.

Non-profit organizations are tax empty because they provide a social good that government would otherwise be forced to provide. Non-profits are able to provide diverse and specialized services more economically and efficiently than government. Taxing them would add tremendous costs, put many out of business and cause the social safety net to fracture. In these difficult economic times government should applaud non-profits for the difficult challenges they face and partner with them to leverage resources to continue to support the community infrastructure.

Since 1959, Goodwill Industries of Hawaii has provided small classes, on-the-job training, and placement services to fulfill our mission to put people back to work. Last year, Goodwill Industries of Hawaii served more than 9,400 individuals throughout the state in its career development and training programs and placed over 1,800 into jobs. It is our belief that any individual who wants to work should be able to work, and that work is a basic right that will assist people to attain other life goals.

Thank you for this opportunity to provide testimony on this matter.



**"a gathering place for veterans"  
OAHU VETERANS CENTER**

**OAHU VETERANS COUNCIL AND CENTER**

**1298 Kukila St.  
Honolulu, Hawaii 96818  
(808) 422-4000 FAX: (808) 422-4001  
E-Mail: [sballard@oahuveteranscenter.com](mailto:sballard@oahuveteranscenter.com)**

February 25, 2009

**TESTIMONY ON HOUSE BILL 1742  
RELATING TO TAXATION OF NON PROFIT ORGANIZATIONS**

**HOUSE FINANCE COMMITTEE  
FEBRUARY 26, 2009 3:00 PM, HOUSE CONFERENCE ROOM 308**

**BY OAHU VETERANS COUNCIL AND CENTER**

Good afternoon Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance. The Oahu Veterans Council and Center are in opposition to House Bill 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. The Oahu Veterans Council consists of representatives from all veteran organizations on Oahu and meets monthly to discuss items of mutual interest and concerns with representation from the Department of Veterans Affairs, State Office of Veterans Services and Department of Labor. The Council oversees the Oahu Veterans Center in Foster Village, a gathering place for Oahu's Veterans. Both the Council and Center are 501(c)(3) tax exempt entities. The Center provides programs for both Oahu Veterans and returning troops from the War on Terror and is hoping to establish additional programs.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need, and in our care providing programs and assistance to Oahu's veteran population, our active duty personnel and their families. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

The Oahu Veterans Center along with many other charities is feeling the results of the present economic downturn. This repeal of HB 1742 could force the elimination of programs, lay off workers and force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

*Fred Ballard*

Fred Ballard  
President, Oahu Veterans Council

*Sandy Ballard*

Sandy Ballard  
Executive Director, Oahu Veterans Center



# NATIONAL TROPICAL BOTANICAL GARDEN

Chartered by Congress to Create a National Resource in Conservation, Research, and Education

Committee: House Committee on Finance

Hearing: Thurs. Feb. 26, 2009, 3:00PM, Room 308

Measure: House Bill 1742

**As a 501(c)3 non-profit the National Tropical Botanical Garden STONGLY opposes HB 1742.**

Section 18 of this lengthy bill would repeal the general excise tax exemption for 501(c)(3) organizations. If enacted, this would mean that charitable organizations would pay GET on all of their program service revenue (for example, tuition or fees charged to users) and investment income as well as membership dues and assessments.

The current economic crisis is having a huge impact on the non profit sector of our economy. We provide many essential services to our state and employ many people. This bill will have a devastating impact on us and require a reduction in force which will further hurt our state and our economy.

**Please do not pass HB 1742 as currently written.**

Mahalo for the opportunity to testify.

Aloha,

Chipper Wichman  
Director and CEO





COMMITTEE ON FINANCE  
HOUSE OF REPRESENTATIVES  
Thursday, February 26, 2009

**H.B. 1742, Relating to Taxation  
(Testimony in opposition)**

Mr. Chair and Members of the Committee, my name is Linda Chu Takayama, and I am the Chair of the Hawaii Foodbank. The Foodbank serves 131,862 different individuals every year, distributing nearly 9 million pounds through 250 charitable agencies, including feeding programs for children and the elderly, homeless and abuse shelters, rehabilitation centers and soup kitchens.

Except for a modest amount from the Office of Community Services, which we use to pay for shipping food to the neighbor island foodbanks, the Hawaii Foodbank does not request nor receive any other state funds.

This organization is a prime example of the community coming together to take care of its own. We are almost entirely supported by the individuals and businesses in the community. Programs (food collection and distribution) account for 95% of all our spending. Administration and fundraising expenses account for only 5%.

This bill would repeal our exemption from the general excise tax. Because we serve a population at the lowest ends of our state's economy, we would be unable to pass along the GET, and it becomes an additional operating cost for us. Unfortunately, this would occur at a time when demand for our services has increased by 200-300% over last year, a trend we do not anticipate will decline in the next few years.

We urge you to continue investing in our efforts by preserving the tax exemption. We respectfully request that this bill be held.

Thank you for your consideration

Linda Chu Takayama  
(808) 545-3060



Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
Committee on Ways and Means

HEARING      Thursday, February 26, 2009  
3:00 pm  
Agenda #6  
Conference Room 308  
State Capitol, Honolulu, Hawaii 96813

RE:      **HB 1742, Relating to Taxation**

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

**RMH strongly opposes HB1742**, which repeals certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations; reduces the tax rate on sales to the final consumer from 4% to 3.5%; reduces also the public service company tax rate and repeals certain public service company tax exemptions; subjects to the general excise tax certain sales of real property and sales of securities, commodity futures, and bonds; and makes conforming amendments to other laws.

While lowering the GET rate on the ultimate consumer by .5% is appealing, other provisions that eliminate tax exemptions for many entities, whether for-profit and non-profit, while imposing the 3.5% GET would be costly and devastating. Specifically for the retail industry, imposing the 3.5% tax on goods exported from Hawaii would pose a definite disadvantage for Hawaii companies competing in the global marketplace.

We respectfully urge you to hold HB1742. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII  
1240 Ala Moana Boulevard, Suite 215  
Honolulu, HI 96814  
ph: 808-592-4200 / fax: 808-592-4202  
web site: [retailmerchantsopenhawaii@RMHawaii.org](mailto:retailmerchantsopenhawaii@RMHawaii.org)



February 25, 2009

Committee on Finance  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

**Hearing:**

3:00 P.M., Thursday, February 26, 2009  
Hawaii State Capitol, Room 308

**RE: HB1742, Relating General Excise and Use Tax Reform**

**TESTIMONY IN STRONG OPPOSITION**

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance. My name is George Massengale and I am the Director of Government Relations with the American Cancer Society Hawaii Pacific Inc. Thank you for the opportunity to testify in strong opposition to HB1742, which repeals certain general excise tax provisions for nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

The American Cancer Society Hawaii Pacific Inc., which was founded in 1948, is a community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service. **Each year in Hawaii, the Society touches the lives of thousands of individuals and their families who are battling cancer, including many elected officials and legislative staffers who work here.**

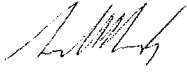
Hawaii's General Excise Tax is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. The unintended consequence of H.B. 1742 is that it slashes resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

The American Cancer Society believes that this bill will force many nonprofit organizations that provide critical cancer health related services and support to be stretched beyond their means. Some organizations may have to close; most will have to drastically cut back on programs and services. Our State's health and social services safety net will be jeopardized.

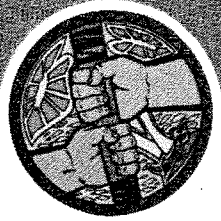
**The Society urges the committee to remove those general excise and use tax provisions that would impact nonprofit organizations.**

Mahalo for giving me the opportunity to testify on this bill here today.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale". The signature is stylized and cursive.

George S. Massengale, JD  
Director for Government Relations



*hō'omōhala* *huaka'i*  
*Preparing communities for success and service*

Partners in Development  
*Foundation*

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: Jan E. Dill, President  
Partners in Development Foundation

HEARING: Thursday, Feb. 26, 2009, 3:00 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Partners in Development Foundation is a 501(c)(3) non-profit public corporation which seeks to serve families and communities within the State in areas of education, social service, culture/language and environmental responsibility/remediation. Our programs serve those in need with special focus on the Native Hawaiian population throughout Hawai'i who are consistently found among the top ethnic groups for incarceration, drug abuse, homelessness, entrance into the foster care system, poorest performance on school assessments to name a few.

We strongly oppose passage of H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawai'i non-profit organizations.

Non-profits such as ours provide social goods and services that would otherwise become a governmental responsibility and are therefore tax exempt. These services are provided more economically and efficiently than the State; however, taxing them would add tremendously to their costs and make them much less effective.

Please realize that the Hawai'i GET is a gross receipts tax, which means it would tap non-profit revenues, not just net income after expenses. Non-profits would have to pay whether they are losing money or not. H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and community demands for services are escalating.

We fear this bill would force many charities that are already struggling to close, eliminate programs or lay off staff which would then require increased services from the State government and result in increasing the taxpayers' burden.

We urge the Committee not to pass H.B. 1742. Thank you for your consideration of this request.

**Kahi Mohala Behavioral Health**  
91-2301 Old Fort Weaver Road  
Ewa Beach, HI 96706

To: The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn Lee, Vice Chair  
House Committee on Finance

From: Leonard Licina, Chief Executive Officer

Date: February 26, 2009

Re: **H.B. 1742 – Relating to Taxation**

On behalf of Kahi Mohala Behavioral Health, we respectfully **oppose** HB 1742 in its current form.

This measure, while seeking to reduce the overall excise tax rate, eliminates key exemptions which would have a significant impact on Kahi Mohala's ability to provide mental health services in the state. We estimate that this measure could cost our organization in excess of half a million dollars per year. The additional costs will not be able to be fully passed on to our patients as many are state patients or subject to income and reimbursement restrictions.

Kahi Mohala Behavioral Health is a center for excellent mental health care services. Our 88-bed facility is located on 14.5 acres in Ewa Beach on the island of Oahu. We are Hawaii's only freestanding, community-based, not for profit psychiatric hospital; serving the needs of not only individuals and families in Hawaii, but also those throughout the Pacific Rim.

Kahi Mohala is accredited by The Joint Commission, certified by TRICARE and Medicare/Medicaid.

Please do not advance HB 1742.

KONA HISTORICAL SOCIETY  
P.O. Box 398  
Captain Cook, Hi. 96704

February 25, 2009

Hawaii State Legislature  
State Capital Bldg.  
Honolulu, Hi. 69813

Dear Ladies & Gentlemen:

**Re: House Bill 1742**

On behalf of the Kona Historical Society Board of Directors, I would like to offer testimony against House Bill 1742 which would repeal the exemption of general excise tax for nonprofits.

This piece of legislation would have a devastating affect on all non-profit organizations in our State who are already struggling to complete their mission in today's poor economy. Implementing such a bill would only add greater hardship to these organizations that are providing services for our State that it can no longer afford TO DO on its own.

In the past 6 mos. our small museum has lost half of its staff and has gone from a budget of \$1.3M to \$400,000. Having to pay the additional 4 % tax would bring greater lay-offs and closure of most of our programs.

Please vote against House Bill 1742.

Mahalo,

KONA HISTORICAL SOCIETY

Jill R. Olson  
Executive Director

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Bridge House, Inc.

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Bridge House, Inc., is a Therapeutic Living Program with a mission to provide treatment for people in recovery from substance abuse. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



**The Arc in Hawaii  
3989 Diamond Head Road  
Honolulu HI 96816**

**Testimony In Opposition to HB 1742**

Relating to Taxation

Thursday, February 26, 2009 3:00 p.m.

Conference Room 308

Committee On Finance  
House Of Representatives  
The Twenty-Fifth Legislature  
Regular Session of 2009

Representatives Oshiro and Lee and Members

I am Thomas Huber, the volunteer President of The Arc in Hawaii , a nonprofit 501 (c) (3) organization which provides vital services to people in Hawaii with developmental disabilities, including twenty-one 24/7 residential facilities.

We **strongly oppose** those provisions of H.B. 1742 which would repeal the General Excise Tax exemption of Hawaii nonprofit organizations.

As it is, many nonprofits operate at or dangerously close to breakeven each year, and struggle for financial stability. Many suffer deficits from year to year. Since the tax is based on gross income (excluding certain donations and gifts) it would be payable even by organizations that are already underwater. I believe many or most other nonprofits would also be cast into deficit positions after payment of the General Excise Tax.

The Legislature should repeal the nonprofit exemption from the General Excise Tax **ONLY** if it is prepared to deal with the collapse of the nonprofit social services sector, to have the State provide the lost services, to assume responsibility for the numerous people driven into homelessness, and to face the human and fiscal cost of increased unemployment.

We urge the Committee to not pass H.B. 1742 in its present form..

Thank you for the opportunity to provide this testimony.

Thomas P. Huber  
President

**TO:** REPRESENTATIVE MARCUS R. OSHIRO, CHAIR;  
REPRESENTATIVE MARILYN B. LEE, VICE CHAIR;  
AND MEMBERS OF THE COMMITTEE ON FINANCE

**FROM:** GREGORY AYAU, BOARD MEMBER HAWAII ISLAND UNITED WAY, INC.

**HEARING:** THURSDAY, FEB. 26, 3 PM, ROOM 308

**DATE:** 2/25/2009

**RE:** OPPOSITION TO HB 1742, RELATING TO TAXATION

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I am proud to sit on the Board for Hawaii Island United Way, Inc., a nonprofit organization with a mission to identify, assess, and provide solutions for human service needs through the development of new, enhancement of existing, and promotion of preventive human service programs on the island of Hawaii. These programs service the under-served, the forgotten, the needy that have fallen into this safety net of programs and services designed to fill a gap left by County, State, and Federal governments.

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to; such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the State. However, taxing them would add tremendously to their costs and lessen the funds that would help those programs help others. In effect, this action would be akin to "killing the golden goose", a cost that might very well exceed any short term benefit derived by the State.

Nonprofits are feeling the strain of the economy as is the State; but with fewer options. If the adage "timing is everything" then clearly, this is not the time to start imposing a tax on organizations that are already being "taxed" by being forced to seek new funding sources and cutting staff. It is not the time to decrease the resources of organizations that are seeing an increase in need. I fear this bill will put an undue burden on nonprofit organizations possibly to the point of closure. This in turn could have devastating effects not only on the beneficiaries of these much needed programs but also on our communities. These organizations stand in the gap, a gap that is sadly widening.

I humbly urge the Committee to refrain from passing H.B. 1742. Thank you for your time and thank you for your consideration.

Sincerely,

  
Gregory Ayau



# Hale Kipa

615 Pi'ikoi Street, Suite 203 T 808 589-1829  
Honolulu, Hawaii 96814-3139 F 808 589-2610  
E info@halekipa.org

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Hale Kipa, Inc.

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

**RE: Opposition to HB 1742, Relating to Taxation**

Hale Kipa, Inc. is a private, non-profit that provides a range of programming for Hawaii's young people and their families. This includes street outreach, foster care, residential housing, youth and family counseling as well as positive youth activities.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Non-profits are able to stretch their already limited dollars due to being tax exempt; without this exemption, all non-profits would be affected and it would clearly challenge and jeopardize their ability to provide the range of services they current offer. These services are ones that are desparately needed by persons who, if not for non-profits, the government would have to fulfill the need which has rarely been a successful endeavor. Non-profits can often provide these critical services with more flexibility and efficacy.

This is a very poor time to even consider this bill as many non-profits remain very vulnerable due to other cuts and a lack of funding from the usual revenues.

We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

Sincerely,

Jaque Kelley-Uyeoka  
Deputy CEO-Outreach Services  
Hale Kipa, Inc.

- |                                                               |                                           |                                                    |
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|                                                               |                                           | Andy Levin<br><i>Neighbor Island Board Liaison</i> |



TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Gayle Kutaka, President  
Society of Healing Connections

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hawaii Center for Attitudinal Healing, is a nonprofit with a mission to help people experience inner peace and happiness through innovative programs. Our client population includes at risk teenagers, incarcerated men and women, adults who are experiencing life altering situations such as cancer, divorce, and addiction.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and

that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-  
Chair  
and Members of the Committee on Finance

FROM: Brandee Menino, Keaau, Hawaii Residents (Big Island)

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

### **Opposition to HB 1742, Relating to Taxation**

I work for a non-profit organization who exist to promote acts of charity and justice and to serve those most in need...utilizing spiritual, human and material resources to empower those we encounter to experience dignity and respect. We outreach to families and individuals who are homeless, offer emergency shelter services, rental subsidies for persons who have disabilities, representative payee services to the severely mentally ill and community re-integration services to individuals returning to our communities from incarceration. Through these programs, we serve over 1,200 individuals on Hawaii Island alone.

I strongly oppose H B 1742 Relating to Taxation which would repeal the excise. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

I fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. I urge the Committee to NOT pass H.B. 1742. Thank you for this opportunity to testify.

**JOINT LEGISLATIVE EFFORT**

**E-Mail:** XXXtestimony@Capitol.hawaii.gov  
**Regarding:** [Name of Committee]  
**Hearing on:** Date, time and location of hearing

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Pilar, Prudencio  
Rauckhorst, Jerome  
Tong, Myron  
Yoshimitsu, Walter

**Date:** February 26, 2009

**To:**

**From:** Dennis Arakaki  
Executive Director  
Hawaii Family Forum / Hawaii Catholic Conference

**Re:** **[Position and Bill Number]**

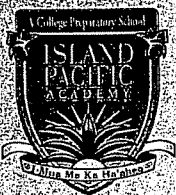
Honorable Chair and members of the XXXXX Committee on [XXXXX], I am Dennis Arakaki, representing both the Hawaii Family Forum and the Roman Catholic Church in the State of Hawaii.

Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii. The Roman Catholic Church in Hawaii, under the leadership of Bishop Larry Silva, represents over 220,000 Catholics in Hawaii.

Hawaii Family Forum is opposed to this measure for the following reasons:

The Hawaii GET is a gross receipts tax, which means it will tap **every** dollar your nonprofit receives, not just your net income after expenses. Nonprofits would have to pay even if they are losing money.

- Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.
- Even donations that are exempt from state and federal taxes would be subject to excise tax.
- Nonprofit schools, which reduce state spending on education, would have to pay.
- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.



909 Haumea Street,  
Kapolei, Hawaii  
USA 96707

Telephone:  
(808) 674-3523

Pacsimile:  
(808) 674-3575

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Stuart Hirstein, Island Pacific Academy

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Island Pacific Academy, is a nonprofit with a mission to Educate our 660 students in Pre-K to 12<sup>th</sup> grade. Our mission is built around a simple philosophy of the Power of Human Kindness and Generosity of Spirit. We want our students to graduate with a love of learning and their curiosity in tact.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Stuart Hirstein  
Associate Headmaster, Chief Operating Officer  
Island Pacific Academy





**Testimony to the House Committee on Finance  
Thursday, February 26, 2009  
3:00 p.m.  
Conference Room 308  
Agenda #6**

**RE: HOUSE BILL NO. 1742 RELATING TO TAXATION**

Chair Oshiro, Vice Chair Lee, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber is strongly opposed to HB 1742 relating to Taxation

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

House Bill 1742 repeals certain general excise and use tax excise exemptions and exclusions and reduces the tax rate on sales to the final consumer from 4% to 3.5%.

While we understand the intent of this measure and the urgency to find a solution to address the current fiscal status of the State's budget, the Chamber opposes this measure because of the huge fiscal impact it will have not only on businesses, but non-profits that provide social services, charitable and education institutions, and hospitals, all of which are already struggling to stay afloat. Because they play a major role in providing for the social welfare of our State, we cannot afford to take away these exemptions from them.

Businesses as well cannot afford to undertake additional expenses during this time. This measure will create a volatile effect on businesses especially as they try to plan for the future. Also, many of the tax credits and exemptions help stimulate economic activity for start-up industries, or provide relief to existing industries, which in turn, pass down the savings to consumers.

Additionally, the GET would be imposed on gross wages, without any offset for deductions. It would therefore amount to the equivalent of a huge income tax increase. Moreover, this tax burden would fall entirely on Hawaii's residents while visitors would reap the benefit of the lower GET on retail purchases.

Next, the bill imposes the GET on sales of real property. This provision would be a disincentive to invest in Hawaii real estate. Furthermore, this measure imposes the GET on export sales. A business in Hawaii selling a product for delivery in another state would be faced with a 3.5% tax to sales with delivery outside the State. This tax is a disadvantage for a Hawaii business competing with non-Hawaii sellers.

These are some of the reasons why this measure will have an adverse effect on revitalizing the economy. Therefore, The Chamber respectfully requests that the committee holds this bill and conducts further study and evaluation before implementing an automatic repeal. Thank you for the opportunity to submit testimony.

## Three Ring Ranch

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**From:** Three Ring Ranch [animals@threeringranch.org]  
**Sent:** Thursday, February 26, 2009 8:32 AM  
**To:** 'FINtestimony@capitol.hawaii.gov'  
**Cc:** Bill Cliff, Gabriella Cooper  
**Subject:** HB 1742

Aloha Representative Marcus R. Oshiro, Representative Marilyn B. Lee, Vice-Chair, Members of the Committee on Finance,

Please vote against HB 1472.

As the Curator of Hawaii's only accredited wildlife rehab and Sanctuary facility this bill could force us out of business. We barely survive these harsh economic times. This bill would force us to refuse to continue to care for Hawaii's endangered wildlife! We are the only facility that cares for the endangered seabirds, hawks, owls and bats of not only the Big Island but all of Hawaii. USF&W Service and DLNR fly the animals to us for care. Care that we provide to the State of Hawaii free of charge! How can we continue if you tax the small donations that private citizens make that allow us to feed the animals? Not one of us takes a salary, we are 100% volunteer. The tax you would impose would take the food and medical care coverage away from the animals you the State sends to us for care.

It is mind boggling that this is even being proposed.

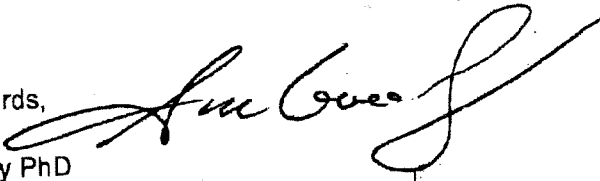
HB 1742 proposes to tax every dollar a non-profit receives.

- Non-profits provide social goods and services that otherwise government itself would have to, such as
  - caring for the mentally ill,
  - taking care of the elderly,
  - caring for wildlife
  - education
  - helping abused or neglected children or providing food,
  - shelter and health care to those in need.
- Nonprofits provide these services more economically and efficiently than the state.
- Taxing them would add tremendously to their costs and make them less effective.
- The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses.
  - Nonprofits would have to pay whether they are losing money or not.
  - Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.
- Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.
- This bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers
- It would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to NOT PASS H.B. 1742.

Thank you for this opportunity to testify.

Kind Regards,



Ann Goody PhD

Curator

Three Ring Ranch Exotic Animal Sanctuary

Kona, Hawaii

[www.threeringranch.org](http://www.threeringranch.org)



2459 10th Avenue  
Honolulu, HI 96816-3098  
Phone: (808) 739-6033  
Fax (808) 735-1754  
Visit: [www.PaloloHome.org](http://www.PaloloHome.org)

### FAX MESSAGE

Date: Thursday, February 26, 2009

To: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance.

From: Darryl N. Ing, CEO  
Palolo Chinese Home

Fax Number: 586-6201

From: Darryl N. Ing, C.E.O  
Telephone: 739-6033

Total Pages: 2

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Our organization, Palolo Chinese Home, is a nonprofit with a mission to assist and care for Hawaii's elders and their families by providing a continuum of care which is professional and interdisciplinary, in a culturally sensitive family setting.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and healthcare to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their cost and make them less effective.

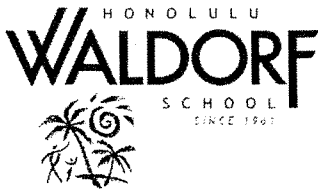
The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Organized by the Chinese Men's Committee of the Associated Charities of Hawaii, a predecessor of the Aloha United Way, Palolo Chinese Home was established in 1917 in response to the increasing number of elderly Chinese men in Honolulu who were single, aged, immigrant plantation workers with no families to care for them. Today, the Palolo Chinese Home is still committed to keeping costs down to keep our services affordable for the elderly on fixed incomes.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs of lay off workers that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,  
Darryl N. Ing, Chief Executive Officer  
Palolo Chinese Home



TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance  
FROM: Honolulu Waldorf School  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308

**RE: Opposition to HB 1742, Relating to Taxation**

Our organization, Honolulu Waldorf School, is a nonprofit early childhood through grade 12 co-educational independent school with a mission to provide a fine Waldorf education to the children of Hawai'i. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawai'i nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as educating Hawai'i 's children, caring for the mentally ill, taking care of the elderly, helping abused and neglected children , and providing food, shelter, and health care to those in need.

Nonprofits are able to provide these services more economically and efficiently than the state. Taxing nonprofits would add tremendously to their costs, make them less effective, and in some cases force them to close their doors forever. The Hawai'i GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. For schools, this would mean every dollar received, including tuition, grants, and donations, would be taxed, not just the net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations, and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents, many of whom are already suffering from the economic crisis and would be forced to withdraw their children and place them in the already overburdened public schools. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Connie Starzynski  
Administrative Director  
Honolulu Waldorf School  
350 Ulua Street  
Honolulu, HI 96821  
808-377-5471

## THE LANAI YOUTH CENTER

P. O. Box 630961  
717 Fraser Avenue  
Lana'i City, Hawaii 96763  
Office: (808) 565-7675  
Fax: (808) 565-9588  
E-mail: [lanaiyouthcenter@wave.hicv.net](mailto:lanaiyouthcenter@wave.hicv.net)

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

FROM: Diane Irons, Executive Director

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Lanai Youth Center, is a nonprofit agency with a mission to provide enhanced youth programs (to youth ages 7 to 18 years old) that assists in youth development to help build positive attitudes, a healthy lifestyle, and future community leaders.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs, or lay off workers. It would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Mahalo for this opportunity to testify.

"Lana'i Youth Center ... a fun, safe place for youth to gather."

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Nancy A. Kanna, Immediate Past President, Rotary Club of Poipu Beach  
Incoming Assistant District Governor, Rotary District 5000 (Hawaii)

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Rotary Club of Poipu Beach, is a nonprofit with a mission to serve its local community through work and service projects, scholarships and other community oriented projects. We are one of six clubs on Kauai dedicated to serving our youth, our elderly and our community in general. We strongly oppose H. B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children, or providing food, shelter and health care to those in need.

Non profits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. Donations, for which non-profits are so dependent upon, would be subject to the excise tax. *Every* dollar a non profit receives, not just net income after expenses, would be taxed. Non profits would have to pay even if they're *losing* money!

This far reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, child and elderly care.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
House Committee on Finance

Gerald L. Hofwolt, Captain, US Navy (Retired)  
Pacific Fleet Submarine Memorial Association, Inc.  
Telephone: 808-423-1341, Facsimile: 808-422-5201  
e-mail: jerryhofwolt@hawaii.rr.com

Thursday, February 26, 2009

My position on the measure & bill number HB 1742, Relating to Taxation

Introduction:

1. Good afternoon. I am Gerald L. Hofwolt, Captain, US Navy (Retired). For 30 years I served our great country in the Submarine Service of the U.S. Navy. Retiring from the Navy in 1998, I became the Executive Director of the USS Bowfin Submarine Museum and Park on the shores of Pearl Harbor. Subsequently, I have been elected as the President of the Pacific Fleet Submarine Memorial Association, Inc. (PFSMA) a 501 c3 not for profit organization that has for 27 years operated the USS Bowfin Submarine Museum and Park as a memorial to the intrepid submariners from World War II. During that horrendous War, particularly here in the Pacific, the submarine service, comprised of just 288 submarines lost 52 submarines and crews, more than 3500 officers and crew, who paid the ultimate sacrifice defending freedom. In May 1979, the Navy transferred Ex-USS Bowfin (SS-287) on permanent loan to the PFSMA as a memorial and for the purpose of exhibit. After 18 months of preparation, Bowfin opened its hatches for exhibit, beginning in March 1981. Since then, more than 5 million visitors have toured this beautiful and lovingly restored submarine, museum and Memorial.
2. I am testifying for HB-1742 that seeks to change Hawaii State Law regarding the taxation of Hawaii's Not for Profit Organizations. I am most strongly opposed to changing the existing law and to this particular bill.

Content:

1. USS Bowfin Submarine Museum and Park, like many other organizations, while a paragraph 501c3 not for profit organization already pays General Excise tax on all of its commercial sales. Last year we paid over \$78,000 in general excise taxes on our commercial sales. What was not included in those sales are the donations we receive. Those donations go fully to support the operations and maintenance of the submarine and artifacts which we have as the central exhibit for Bowfin Museum. For Bowfin, taxing

those donations from whatever source would diminish our ability to provide continued support for our submarine and programs aimed at educating the public on the sacrifices of our World War II service men and women and those service men and women who continue to serve guarding the frontiers of freedom where ever our country directs.

2. While the State is in a budget crunch, taxing Not for Profit Organizations is exactly the wrong signal to send where many of these not profits hang by a thin thread for existence. Many of our expenses we do not control but are costs to support increased benefits mandated by law, both state and federal. A wide variety of Not for Profit Organizations are sustaining the very social and educational programs that the state of Hawaii cannot currently provide so while taxing them now might seem attractive, their very existence is threatened and next year the support that they are currently providing to Hawaii's social and educational network might no longer be present.
3. What will be the impact for Hawaii? The community of Hawaii will continue to grow these social and educational requirements in the light of the economic downturn suffered in the last year and which will continue for an indefinite period. Taxing the Not for Profit Organizations will be the wrong way to sustain the programs they are providing as alternatives will surely cost more because the Not For Profit Organizations are located in the locales with the expertise and support needed. Recreating that presence and expertise will over burden the current state agencies and be more costly in the long run.
4. An additional factor will be the negative impact on jobs and employment which will threaten homes and families already hurt by the economic downturn. Many Not for Profit Organizations are the job entry level positions for that segment of the market least able to find alternatives for a lost employment. That burden would pass to the state as the jobs are lost.
5. I most strongly urge the Finance Committee not to pass HB 1742.

Closing:

1. Thank you for the opportunity to testify before the Finance Committee.

/s/ Gerald L. Hofwolt  
Gerald L. Hofwolt  
President,  
Pacific Fleet Submarine Memorial Association, Inc.  
"dba" "USS Bowfin Submarine Museum and Park

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

FROM: Gretchen Lawson, President/CEO  
Arc of Kona

RE: Opposition to HB 1742, Relating to Taxation

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

Our organization, the Arc of Kona, is a nonprofit with a mission to support people with disabilities so that they may become as independent as possible and live according to their own choice. The Arc of Kona has been supporting people with disabilities on Hawaii Island for 43 years; in the year ending June 30, 2008 297 supports were provided to people enrolled in our programs island wide.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption for Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, the developmentally disabled and other people with barriers to integration into their communities. Nonprofits provide these services more economically and efficiently than the state. However, taxing these services would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify



Mothers Against Drunk Driving HAWAII  
700 Bishop Street, Suite 1111  
Honolulu, HI 96813  
Phone (808) 532-6232  
Fax (808) 532-6004  
[www.madd.org/hi](http://www.madd.org/hi)

February 26, 2009

To: Representative Marcus R. Oshiro, Chair, Representative Marilyn B. Lee,  
Vice-Chair and members of the committee

From: Leah Marx — MADD Hawaii

Re: House Bill 1742 – Relating to Taxation

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I am Leah Marx, speaking in opposition of House Bill on behalf of MADD Hawaii.

MADD Hawaii is a nonprofit organization that has worked hard in Hawaii for 25 years to fight drunk driving and support the victims of this crime. MADD Hawaii has continued to fight impaired driving challenges and will continue to do so until drunk driving is eliminated.

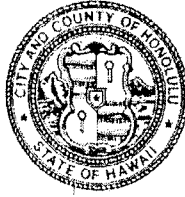
We strongly oppose H.B. 1742 which seeks to repeal the excise tax exemption for nonprofit organizations. The reason nonprofits are tax exempt is because we provide services that many times are not able to be duplicated by government itself, including prevention and support services to Hawaii residents. Taxing nonprofits would pose a significant addition to our operating costs and in effect allow us to do less direct services within the community.

MADD Hawaii, as well as the majority of nonprofits in Hawaii, are struggling during these challenging economic times. The addition of the excise tax to our revenues could potentially force many organizations to close their doors. The MADD Hawaii office has gone from a staff of ten in 2006 to three effective July 1<sup>st</sup> of this year. Sadly, the number of drunk driving deaths is not declining at the same rate as our staff. Nonprofits are seeing an increased demand for services, yet decreased revenue. This bill has the potential to eliminate some vital programs within the state and I urge the committee to not pass H.B. 1742.

Thank you for the opportunity to testify.

DEPARTMENT OF COMMUNITY SERVICES  
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



MUFI HANNEMANN  
MAYOR

DEBORAH KIM MORIKAWA  
ACTING DIRECTOR

ERNEST Y. MARTIN  
DEPUTY DIRECTOR

February 25, 2009

The Honorable Marcus Oshiro, Chair  
and Members of the House Committee on Finance  
State Capitol, Room 306  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill 1742  
Relating to Taxation

The City and County's Department of Community Services supports the intent of HB 1742, however, due to the downturn of Hawaii's economy, the closing of many businesses and the loss of jobs, we oppose Section 5, which if passed will eliminate some of the Enterprise Zone (EZ) benefits. One of the major priorities for the City and County of Honolulu is economic development. The EZ Program is a joint effort of the county and State government that has proven to be valuable to businesses and our communities in terms of creating and retaining jobs in areas where jobs are needed most.

The EZ program was established by the Legislature in 1986 to help stimulate certain types of business activity such as manufacturing, agriculture, information technology in geographical areas where they are most needed or most appropriate. Coincidentally, the economic situation which created the EZ program back in the 1980's where unemployment was at 9.7%, almost 17,000 businesses had failed, and the government had huge budget deficits, is very much where the U.S. and Hawaii are today. The need for such a program is great and is as necessary as it was 20 years ago. The requirement for certification by both the county and the State ensures that the program is creating jobs and economic growth within the designated areas. The cost to create a job in 2007 has been estimated at \$1,800 per job. Currently, there are over 200 businesses (approximately 132 on O'ahu) in the EZ's program statewide, and over 900 jobs were created. Our local businesses and communities can not afford to lose this very important incentive program and the State as well as the City and County of Honolulu cannot afford to lose this important economic development tool.

Thank you for the opportunity to offer testimony.

Sincerely,

  
Deborah Kim Morikawa  
Director

DKM:dw  
HB 1742



Hearing date:  
**Friday, February**  
**26, 2009, 3:00**  
**p.m.**  
**House Finance**  
**Committee**  
Room 308

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
HOUSE COMMITTEE ON FINANCE

From: Elisabeth Chun, Executive Director  
Good Beginnings Alliance

Date: Thursday, February 26, 2009, 3:00 p.m.  
Conference Room 308

Subject: **HB1742: Repeals certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations. Reduces the tax rate on sales to the final consumer from 4% to 3.5%. Reduces also the public service company tax rate and repeals certain public service company tax exemptions. Subjects to the general excise tax certain sales of real property and sales of securities, commodity futures, and bonds. Makes conforming amendments to other laws.**

The Good Beginnings Alliance is a nonprofit policy and advocacy organization focused on Hawaii's youngest children and their families. We strive to ensure a nurturing, safe and healthy development for all children from pre-birth to age eight. We believe all children deserve safe and supportive environments that meet their needs as they grow and develop. Good Beginnings Alliance has been actively working for a better future for Hawaii's young children for the last 12 years together with state, nonprofit, business, and philanthropic leaders. We rely on the generosity of philanthropic foundations who believe in our work, and **we strongly oppose this bill for the following reasons:**

- The Hawaii GET is a gross receipts tax, which means it will tap *every* dollar our nonprofit receives, not just our net income after expenses. We are already operating on a reduced budget, and this bill will definitely hurt our ability to provide our valued service.
- Nonprofits are tax-exempt because we provide a social good that government would otherwise furnish, such as educating our youngest children. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.
- Donations that are exempt from state and federal taxes would be subject to excise tax.
- Nonprofit preschools and family child interaction centers, which the state helps to fund for only low-income families, would have to pay.
- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

We strongly recommend you not pass this bill. Mahalo for your support. For more information contact: Good Beginnings Alliance; phone: 531-5502; [lchun@goodbeginnings.org](mailto:lchun@goodbeginnings.org)

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Mary Requilman, Kauai Historical Society

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Kauai Historical Society, is a nonprofit with a mission to preserve, protect and make available the history of Kauai. We provide our services to those wishing to learn about the past, which include government agencies, students, educators, homeowners, commercial enterprises and visitors looking learn from the past to improve the future We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

## FINTestimony

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**From:** Stephanie Hadrick [shadrick@palolohome.org]  
**ent:** Thursday, February 26, 2009 9:53 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

**To:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance.

**From:** Darryl N. Ing, CEO  
Palolo Chinese Home

Our organization, Palolo Chinese Home, is a nonprofit with a mission to assist and care for Hawaii's elders and their families by providing a continuum of care which is professional and interdisciplinary, in a culturally sensitive family setting.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and healthcare to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their cost and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Organized by the Chinese Men's Committee of the Associated Charities of Hawaii, a predecessor of the Aloha United Way, Palolo Chinese Home was established in 1917 in response to the increasing number of elderly Chinese men in Honolulu who were single, aged, immigrant plantation workers with no families to care for them. Today, the Palolo Chinese Home is still committed to keeping costs down to keep our services affordable for the elderly on fixed incomes.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs of lay off workers that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,  
Darryl N. Ing, Chief Executive Officer  
Palolo Chinese Home







### **Waianae Community Outreach**

*P.O. Box 1912, Waianae, Hi 96792*

*Ph: (808) 696-5667 Fax: (808) 696-1869*

### **HOPE for a New Beginning Shelter**

**(Helping Our People Excel)**

*Bldg 50 Belleau Woods, Kapolei, Hi 96707*

*Ph: (808) 682-4673 Fax: (808) 682-4670*

### **Partnerships in Building Community**

#### **Mission**

Provide Comprehensive services with Aloha to individuals & families in need so they can become Self-Sufficient

#### **Vision**

Healthy Self-Sufficient Resilient Individuals & Families

#### **Values**

**U**nderstanding

**R**espect

**R**esponsibility

**I**ntegrity

**C**ompassion

**H**onesty

**"I put my hand in your hand, what I cannot do alone, we will do together"**

## **TESTIMONY- OPPOSE – HB 1742: RELATING TO GENERAL EXCISE & USE TAX**

**TO:** Representative Marcus Oshiro, Chair, Representative Marilyn Lee, Vice Chair, and Members, House Committee on Finance

**FROM:** Sophina B. Placencia, Executive Director

**HEARING: Thursday, February 26, 2009, 12:00 pm; CR 308**

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance:

Mahalo for this opportunity to provide testimony on HB 1742 relating to the General Excise Tax. I'm Sophina B. Placencia, executive director of Waianae Community Outreach (WCO). We are also members of Partners in Care a committee focused on the Homeless Continuum of Care for the county of Honolulu. **WCO opposes this bill which would eliminate tax exemption on income for NON-Profits providing homeless services by contracts and grants.**

As you are fully aware, we (providers) are for the most part NON-PROFITS. This means that we don't have "unrestricted funds" readily available to pay for taxes in which income is earned by contracts. WCO currently receives only contracts and grants to administer the programs we offer to the homeless and at-risk (needy) population of our community. We don't assess any charges to the clients other than with "village bucks" as a demonstration of "giving back" and meeting self-sufficiency. In the shelter program of HOPE, if a family unit is in the transition stage, the program fees are paid in US currency which is used towards the project expenses in providing services to the clients, such expenses include transportation, events, activities, classes and life-style services.

We ask that you **NOT SUPPORT** the passing of this measure and assure that the homeless providers ARE EXEMPTED from taxes. If this measure passes it may end our ability to contract and seek grants to provide the services we are currently providing. In addition, more demand for public support will be sought by the providers to assure that "unrestricted" funds are raised for the purpose of paying taxes on the income we are receiving, i.e. contract for services dollars already paid for by tax payers.



Hawaii Reserves, Inc.  
A LAND MANAGEMENT COMPANY

R. Eric Beaver  
PRESIDENT & CEO

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February 26, 2009

Via Facsimile and E-Mail ([www.capitol.hawaii.gov/emailtestimony/](http://www.capitol.hawaii.gov/emailtestimony/))

House Committee on Finance  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice-Chair

*Re: H.B. 1742 (Relating To Taxation)*  
*Testimony In Opposition*  
*Hearing: Thursday, February 26, 2009, 3:00 p.m., Conf. Rm. 308*

Honorable Chair Oshiro, Vice-Chair Lee and Committee Members:

Thank you for allowing me the opportunity to testify in opposition to House Bill 1742 on behalf of Hawaii Reserves, Inc., a land management company. While this bill may be well-intentioned to reduce the tax burden on the final consumer, it does so at the expense of charitable and educational nonprofit organizations, which will pass on the GET expense to their final consumer, those who are among the most needy in society.

Also, Sections 39 and 47 of the bill repeal H.R.S. 201H-36 and 237-29, thereby removing the exemption from general excise tax for 201H affordable housing projects. 201H is designed to help address the affordable housing crisis in Hawaii by incentivizing landowners and developers to create affordable housing by expediting the entitlement process and providing various incentives, such as a tax exemption.

We are exploring 201H as a way to facilitate an affordable housing project in our area. Eliminating the significant tax exemption incentive in 201H completely undermines the efforts to solve the affordable housing crisis in Hawaii. Again, those most in need of housing are the ones that will bear the brunt of this piece of legislation.

For these reasons and others we respectfully request that you hold H.B. 1742.

Sincerely,

R. Eric Beaver  
President & CEO



HOUSE COMMITTEE ON FINANCE

Rep. Marcus Oshiro, Chair

Conference Room 308

February 26, 2009 at 3:00 p.m. (Agenda #6)

**Testimony in opposition to repeal of GET exemption for hospitals in HB 1742**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in opposition to the portion of HB 1742 that repeals the general excise tax exemption for hospitals.

Hospitals provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. Although these patients need the care, many of them do not have the capacity to pay for it. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred \$141 million in uncollected payments in 2008, the result of bad debt and charity care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs, and these programs were under-funded by \$31.3 million in 2008. Hospitals also provide medical education for interns and residents in the John A. Burns School of Medicine.

Attached are pages from "Issues Impacting Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers," which details unfunded and under-funded community benefits provided by hospitals. The report was prepared by Ernst & Young in 2008 for the Healthcare Association of Hawaii

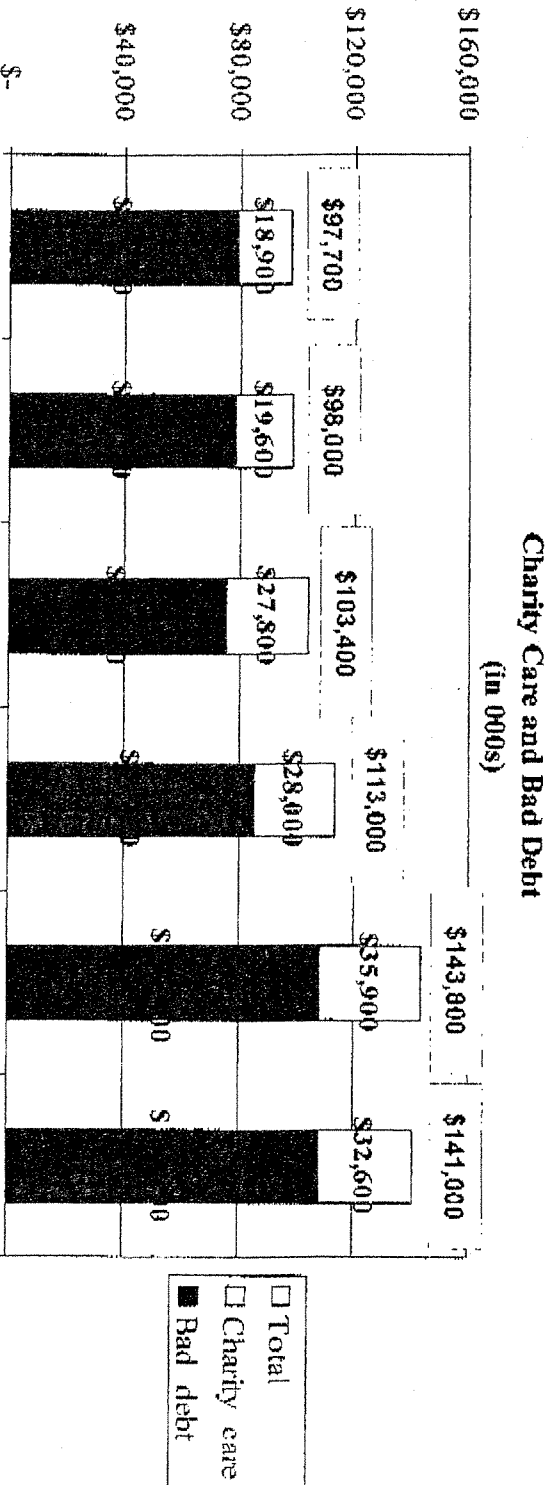
The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced financially to severely reduce or eliminate these benefits. In this way the tax exemption helps to maintain the high level of health care in our communities.

For the foregoing reasons, the Healthcare Association of Hawaii strongly opposes the portion of HB 1742 that repeals the general excise tax exemption for hospitals.

# Community Benefits – Free Care

Total uncollected payments in Hawaii averaged \$116,200,000 annually from 2003 to 2008

- Services provided to those without the ability to pay result in bad debt or charity care
  - Bad debt is incurred when the amount due from a patient cannot be collected (services are provided with partial or no payments received)
  - Charity care is incurred when the hospital never expected to collect payment from the patient because the patient is indigent (services are provided at no charge to patient)
- Six year total for Bad Debt and Charity Care is \$697,000,000 in Hawaii
- Many workers who have part time jobs do not receive health insurance benefits as the Hawaii Prepaid Insurance Act only requires employers to provide coverage for employees working 19 hours or more a week



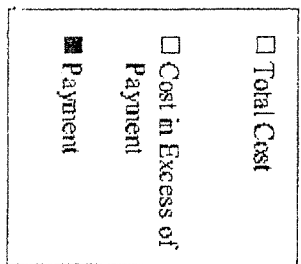
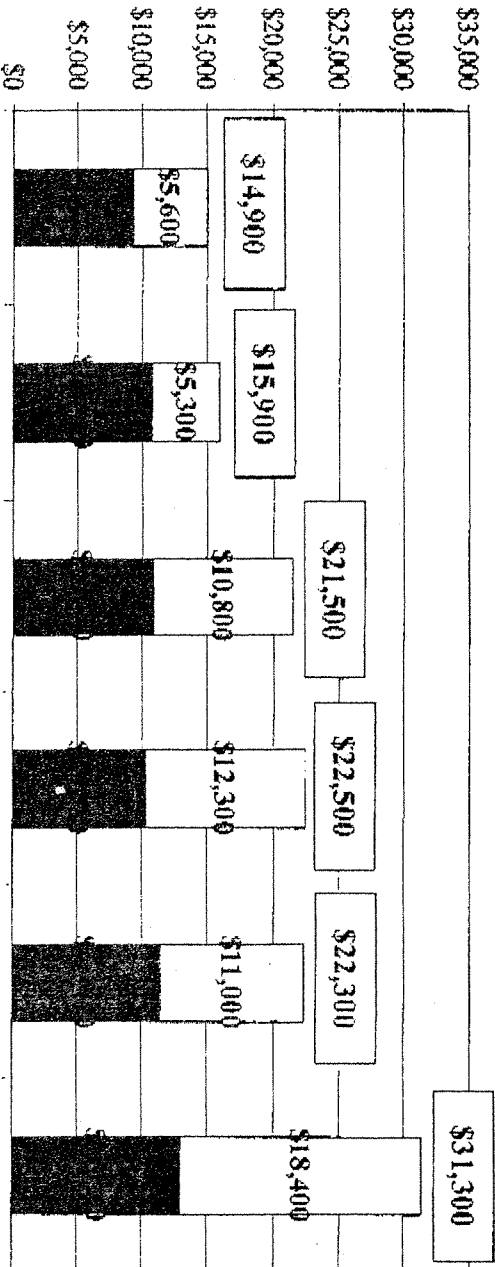
Source: Bad Debt and Charity Care information provided by 27 hospitals and 2 nursing facilities.

### 3. Community Benefits – Community Programs

Hawaii's healthcare organizations provide medical and social services free or at a price below cost for the benefit of the community

- Examples include health promotion, disease management programs, services for the elderly and adolescents, counseling services and outpatient clinics for the underserved and uninsured
- Medicare and Medicaid do not pay for most of these programs
- State and federal funds received through appropriations and grants are minimal
- Six year total program cost is \$128,400,000 with only \$63,400,000 received in payment. Total unfunded (net) cost is \$63,400,000
- Average annual unfunded cost from 2003 to 2008 is \$10,600,000

Community Programs  
(in 000s)

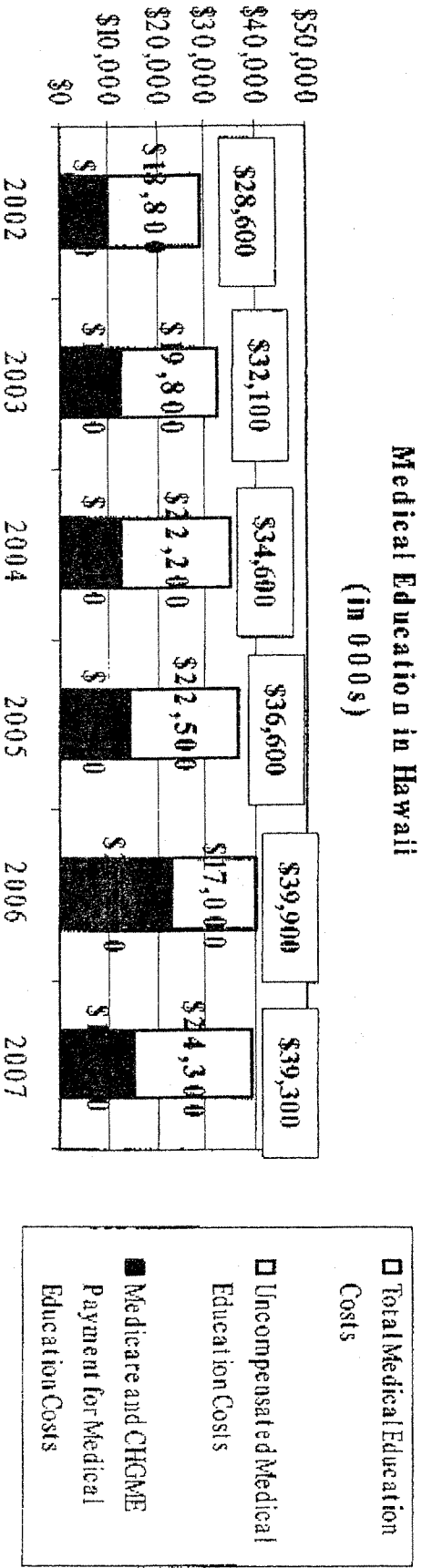


Source: Information provided by five hospitals and a nursing facility

### 3. Community Benefits – Medical Education

Payments received did not cover the cost for training interns and residents (medical education) by \$24 million in 2007 in Hawaii

- Seven hospitals have teaching programs (interns and residents) to support the University of Hawaii's School of Medicine and medical research
- This training is essential to the UH School of Medicine and helps to alleviate the physician shortage in Hawaii
- Medicare is the major source of payments for intern and resident programs. A federal program was established to provide additional payment to children's hospitals for medical education (CHGME program)
- Hospitals need to shift resources from other uses to provide medical education
- The six year (2002 to 2007) total uncompensated Medical Education Costs are \$124,600,000 and the annual average is \$20,800,000



02-26-09 10:36 From-HEALTHCARE ASSOCIATION OF HAWAII 808-599-2879 T-334 P.05/05 F-836

Source: s-filed cost reports (7 hospitals)

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Douglas Sheehan, Alexander & Baldwin Sugar Museum  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation  
Our organization, The Alexander & Baldwin Sugar Museum, is a nonprofit  
Museum with a mission :

“To preserve and present the history and heritage of the sugar industry, and the multi-ethnic plantation life which it engendered, for residents and visitors.”

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to. We strive to educate and give first hand experience to Maui's youth, adults, well as to our many tourists, to Hawaii's rich cultural history that the Sugar Industry was and is, so responsible for. The Story of Sugar is the Story of Hawaii's emergence into the modern world arena. Taxing us and other non-profits will add tremendously to costs and make our survival during these difficult economic times much less secure and certainly less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than non-profits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Douglas A. Sheehan  
President  
Alexander & Baldwin Sugar Museum  
Puunene, Maui, Hawaii





## HAWAIIAN HUMANE SOCIETY

2700 Waiālae Avenue  
Honolulu, Hawaii 96826  
Telephone: 946-2187  
Fax: 955-6034  
www.hawaiianhumane.org

### *Board of Directors*

#### *Chairperson*

Lawrence D. Rodriguez

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Naomi Loewe

Jean C. Marchant

Stephen B. Metter

Pauline M. Osborne

Mark Polivka

Shelley B. Thompson

Virginia S. Weinman

Mary H. Weyand

*The Hawaiian Humane  
Society is dedicated to  
promoting the human-  
animal bond and  
the humane treatment of  
all animals.*

February 26, 2009

Marcus R. Oshiro, Chair  
Marilyn B. Lee, Vice Chair  
House Finance Committee

Re: HB 1742

Chair Oshiro, Vice Chair Lee, and Members of the House Finance Committee:

Our mission is to promote the human-animal bond and the humane treatment of all animals. We have been here in Hawaii serving our community for over 110 years – offering care, protection, and shelter to those who are most vulnerable in our community – our animals. On behalf of our 20,000-plus supporters, we **STRONGLY OPPOSE** HB1742 - which would repeal the excise tax exemption of Hawaii non-profit organizations.

We are a Society for the Prevention of Cruelty to Animals and the animal management contractor for the City & County of Honolulu. We provide over 29 various programs and services to the animals and people of this community. In addition to being the official lost and found center for pets on the island of Oahu, we also reach out to our elderly and invalid through our pet visitation program that visits medical facilities and senior care centers throughout the island, reaching out to hundreds of school-age children through our humane education program, giving a healthy start to young puppies and kittens through our foster volunteer program and advocating for pet-friendly initiatives through public policy, all for the benefit of our community.

HB1742 would have a significant impact on these programs and services by taxing and cutting into the very revenue that helps to fund a majority of these programs. During a time when the State has already begun to cut back on services, they should not be adding an additional burden to non-profit groups who are helping to meet these critical needs of the community.

The Hawaiian Humane Society, along with Hawaii's non-profit community, does **NOT SUPPORT** HB1742 and we urge this committee to **NOT PASS** HB1742.

Thank you for this opportunity to share our concerns.

Pamela Burns  
President and CEO



# 'IOLANI SCHOOL

## TESTIMONY TO THE HOUSE COMMITTEE ON FINANCE

### RE: HB1742 – Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Glenn Ching, and I am Director of Finance at 'IOLANI SCHOOL. We, along with the Hawaii Association of Independent Schools (HAIS), which represents 97 private and independent schools in Hawaii and educates over 30,000 elementary and secondary students statewide, OPPOSE HOUSE BILL 1742 –RELATING TO TAXATION, which would repeal the general excise tax exemption for Hawaii nonprofit organizations and schools.

Private and independent schools in Hawaii provide educational services to nearly 20% of Hawaii keiki. Without these schools, the added school population would undoubtedly overwhelm the current public DOE school system and leave parents with fewer educational alternatives for their children.

The prospect of additional tax burdens on nonprofit schools would make it difficult to keep tuitions affordable and reduces the ability to provide financial aid funds that are made available through investments and endowments. This is a bad short-term reaction to shrinking state tax revenues with even worse long-term implications for nonprofits which provide services that the State cannot adequately support now.

With fundraising income for nonprofits already taxable under current State law, the repeal of the existing general excise tax exemption for nonprofits proposed by HB1742 will only serve to increase the burdens on these schools by subjecting their revenues and investment income to taxation. This will most certainly have a detrimental effect on their ability to remain operational and prevent them from continuing to provide students across Hawaii with high-quality educational experiences. For these reasons, WE URGE THE COMMITTEE TO NOT PASS THIS MEASURE.

Mahalo for the opportunity to testify on this important matter.



**Waianae Community Outreach**

*P.O. Box 1912, Waianae, Hi 96792  
Ph: (808) 696-5667 Fax: (808) 696-1869*

**HOPE for a New Beginning Shelter  
(Helping Our People Excel)**

*Bldg 50 Belleau Woods, Kapolei, Hi 96707  
Ph: (808) 682-4673 Fax: (808) 682-4670*

**Partnerships in Building Community**

**Mission**

Provide Comprehensive services with Aloha to individuals & families in need so they can become Self-Sufficient

**Vision**

Healthy Self-Sufficient Resilient Individuals & Families

**Values**

- U**nderstanding
- R**espect
- R**esponsibility
- I**ntegrity
- C**ompassion
- H**onesty

**"I put my hand in your hand, what I cannot do alone, we will do together"**

**TESTIMONY- OPPOSE – HB 1742: RELATING TO GENERAL EXCISE & USE TAX**

**TO:** **Representative Marcus Oshiro, Chair**, Representative Marilyn Lee, Vice Chair, and Members, House Committee on Finance

**FROM:** Kanani Kaaiawahia Bulawan, Administration Advisor

**HEARING: Thursday, February 26, 2009, 12:00 pm; CR 308**

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance:

Mahalo for this opportunity to provide testimony on HB 1742 relating to the General Excise Tax. I am Kanani Kaaiawahia Bulawan, the Administration Advisor to the Board of Directors of Waianae Community Outreach (WCO) and its Executive Director. We are also members of Partners in Care a committee focused on the Homeless Continuum of Care for the county of Honolulu. **WCO opposes this bill which would tax income received by providers of homeless programs.**

As you are fully aware, we (providers) are for the most part NON-PROFITS. This means that we don't have "unrestricted funds" readily available to pay for taxes in which income is earned by contracts. WCO currently receives only contracts and grants to administer the programs we offer to the homeless and at-risk (needy) population of our community. We don't assess any charges to the clients other than with "village bucks" as a demonstration of "giving back" and meeting self-sufficiency. In the shelter program of HOPE, if a family unit is in the transition stage, the program fees are paid in US currency which is used towards the project expenses in providing services to the clients, such expenses include transportation, events, activities, classes and life-style services.

We ask that you **NOT SUPPORT** the passing of this measure and assure that the homeless providers ARE EXEMPTED from taxes. If this measure passes it may end our ability to contract and seek grants to provide the services we are currently providing. In addition, more demand for public support will be sought by the providers to assure that "unrestricted" funds are raised for the purpose of paying taxes on the income we are receiving, i.e. contract for services dollars already paid for by tax payers.

## **FINTestimony**

---

**From:** Claud [claud@hawaiiintel.net]  
**ent:** Thursday, February 26, 2009 9:46 AM  
**To:** FINTestimony  
**Subject:** Please Vote Against HB 1742

Aloha Members of the House Finance Committee!

I am writing to ask you to vote against HB 1742, which would repeal to exemption from general excise tax for nonprofits. I have worked for a non-profit for 18 years, and putting together next year's budget is the biggest challenge ever. If this bill passes, on top of all the other cuts we are facing from almost all of our funders, it could be the proverbial straw that broke the camel's back!

Malama Pono!

Claud Sutcliffe, Ph.D.  
Center for World Peace  
Molokai, HI 96748

## FINTestimony

---

**From:** Yvonne Valentine [evonava@hotmail.com]  
**Sent:** Thursday, February 26, 2009 9:45 AM  
**To:** FINTestimony  
**Subject:** House Bill 1742

To: House Finance Committee  
Hawaii State Capitol

RE: House Bill 1742

Dear House Finance Committee,

I am writing my testimony to stop this House Bill 1742. It will hurt our Non-Profit Organizations here in Hawai'i.

I am employed with a Non-Profit Organization and I know how hard it is to keep our organization going.

Please **stop this House Bill 1742** from being passed.

Thank You.

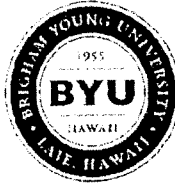
Sincerely,

Yvonne Valentine  
940 Auwae Rd  
Hilo, Hi 96720

[evonava@hotmail.com](mailto:evonava@hotmail.com)

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OFFICE OF THE PRESIDENT

February 26, 2009

Via Facsimile (808) 586-6001

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

**Re: H.B. 1742 (Re: Relating to Taxation) – Testimony in Opposition  
Hearing: Thursday, February 26, 2009, 3 p.m., Conf. Rm. 308**

Honorable Chair Oshiro, Chair Lee, and Committee Members:

Thank you for allowing me the opportunity to submit testimony on behalf of Brigham Young University-Hawai'i in opposition of H.B. 1742.

BYU-Hawai'i is a private university, located in Lā'ie, with 2,500 students about 400 full-time and over 200 part-time employees.

H.B. 1742 which would further tax non-profit institutions such as ours would have a profound negative impact on the viability of our institution. At a time when we are experiencing significant increases in costs, striving to meet the needs of payroll, and providing quality education for our students, the impact of this bill would threaten the sustainability of our institution.

Currently we have implemented a hiring freeze and have reduced. Unfortunately, many of our students and their families are also experiencing economic challenges and this legislation would necessitate increasing their tuition and other costs. The long-term negative effects are immeasurable.

Of course, H.B. 1742 would have major impact on other non-profit organizations such as ours. We therefore strongly oppose H.B. 1742 and urge you to hold this bill.

Kind regards,

A handwritten signature in black ink that reads "Steven C. Wheelwright". The signature is written in a cursive style.

Steven C. Wheelwright  
President

ah

## FINTestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 26, 2009 9:37 AM  
To: FINTestimony  
Cc: ckweiser@hotmail.com  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Carol Weiser  
Organization: Individual  
Address: 535 Kehaulani St. Hilo, HI  
Phone: (808) 936-9328  
E-mail: [ckweiser@hotmail.com](mailto:ckweiser@hotmail.com)  
Submitted on: 2/26/2009

### Comments:

It makes no sense to tax charitable organizations, especially during these hard times. These organizations are already struggling with limited budgets and resources. Why would anyone consider taking away from the organizations that strive to help the most vulnerable and marginalized individuals in our community? Please do NOT support this bill!

## FINTestimony

---

**From:** David Peters [dpkauai@hoolalahui.org]  
**Sent:** Thursday, February 26, 2009 10:32 AM  
**To:** FINTestimony  
**Subject:** Testimony  
**Attachments:** att99843.jpg



**HO'OLA LĀHUI HAWAI'I**  
*P.O. Box 3990; Līhu'e, Hawai'i*  
*Phone: 808.240.0100 Fax: 808.246.9551*

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** David Peters, Chief Executive Officer  
**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE: Opposition** to HB 1742, Relating to Taxation

Removing the exemption of paying excise tax for nonprofits is likely the worst possible thing the state of Hawaii can do in these troubling economic times. Basically, this law is changing the status that charities need in order to provide services to those who are less fortunate. Essentially this law if passed would mean that nonprofit corporations registered in the state of Hawaii would then become for profit entities.

This could mean the loss of their federal charitable status and millions of dollars from the federal government would be turned away. It is our belief that all nonprofit organizations in the state would likely cease to exist and all necessary health and social services would then become the government's responsibility thereby increasing the burden on the taxpayer. Charities do it best and are community driven. Essentially this bill if passed changes the entire social fabric along with changing the charitable tradition in our land.

If charities go out of business due to this new law that is roughly 7.4% of the island's workforce. This will raise unemployment rates substantially as Hawaii nonprofits are the fourth largest employer in the islands.

We understand the economic stress that the state budget is in, however, balancing it on the backs of those providing services to our communities is not an acceptable alternative. As a non profit organization we barely squeak by every month given the current economic climate. Passing this law would eliminate us entirely.

We **STRONGLY** urge the Committee to **NOT** pass H.B. 1742. Thank you for this opportunity to testify



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**sent:** Thursday, February 26, 2009 10:28 AM  
**To:** FINTestimony  
**Cc:** clawrence@seaburyhall.org  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Cindy Lawrence  
Organization: Individual  
Address: 60 Mano Dr. Kula, HI 96790  
Phone:  
E-mail: [clawrence@seaburyhall.org](mailto:clawrence@seaburyhall.org)  
Submitted on: 2/26/2009

**Comments:**

It will have a detrimental effect on non-profit fundraising in the State of Hawaii.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 10:27 AM  
**To:** FINTestimony  
**Cc:** clawrence@seaburyhall.org  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Cindy Lawrence  
Organization: Individual  
Address: 60 Mano Dr. Kula, HI 96790  
Phone:  
E-mail: [clawrence@seaburyhall.org](mailto:clawrence@seaburyhall.org)  
Submitted on: 2/26/2009

**Comments:**

It will have a detrimental effect on non-profit fundraising in the State of Hawaii.

## **FINTestimony**

---

**From:** AJ Higa [alison.j.higa@gmail.com]  
**ent:** Thursday, February 26, 2009 9:18 AM  
**To:** FINTestimony  
**Subject:** Please vote "NO" on House Bill 1742

Please vote "NO" on House Bill 1742. Non-profits provide much needed services that are not provided by State or County government. In this difficult economic climate of smaller donations and rapidly rising need, this bill would hurt non-profits at the worst possible time. Again, please vote "No" on House Bill 1742. Thank you.

Alison Higa

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 9:07 AM  
**To:** FINTestimony  
**Cc:** NFGgirlstar99@aol.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Kimi Palacio  
Organization: Individual  
Address: 1268 Moku Place Hilo, HI  
Phone: 808-430-0932  
E-mail: [NFGgirlstar99@aol.com](mailto:NFGgirlstar99@aol.com)  
Submitted on: 2/26/2009

### Comments:

I believe that it is completely unnecessary to tax ANY financial resource that a CHARITABLE organization receives. Due to the dire need of financial resources caused by the economic hardships of this time, taking another piece of such needed income is ridiculous. Taxing much needed resources will just hinder what charitable organizations try to accomplish. With all of the lay offs, foreclosures, loss of benefits, etc. is this bill really the correct way to help those in need? In this time of hardship, charitable organizations will be accessed more than ever. Please oppose this bill, as I do. I truly believe that the community impact of what charitable organizations do is invaluable and can continue to have even more positive impact without what this bill entails.

## **FINTestimony**

---

**From:** Lydia Weiss [lydia\_w@aloha.net]  
**Sent:** Thursday, February 26, 2009 9:02 AM  
**To:** FINTestimony  
**Subject:** Please protect our non profits!

To my representatives,  
PLEASE DO NOT pass H.B. 1742  
Non profits have suffered enough!  
Mahalo, Lydia Weiss

## FINTestimony

---

**From:** Three Ring Ranch [animals@threeringranch.org]  
**Sent:** Thursday, February 26, 2009 8:32 AM  
**To:** FINTestimony  
**Cc:** Bill Cliff; Gabriella Cooper  
**Subject:** HB 1742

Aloha Representative Marcus R. Oshiro, Representative Marilyn B. Lee, Vice-Chair; Members of the Committee on Finance,

Please vote against HB 1472.

As the Curator of Hawaii's only accredited wildlife rehab and Sanctuary facility this bill could force us out of business. We barely survive these harsh economic times. This bill would force us to refuse to continue to care for Hawaii's endangered wildlife! We are the only facility that cares for the endangered seabirds, hawks, owls and bats of not only the Big Island but all of Hawaii. USF&W Service and DLNR fly the animals to us for care. Care that we provide to the State of Hawaii free of charge! How can we continue if you tax the small donations that private citizens make that allow us to feed the animals? Not one of us takes a salary, we are 100% volunteer. The tax you would impose would take the food and medical care coverage away from the animals you the State sends to us for care. It is mind boggling that this is even being proposed.

HB 1742 proposes to tax every dollar a non-profit receives.

- Non-profits provide social goods and services that otherwise government itself would have to, such as
  - caring for the mentally ill,
  - taking care of the elderly,
  - caring for wildlife
  - education
  - helping abused or neglected children or providing food,
  - shelter and health care to those in need.
- Nonprofits provide these services more economically and efficiently than the state.
- Taxing them would add tremendously to their costs and make them less effective.
- The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses.
  - Nonprofits would have to pay whether they are losing money or not.
  - Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.
- Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.
- This bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers
- It would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to NOT PASS H.B. 1742.

Thank you for this opportunity to testify.

Kind Regards,

Ann Goody PhD

Curator

Three Ring Ranch Exotic Animal Sanctuary

Kona, Hawaii

[www.threeringranch.org](http://www.threeringranch.org)

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 10:27 AM  
**To:** FINTestimony  
**Cc:** clawrence@seaburyhall.org  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Cindy Lawrence  
Organization: Individual  
Address: 60 Mano Dr. Kula, HI 96790  
Phone:  
E-mail: [clawrence@seaburyhall.org](mailto:clawrence@seaburyhall.org)  
Submitted on: 2/26/2009

**Comments:**

It will have a detrimental effect on non-profit fundraising in the State of Hawaii.



## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 26, 2009 10:11 AM  
To: FINTestimony  
Cc: hawaiianawapuhi@yahoo.com  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marcia Avena,  
Organization: Individual  
Address: po box 1825 keeaa, hawaii 96749  
Phone: 808-557-7735  
E-mail: [hawaiianawapuhi@yahoo.com](mailto:hawaiianawapuhi@yahoo.com)  
Submitted on: 2/26/2009

### Comments:

It would be a very sad day when non-profits get taxed for the services given to those in need. This will affect all persons young, old, rich, poor, disabled, and for the future. So, just stop the madness and DO NOT PASS THIS BILL. DO NOT PASS THIS BILL. DO NOT PASS THIS BILL. DO NOT PASS THIS BILL.

## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 26, 2009 10:11 AM  
To: FINTestimony  
Cc: hawaiianawapuhi@yahoo.com  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marcia Avena,  
Organization: Individual  
Address: po box 1825 keeau, hawaii 96749  
Phone: 808-557-7735  
E-mail: [hawaiianawapuhi@yahoo.com](mailto:hawaiianawapuhi@yahoo.com)  
Submitted on: 2/26/2009

### Comments:

It would be a very sad day when non-profits get taxed for the services given to those in need  
This will affect all persons young, old, rich, poor, disabled, and for the future. So, just  
stop the madness and DO NOT PASS THIS BILL.DO NOT PASS THIS BILL.DO NOT PASS THIS BILL.DO NOT  
PASS THIS BILL.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 8:56 AM  
**To:** FINTestimony  
**Cc:** Lynnc@mauifoodbank.org  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lynn Curtis  
Organization: Maui Food Bank, Boys & Girls Clubs Maui  
Address: 760 Kolu Street Wailuku HI  
Phone: 243-9500  
E-mail: [Lynnc@mauifoodbank.org](mailto:Lynnc@mauifoodbank.org)  
Submitted on: 2/26/2009

**Comments:**

This bill would hurt non-profits and drastically affect valuable services to the community.

## FINTestimony

---

**From:** Ignacio, Carol [CIgnacio@rcchawaii.org]  
**Sent:** Thursday, February 26, 2009 8:51 AM  
**To:** FINTestimony  
**Subject:** OPPOSITION TO HB 1742 RELATING TO TAXATION

Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
Members of the Committee on Finance

Please, please do not pass HB 1742. This will be a very serious mistake to tax charities at the time that we are carrying much of the burden of the economic crisis. Thank you for not passing this legislation.

Carol R. Ignacio  
P.O. Box 317  
Paauilo, Hawaii 96776  
Phone: 808-938-8631

## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 26, 2009 8:53 AM  
To: FINTestimony  
Cc: cvigneau@rcchawaii.org  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Charisse Vigneau  
Organization: Individual  
Address:  
Phone: 808-935-3550 Ext.175  
E-mail: [cvigneau@rcchawaii.org](mailto:cvigneau@rcchawaii.org)  
Submitted on: 2/26/2009

### Comments:

To Whom it may concern, I work for a non-profit organization, who helps the homeless and mentally ill. Don't you think Our Governor has devastated the mental health, and non-profit organizations enough? I am appalled that our state is more worried about upgrading our state park bathrooms for tourist who aren't even coming here due to the economy. If this bill were to pass we would suffer pay cuts if not layoffs due to the taxation of this bill.

## FINTestimony

---

**From:** Carolrign@aol.com  
**ent:** Thursday, February 26, 2009 8:49 AM  
**To:** FINTestimony  
**Subject:** OPPOSITION TO HB 1742

To: Honorable Marcus R. Oshiro, Chair  
Honorable Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

The Office for Social Ministry, Diocese of Honolulu, provides safety net services to the most vulnerable in our communities, in many situations, on shoe string budgets like many other not-for-profits. We fear that this bill would force many charities to close, eliminate programs and lay off workers forcing the government to provide vital community services perhaps in our opinion, very inefficiently and costly.

We urge the Committee to **NOT PASS HB 1742**. Thank you very much.

Carol R. Ignacio  
Executive Director  
Office for Social Ministry/Affordable Housing  
Diocese of Honolulu  
140 B. Holomua Street  
Hilo, Hawaii 96720  
phone: 808-935-3050  
ix: 808-935-3794  
email: [cignacio@rcchawaii.org](mailto:cignacio@rcchawaii.org)  
[carolrign@aol.com](mailto:carolrign@aol.com)  
mobile: 808-938-8631

---

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## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 8:45 AM  
**To:** FINTestimony  
**Cc:** randc1990@yahoo.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Carrie Hoopii  
Organization: Individual  
Address: 190 Pakele Ave Hilo, HI  
Phone: (808) 962-6912  
E-mail: [randc1990@yahoo.com](mailto:randc1990@yahoo.com)  
Submitted on: 2/26/2009

**Comments:**

I am writing to oppose this bill. I don't think it is fair to tax non-profit organizations because these organizations do not aim to make profits. Non-profit organizations are a crucial part of our society, providing help to the needy and making a difference in peoples lives. Again, I say "NO" to taxing non-profit organizations.

## **FINTestimony**

---

**From:** Seda Hara [shara@aop.net]  
**Sent:** Thursday, February 26, 2009 8:37 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742

TO: Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Seda Hara, Controller  
Academy of the Pacific  
913 Alewa Drive  
Honolulu, HI 96817

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Academy of the Pacific, is a nonprofit with a mission to educate students grades 6 to 12. Our school founded in 1961 is committed to the concept that small class size (10 or less) is the basis on which optimum learning takes place. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



## **FINTestimony**

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**From:** Mike [giant\_key@yahoo.com]  
**Sent:** Thursday, February 26, 2009 8:30 AM  
**To:** FINTestimony  
**Subject:** Say NO! To bill 1742

This would hurt non profits and the community.

Sent from my iPhone

## FINTestimony

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**From:** Durch, Michael [mdurch@rcchawaii.org]  
**Sent:** Thursday, February 26, 2009 8:37 AM  
**To:** FINTestimony  
**Subject:** No bill 1742

I hope that this bill will not pass for as this would be detrimental to the various non-profits in the state. Of course that would have an effect on our community.  
Thanks

Sent from my iPhone

## FINTestimony

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**From:** Mike [mike.durch@gmail.com]  
**ent:** Thursday, February 26, 2009 8:33 AM  
**To:** FINTestimony  
**Subject:** NO! To bill 1742

Please vote no to this bill 1742. Why would the non profit receive funding from state, federal or other then it gets taxed. This doesn't make sense to me. There has to be other options to this matter.

Sent from my iPhone

## **FINTestimony**

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**From:** jess Ziemer [theziemers@yahoo.com]  
**Sent:** Thursday, February 26, 2009 7:47 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Your name, your organization

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hana Arts, is a nonprofit with a mission to supplement our childrens education through arts and culture. We believe the arts have a profound and long lasting impact on peoples lives and have watched the arts been cut from the school curriculum slowly over the years until they no longer exist without support of outside agencies. We see that the ability to embrace and understand a variety of cultures enables children a higher level of tolerance and less judgment towards other ethnicity's of people.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mahalo,

Jessica Ziemer

Board Member for Hana Arts, 501-c3  
Board Member for Hana Canoe Club, 501-c3

## FINTestimony

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From: Pamela Chun [pchun@himonline.org]  
Sent: Wednesday, February 25, 2009 9:48 PM  
To: FINTestimony  
Subject: Please vote no on bill HB 1742

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

As co-founder and vice-president of Hawaiian Islands Ministries (HIM), I stand with HIM's executive director, Mary Vinson, in the testimony she emailed earlier today opposing HB 1742.

HIM has served the state of Hawaii for 25 years - serving the community throughout the islands and in doing so training, building capacity into, and encouraging many fellow nonprofit organizations.

Among the hundreds of seminars that we have provided, our fund raising seminar stands as one of the most popular that we offer to nonprofits. This is because raising funds is so darned hard. The average return on a direct mail campaign is 1-2%. Every nonprofit struggles to find every last cent to run its program < this includes schools, churches, community service programs, and health and child care programs. Repealing their (our) GET exempt status lowers the hard-earned return even more, and in this difficult economy in which ALL nonprofits have lost significant funding support, it would close down a great majority.

I urge you in the interest of our state - in the interest of people whom you know and care about - to not pass HB 1742.

respectfully submitted,

Pamela Chun

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Pamela Chun | Co-Founder | Hawaiian Islands Ministries T 808-988-9777 | <http://himonline.org>

----- Forwarded Message

From: Mary Vinson <mvinson@himonline.org>  
Date: Wed, 25 Feb 2009 15:25:11 -0500  
To: <FINtestimony@capitol.hawaii.gov>  
Conversation: Written testimony on bill HB 1742  
Subject: Written testimony on bill HB 1742

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Mary Vinson Executive Director Hawaiian Islands Ministries

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hawaiian Islands Ministries, is a nonprofit with a mission to bring together the churches of Hawaii. We equip, unify and encourage pastors and leaders by ringing them together in annual conferences.

we strongly oppose H.B. 1742, Relating to Taxation.

Nonprofits are tax exempt because they provide social goods and services that otherwise the government itself would have to. Most of the food pantry's in HI for example are run out of churches. Many non-profit organizations provide day care and pre-school services. In the economy we're in, non profits cannot afford to give up one more cent. Please look elsewhere for increased tax revenues.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mary Vinson  
Executive Director Hawaiian Islands Ministries  
808-988-9777 Office

----- End of Forwarded Message

## FINTestimony

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**From:** David Ross [services@rekona.com]  
**Sent:** Wednesday, February 25, 2009 9:26 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

**FROM:** David M. Ross, Jr., Vice-President, Arts of Kona  
77-6219A Kaumalumu Dr., Holualoa, Hawaii 96725

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Arts of Kona, is a nonprofit with a mission to facilitate collaboration within the Arts Community in order to best promote and present the Arts in Kona and Hawai'i. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Our organization is working to inspire our community with the creativity the arts provide. We make no corporate gain. Arts of Kona like many other worthy non-profit organization largely runs on the good will of our members in an effort to serve the community. Taxing Non-profits would be unwise for a number of reasons

- Non-profits provide social goods and services that otherwise government itself would have to, such as
  - caring for the mentally ill,
  - taking care of the elderly,
  - helping abused or neglected children or providing food,
  - shelter and health care to those in need.
- Nonprofits provide these services more economically and efficiently than the state.
- Taxing them would add tremendously to their costs and make them less effective.
- The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses.
  - Nonprofits would have to pay whether they are losing money or not.
  - Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.
- Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.
- This bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers
- It would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**sent:** Wednesday, February 25, 2009 9:15 PM  
**To:** FINTestimony  
**Cc:** sdalzell@hawaii.rr.com  
**Subject:** Testimony for HB1743 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1743

Conference room: 308  
Testifier position: support  
Testifier will be present: No  
Submitted by: Shell Dalzell  
Organization: IATSE  
Address: 46-240 Aeloa St. HI  
Phone: 8080-391-7200  
E-mail: [sdalzell@hawaii.rr.com](mailto:sdalzell@hawaii.rr.com)  
Submitted on: 2/25/2009

Comments:

Comments:

If you are serious about helping the economic picture in Hawai'i, you MUST keep Act 88 and Act 221/215 in effect. If these acts are lessened or eliminated, Hawai'i will lose upward of 100 million dollars of production per year. Additionally, these acts have created jobs, and brought millions of dollars in secondary spending into our state. They have also contributed to Hawai'i receiving millions of dollars in free advertising in TV and film. Act 88 and Act 21/215 have helped the Hawaii film and television industry grow dramatically. With this growth has come an increase in the number of industry professionals as well as facility and equipment infrastructure. All of which make it easier and less expensive for film and television projects to be made in Hawaii. More important, however, is that Act 88 and Act 221/215 have been strong economic drivers for the Hawaii economy and support the creation of high-pay, high-skilled jobs for our current residents and future generations.



PACIFICAP  
GROUP

PACIFICAP GROUP, LLC  
820 Milliani Street, Suite 600  
Honolulu, HI 96813  
Direct: 808.237.5388 Fax: 808.537.2188

February 26, 2009

*Testimony for Hearing before the  
House Committee on Finance  
Thursday, February 26, 2009, 2:00 pm*

*State Capitol, Conference Room 308  
415 South Beretania Street  
Honolulu, Hawaii 96813*

*Re: Testimony in Opposition to HB 1742  
Relating to Taxation*

Chair Oshiro, Vice-Chair Lee, and Committee Members:

Thank you for the opportunity to submit testimony in OPPOSITION to HB 1742. I respectfully request that you vote against passage of this bill.

I am Jeff Au, Managing Director and General Counsel of PacifiCap, Hawaii's largest locally based venture capital firm.

I respectfully suggest that you carefully review each general tax exemption and credit before repealing it to avoid unintended consequences.

For example, repealing the general excise tax exemption on the sale of securities could impose a tax of up to \$45,000 on every \$1,000,000 of investment a local tech company raises from investors. This could mean one less employee that the local tech company could hire.

I believe that Hawaii's general excise tax was intended to be a tax on the sale of goods and services, not a tax on investment, which could scare away investors from both high tech and low tech investments in Hawaii, which could make our economy a lot worse than it already is.

Thank you very much for allowing me to submit this testimony today.

Respectfully submitted,

Jeffrey K. D. Au  
Managing Director and General Counsel  
PacifiCap Group, LLC

## FINTestimony

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From: hanayouthcenter@netscape.net  
Sent: Thursday, February 26, 2009 3:03 PM  
To: FINTestimony  
Subject: HB 1742

□

### HANA YOUTH CENTER, INC.

E kipaipai i na 'opio i na hana ku i ka pono mai manawa a mau loa aku.  
(Inspiring youth to make positive impressions that last a lifetime.)

5091 Uakea Road / P.O. Box 464  
Hana, HI 96713  
Phone number: 808.248.8504  
Fax number: 808.248.7336  
Email: [hanayouthcenter@netscape.net](mailto:hanayouthcenter@netscape.net)  
Federal tax I.D. 99-0276738

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Your name, your organization  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hana Youth Center, is a nonprofit with a mission to provide after school programming to youth in our remote area of Hana. We have 178 members and average a daily attendance of 25.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We sincerely urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,  
W. Keoki Kalani  
Executive Director

---

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VICE PRESIDENT FOR  
ADMINISTRATIVE SERVICES

February 26, 2009

Via Facsimile (808) 586-6001

COMMITTEE ON FINANCE  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair

**Re: H.B. 1742 (Re: Relating to Taxation) – Testimony in Opposition  
Hearing: Thursday, February 26, 2009, 3 p.m., Conf. Rm. 308**

Honorable Chair Oshiro, Chair Lee, and Committee Members:

Thank you for allowing me the opportunity to submit testimony on behalf of Brigham Young University-Hawai'i in opposition of H.B. 1742.

BYU-Hawai'i is a private university, located in Lā'ie, with 2,500 students about 400 full-time and over 200 part-time employees.

H.B. 1742 which would further tax non-profit institutions such as ours would have a profound negative impact on the viability of our institution. At a time when we are experiencing significant increases in costs, striving to meet the needs of payroll, and providing quality education for our students, the impact of this bill would threaten the sustainability of our institution.

Currently we have implemented a hiring freeze and have reduced. Unfortunately, many of our students and their families are also experiencing economic challenges and this legislation would necessitate increasing their tuition and other costs. The long-term negative effects are immeasurable.

Of course, H.B. 1742 would have major impact on other non-profit organizations such as ours. We therefore strongly oppose H.B. 1742 and urge you to hold this bill.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael B. Bliss", written over a horizontal line.

Michael B. Bliss  
Vice President for Administrative Services

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Cheryl Ann Jong, Lupus Hawai`i

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Lupus Hawai`i, is the only non-profit organization in Hawai`i dedicated to improving the diagnosis, treatment, increase awareness and help find the causes and cure for lupus while supporting all affected by this disease.

Lupus affects Native Hawaiians, Pacific Islanders, Asians, African Americans, Latinos, Hispanics, and Native Americans. It affects women 9 times out of 10. It affects men and worse yet, it affects our keiki.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits like ours are tax exempt because we provide services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and most importantly - health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.





# THE FOOD BASKET INC.

## *Hawaii Island's Food Bank*

---

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
Members of the Committee on Finance

FROM: Nani Lee, Ph.D., Executive Director

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

### BOARD OF DIRECTORS

Barry K. Taniguchi  
*Chairman of the Board*

Thomas P. Whittemore  
*Chair-Elect*

Roland Higashi  
*Vice Chair*

Warren H. W. Lee, P.E.  
*Treasurer*

Debra Ching-Maiava  
*Secretary*

Carol R. Ignacio  
*Director/Founder*

Nani Lee, Ph.D.  
*Executive Director*

The Food Basket Inc., Hawaii Island's Food Bank, is a nonprofit with a mission to feed the hungry on the island of Hawai'i

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Tax-exemption is an acknowledgment of an organization performing an activity that relieves some burden that would otherwise fall to federal, state, or local government. The government, in fact, provides an indirect subsidy to nonprofits and receives a direct benefit in return.

Nonprofits also benefit the society as a whole when they provide valuable services. The viability of some of these services would be threatened if they were subject to taxes. In our case

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



## FINTestimony

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**From:** Nahoalohamaui@aol.com  
**Sent:** Wednesday, February 25, 2009 9:59 AM  
**To:** FINTestimony  
**Subject:** RE: TESTIMONY - In Opposition to HB 1742, Relating to Taxation



Na Hoaloha

*Maui Interfaith Volunteer Caregivers*

P.O. Box 3028 - Wailuku, HI 96793

(808) 249-2545

[www.nahoaloha.org](http://www.nahoaloha.org) [mivcmaui@yahoo.com](mailto:mivcmaui@yahoo.com)

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair; and Members of  
the Committee on Finance

**FROM:** Gerri Shapiro, MS Ed., Executive Director,  
Na Hoaloha – Maui Interfaith Volunteer Caregivers

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Na Hoaloha – Maui Interfaith Volunteer Caregivers is a nonprofit whose mission is to provide in-home volunteer caregivers to frail, homebound elders and people with disabilities. We serve over 200 Kupuna on Maui, and the need grows daily as budget cuts have stripped away community-based government services. Where we once served the “puka people”, those seniors who fell through the cracks of the County system, we now find ourselves more and more acting as the “safety net” for Maui’s Kupuna who do qualify for services but are unable to receive them due to long wait lists. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

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Get a jump start on your taxes. [Find a tax professional in your neighborhood today.](#)



## FINTestimony

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From: john robinette [johnrobinette2@gmail.com]  
Sent: Wednesday, February 25, 2009 10:56 AM  
To: FINTestimony; repyamane@hawaii.gov  
Cc: Nancy Bottelo  
Subject: HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
  
Representative Marilyn B. Lee, Vice-Chair;  
  
and Members of the Committee on Finance

FROM: Nancy Bottelo, Special Olympics Hawaii

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I am a member of the Board of Directors for Special Olympics Hawaii which is a nonprofit with a mission to provide year-round sports training and athletic competition to Hawaii's children and adults with intellectual disabilities. Special Olympics is sports, but it is whole lot more. Through sports our special education students learn to follow rules, to be a part of a team, to pay attention to the coach - or teacher. They develop self confidence and self esteem, making them better students. A Yale University study showed that athletes perform better at work, at home, and at school the longer they participate in the Special Olympics program. Did you know that less than 10% of people with intellectual disabilities in the US are employed, as compared to 50% of Special Olympics athletes in the US being employed? This is a direct result of the fact that Special Olympics is not just sports. Special Olympics is the ONLY sports program available in the school for children with intellectual disabilities. These are not the students that are invited or encouraged - and sometimes not even allowed - to be on the varsity or JV sports teams

The SOHI Board of Directors strongly opposes H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, the special needs students, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Not for profit organizations would have to pay this tax, even when they were running in a deficit position, as we anticipate will happen this year. Therefore, H.B.1742 would slash resources at a time when endowments, state contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Our program, which already dramatically reduces state spending on physical education for the special education population, would have to pay. And Special Olympics is always free of charge to athletes and their families, we would not be able to pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

John A. Robinette  
94-282 Kokoiki Place  
Mililani, HI 96789

## **FINTestimony**

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**From:** Yogi Jivanandanatha [jiva@hindu.org]  
**Sent:** Wednesday, February 25, 2009 8:34 AM  
**To:** FINTestimony  
**Subject:** Testimony Opposing House Bill 1742 (from Himalayan Academy)

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Yogi Jivanandanatha, Himalayan Academy (FEIN 23-7062033) on Kauai

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation Our organization, Himalayan Academy, is a nonprofit with a mission to educate Hindus and others in Hinduism. We also do travel study programs and self-evaluation courses. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. In this time of economic difficulty, donations to our organization are down. A tax in addition to this lower income would cause an undue burden on our organization. We would need to cut back on our services.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.



Young Men's Christian Association of Honolulu  
Metropolitan Office  
1441 Pali Highway, Honolulu, Hawaii 96813  
Telephone: 808-531-3558 ▼ Fax: 808-533-1286 ▼ www.YMCAhonolulu.org

▼ Jim R. Yates, Chairman, Board of Directors

▼ Larry H. Bush, President & Chief Executive Officer

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Larry H. Bush, CEO and President, YMCA of Honolulu

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

The YMCA of Honolulu is one of the largest nonprofit organizations in Hawaii, serving over 100,000 children, teens, adults and seniors annually. The YMCA of Honolulu is a fellowship dedicated to putting Christian principles into practice through programs that build healthy spirit, mind and body for all. Our organization was founded in 1869 and incorporated under the laws of the Kingdom of Hawaii in 1882.

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits, like the YMCA of Honolulu, are tax exempt because they provide social goods and services that otherwise government itself would have to, such as providing after school care for over 7,000 children across the island, working with at-risk teens through YMCA leadership programs or substance abuse treatment and outreach, prevention and intervention services and providing hundreds of health, wellness, sports and enrichment programs that positively impact the lives of thousands of children and families in our community.

Nonprofits provide these services more economically and efficiently than the state. Taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

I fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

I urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

We Build Strong Kids, Strong Families, Strong Communities



A Member of Aloha United Way

## **COMMUNITY WORK DAY PROGRAM**

---

P.O. BOX 757 PU'UNĒNE, HI 96784

PHONE: (808) 877-2524 FAX: (808) 873-7762

e-mail: [cwdkhh@pixi.com](mailto:cwdkhh@pixi.com)

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Rhiannon Chandler, Community Work Day Program

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Community Work Day Program is an environmental nonprofit with a mission to empower individuals and communities to take responsibility for their environment. We coordinate recycling projects for landfill-diversion and reuse, large and small community cleanup events, graffiti removal projects, invasive species removal projects, and native plantings in partnership with business, community, and government in Maui County.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that government itself could not afford to do alone. Just the in-kind value of our volunteers laborer's time in the simple act of picking up litter would be a tremendous burden to the state's budget if the cost of such a service were paid for at the average hourly rate of a state worker. Nonprofits stretch state dollars further through community support and volunteer labor. Nonprofits provide these services more economically and efficiently than the state. Taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Respectfully Submitted,

Rhiannon Chandler  
Executive Director

DATE: February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Susan Maddox, Executive Team Leader, Friends of the Future

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Friends of the Future, FEIN 99-0296604, is a 501(c)3 nonprofit, incorporated in the State of Hawaii. Our mission is to create trust and harmony among the diverse cultures of Hawai'i through a process where all people can openly contribute their deepest values, create shared visions and continuously improve their communities. Our goals are: 1) to develop cultural anchors on Hawai'i Island which increase community stability and esteem; 2) to promote dialogue that brings together community members from diverse backgrounds, positions and interests to focus community resources on community-identified needs; and 3) to develop community-based activities that significantly improve the health-related quality of life in north Hawai'i. ***Our 12 community-based programs serve an average of 15,000 people per year ranging in age from new borns to senior citizens.***

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawai'i nonprofit organizations.

All non-profit organizations are chartered to provide public benefit. In Hawai'i, non-profit organizations provide a range of services normally provided by municipal, county and state agencies in other states. Hawai'i's non-profit sector cares for our mentally ill, our elderly, abused and neglected children, our homeless, our hungry...and they do so more efficiently and more economically than the government would be able to.

At a time when Hawai'i non-profit organizations are being asked to provide more services to more people and to do so with less funding (including cut backs in grants-in-aid and other state funding), requiring them to pay Hawai'i's gross receipts tax would be devastating. The notion that subjecting non-profit organizations to paying GET will somehow significantly close the gap in projected state revenues resulting from the current global economic situation is not solution-oriented thinking...it will result in greater stresses on non-profit organizations that, by nature here, operate very leanly, it will most certainly cause staff lay offs, it will decrease services and will undoubtedly result in organizations closing.

Now is not the time for HB1742, and we ask for your leadership in voting in opposition to this legislation.

Thank you for providing an opportunity to share my thoughts.

**Testimony on HB 1742, Relating to Taxation**  
**by**  
**Coralie Matayoshi, CEO, American Red Cross, Hawaii State Chapter**

Honorable Marcus Oshiro, Chair, House Finance Committee  
Honorable Marilyn Lee, Vice-Chair, House Finance Committee  
February 26, 2009, 9:30am, House Conference Room 308

The American Red Cross, Hawaii State Chapter strongly opposes HB 1742. This bill would severely impact the ability of financially strapped non-profits to provide services that the people of Hawaii would otherwise look to the government to provide.

Nonprofits fill critical gaps in services that businesses and government do not provide. In these tough economic times, nonprofits are needed more than ever. With dwindling grants and donations, this tax will shut down nonprofits that are already struggling to make ends meet. Ultimately, it will be the people needing our services that will suffer.

It would also increase operating expenses in having to assess, collect, account for, and remit these taxes to the government.

If passed, HB 1742 would have dire unintended consequences. We humbly urge the Committee to table it. Thank you for the opportunity to provide testimony on this bill.

**Natalie J. Iwasa, CPA, Inc.**  
**1331 Lunalilo Home Road**  
**Honolulu, HI 96825**  
**808-395-3233**

DATE: February 25, 2009

TO: Rep. Marcus Oshiro, Chair  
Rep. Marilyn Lee, Vice Chair  
Members of the House Committee on Finance

HEARING DATE: Thursday, February 26, 2009, 3 p.m.

SUBJECT: Opposition to HB 1742 - Relating to Taxation

Aloha Chair Oshiro and Members of the Committee,

This bill would reduce the general excise tax (GET) rate to 3.5%, require nonprofits (except religious organizations) to pay general excise tax on revenue that is currently exempt and make other changes to transactions that are currently exempt from GET. As a business owner, I would certainly welcome paying reduced general excise taxes and also passing less tax on to my clients. The negative impact this bill would have on nonprofit organizations, however, far outweighs the positive impact that my business or I and others might receive as a result of the lower GET rate.

My practice is made up mainly of small businesses and nonprofit organizations. Nonprofit organizations are currently struggling to make ends meet. Many have experienced reduced donations and grant funding. These organizations provide much-needed benefits to society such child and elder care, preservation of cultural and historic resources and education. Requiring these organizations to pay GET on all of their revenue except donations and grants may very well put some of them out of business and require others to cut back on services or charge more for services provided.

I respectfully ask that you vote in opposition to this bill.

Sincerely,



Natalie Iwasa, CPA



February 25, 2009

Testimony in OPPOSITION to HB 1742  
RELATING TO TAXATION  
Presented to the House Committee on Finance  
at the public hearing to be held 3 p.m. Thursday, February 26, 2009  
in Conference Room 308  
Hawaii State Capitol

Testimony submitted by the David H. Rolf for  
The Hawaii Automobile Dealers Association  
Hawaii's franchised new car dealers

Chair Oshiro and members of the committee:

While the new car dealers understand the need to balance the budget and have a deep respect and admiration for the difficult task your committee is charged with, we must offer our opposition to portions of HB1742—particularly with regard to the proposal to eliminate the tax exemption for a vehicle taken in trade on the purchase of another vehicle.

**Price elasticity of demand**

The "law of demand" that is most famous in all of economics is this: that the higher the price of a good, the less consumers will purchase.

The formal economic term encompassing this is Price Elasticity of Demand.

In the case for automobiles, for every 1% increase in the price, the long term downturn in sales will be 1.35%. This bill would add \$471 to the price of the average vehicle purchased with a trade-in as part of the transaction—with a loss of 805 new vehicles sold annually.

Using price elasticity of demand formulas, this increase in price and 805 loss in new car sales would result in a loss in GET to the state amounting to -\$1,006,250.

While we don't have used car sale figures, a rough estimate would be that the loss in GET to the state for those sales would be about half of that figure... another -\$500,000 annual loss.

Total GET loss to the state: -\$1.5 million. We understand the state projects around \$4.5 million annual increase in taxes from eliminating the exemption through this measure.

The net gain to the state of \$3 million in revenue, however, would cost auto dealer revenues -\$21,735,000 on their new car sales alone. And perhaps half again as much on their used car sales. Losses to auto dealers of \$30 million in revenues, each year.

Losses coming at a time when dealers are only selling about half of the new cars they sold per year in 2005 (down from 70,000 new vehicles in '05... to a projected 36,000 for '09).

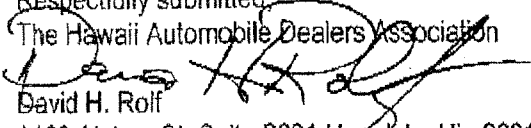
Losing \$30 million in sales represents an average loss of \$1 million in sales per dealer since there are 30 dealers in the state. This would be devastating to most.

**We request you reinstate provisions relating to the deduction of trade-ins, which have been deleted**

We respectfully request you reinstate the provisions in HB1742 (which have been deleted) relating to "the sale price of any article accepted as part payment on any new article sold, if the full sale price of the new article is included in the "gross income" or "gross proceeds of the sales."

Respectfully submitted,

The Hawaii Automobile Dealers Association

  
David H. Rolf

1100 Alakea St. Suite 2601 Honolulu, HI. 96813 Tel: 808 593-0031 Cel: 808 223-6015

TESTIMONY OF MIKE KALEIKINI  
PUNA GEOTHERMAL VENTURE  
BEFORE THE  
COMMITTEE ON FINANCE  
HOUSE OF REPRESENTATIVES  
ON  
H.B. NO. 1742, RELATING TO TAXATION  
FEBRUARY 26, 2009

Mr. Chair and Members of the Committee:

I am Mike Kaleikini, General Manager of Puna Geothermal Venture, a Hawaii general partnership. I am very pleased to submit this testimony on behalf of Puna Geothermal Venture related specifically and only to Section 12 of H.B. No. 1742 and to express our position against that particular Section 12.

Puna Geothermal Venture, or PGV, was formed in 1981 to undertake the exploration and development of Hawaii's geothermal resources on the Big Island to generate electric energy and to sell that energy to Hawaii Electric Light Company, Inc. ("HELCO") for resale to Hawaii's ratepayers on the Big Island. PGV ultimately developed a geothermal power plant in the Puna area and today provides electric energy to meet about 20% of the Big Island's electric energy demand. Further, PGV's power includes firm capacity, which has enabled HELCO to increase the reliability of the Big Island's energy supply.

PGV is therefore very interested in H.B. 1742, and specifically Section 12, which proposes to amend H.R.S. Section 237.13-5 to provide, in essence, that the gross proceeds from "the sale of electric power by a geothermal resource producer directly to the consumer" shall be subject to the State general excise tax at the rate of 3-1/2 percent unless otherwise exempted.

PGV respectfully opposes the amendment to H.R.S. Section 237-13.5 proposed by Section 12 of H.B. No. 1742 for the following reasons:

First, H.R.S. Section 237.13.5 in its present form was originally enacted by the Legislature in 1986 to encourage the development of electric energy from Hawaii's renewable energy resources, including wind and geothermal energy and other forms of renewable energy (such as ocean thermal energy) that were showing promise as renewable energy sources at that time. As such, H.R.S. Section 237.13.5 is very clear that it applies *only* to "gross proceeds from the sale of electric power to a public utility company for resale to the public." [Emphasis added].

Therefore, if a seller sells such electric power to a buyer that is not a public utility that resells such power to the public, then that the gross proceeds that the seller receives will automatically be subject to the general excise tax at the current rate of 4% under H.R.S. Section 237-13(9). As a result, there is no need for Section 12 of H.B. No. 1742 since the purpose of Section 12 is already accomplished in H.R.S. Section 13.5 as it present reads.

Second, Puna Geothermal Venture is to date the only developer and producer of electric energy from geothermal resources in the State. As such, we are puzzled by Section 12 of H.B. No. 1742, which singles out electric power produced by geothermal resources. The development of geothermal resources in order to generate electric energy requires a major capital

investment in the physical structures and equipment required to drill for such resources located far underground, harness and proceed such resources into condensing, separation and heat exchanging equipment and systems, generating such electric energy and then delivering such energy into HELCO's grid, and reinjecting the resources into the geothermal reservoir. As a result, geothermal power plants are generally large-capacity facilities capable, like PGV's facility, of generating 20 megawatts of electric energy. It would be very unlikely that sales of such electric energy would, or could, be made to any buyer other than the electric utility, which in turn would resell such energy to its ratepayers and would regard the geothermal power producer as another source of utility power. Thus, we believe that the specific reference in Section 12 of H.B. No. 1742 to electric energy from geothermal resources is not appropriate or practical.

Third, for similar reasons, we question why electric energy produced from geothermal resources is singled out, when in fact electric energy is today being produced commercially from numerous renewable resources, including wind, solar photovoltaic, biomass, solid waste resources, and possibly other sources using biofuels and ocean thermal energy conversion. If Section 12 of H.B. No. 1742 is to be adopted, we would ask that the specific reference to geothermal energy be deleted, because the sole reference to geothermal resources is both incomplete and is also misleading and a potentially negative implication to what has become one of Hawaii's most important renewable energy resources.

Finally, if the Legislature decides to enact Section 12 of H.B. 1742, then PGV respectfully suggests that it be amended to be more generic in the form attached as Annex I to this testimony.

Based on the foregoing, PGV respectfully requests that you delete Section 12 of H.B. No. 1742 as being unnecessary, since its objective is currently already being achieved in H.R.S. Section 237-13.5 as it currently reads. However, if you decide to retain Section 12 of H.B. No. 1742, then we respectfully ask that Section 12 be amended to read as set forth in Annex I to this testimony as being more appropriate in light of what the purpose of Section 12 appears to be.

Mr. Chair and Members of the Committee, we would be very pleased to respond to any questions that you may have. Thank you very much for the opportunity to submit Puna Geothermal Venture's testimony to your Committee.

<p>Mr. Mike Kaleikini  General Manager  Puna Geothermal Venture  Tel: 808-965-2838  Fax: 808-_____  Email: mkaleikini@ormat.com</p>	<p><u>Honolulu Contact:</u>  Gerald A. Sumida, Esq.  Carlsmith Ball LLP  ASB Tower, Suite 2200  1001 Bishop Street  Honolulu, Hawaii 96813  Tel: (808) 523-2528  Fax: (808) 523-0842  Email: gsumida@carlsmith.com</p>
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ANNEX I

PROPOSED REVISION TO SECTION 12 OF H.B. NO. 1742

SECTION 12. Section 237-13.5, Hawaii Revised Statutes, is amended to read as follows:

"§237-13.5 **Assessment on generated electricity.** Any other provision of [the] law to the contrary notwithstanding, the levy and assessment of the general excise tax on the gross proceeds from the sale of electric power to a public utility company for resale to the public, shall be made only as a tax on the business of a producers, at the rate assessed producers, under section 237-13(2)(A).

This section shall not apply to the sale of electric power by a producer of such power directly to the consumer. The gross income from such sale shall be taxed at the three and one-half per cent rate unless exempted under another provision of this chapter."

4850-0830-8739.1

February 25, 2009

The Honorable Representative Marcus Oshiro  
And Committee Members  
Committee on Finance  
Hawai'i State Capitol  
Honolulu, HI 96813

RE: Strong Opposition for HB1742 Relating to Taxation

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for this opportunity to present testimony on HB 1742 on behalf of Na Leo Pohai, the public policy affiliate of The Outdoor Circle.

The Outdoor Circle is one of Hawaii's oldest nonprofit environmental organizations. Founded in 1912 to protect the scenic beauty of our island state, The Outdoor Circle has been a strong thread in the fabric of Hawaii for nearly 100 years. The tireless work of our members has resulted in enduring positive benefits for all Hawai'i residents and tens of millions of visitors that have visited our islands over the past century. Many generations have grown up expecting The Outdoor Circle to be the watchdog against inappropriate advertising and signage, the leading advocate for planting and protecting trees, promoting a "green" landscape, protecting our valuable open spaces and view planes, and many other issues that directly affect the quality of life for our residents and the quality of the "Hawai'i experience" for our visitors.

Now, at a time when our organization and many others are tightening our belts, cutting budgets, laying off staff, and doing what we can to survive we are stunned and deeply concerned by HB1742, which would serve to deplete our already shrinking revenue and directly impact our ability to continue our work. This destructive legislation and its impact on our operation is very simple: the more the state taxes our resources, the less our organization will be able to do to protect Hawaii's most valuable resource—the beauty of our state. The same is true for most other nonprofits that will be severely and negatively impacted by HB1742.

We understand that times are tough and the state needs to take strong action to balance the budget and continue providing services to Hawaii residents. But the small, almost immeasurable amount of dollars that the state would realize by this misguided and devastating piece of legislation will, in the long run, result in a much higher price the will be born by those who are directly served by the numerous nonprofit organizations whose income would be reduced by this measure.

We strongly urge you to hold HB1742.

Mary Steiner  
CEO

Email to FINtestimony@capitol.hawaii.gov

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Margarita Scheffel, CFO, W. M. Keck Observatory

HEARING: Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, W. M. Keck Observatory, is a charitable 501(c)(3) nonprofit with a mission to foster scientific interaction among educational and research institutions and to foster high school, college and university educational research in astronomy. The academic researchers that use the observatory are primarily from the University of California, California Institute of Technology, the University of Hawaii, the Association of Universities for Research in Astronomy (AURA) and the National Aeronautics and Space Association (NASA). W. M. Keck Observatory's fiscal activities include soliciting donations and entering into grants and contracts to carry out its research and instrumentation development.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking while operating and benefit expenses increase.

Even donations and possibly grants that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate needed research programs or lay off workers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

INPEACE- Institute for Native Pacific Education and Culture

TESTIMONY

HB1742  
RELATING TO TAXATION  
Testimony Presented Before  
The Finance Committee  
February 26, 2009 @ 3:00pm in Conference Room 308  
by  
Kanoë Nāone, Ph.D. Chief Executive Officer

INPEACE **OPPOSES** this bill, particularly in regard to the repeal of taxation exemption on gifts and donations for non-profit/public service organizations. INPEACE humbly urges and requests the committee to prevent the bill from passing. INPEACE is a non-profit status, public service organization that annually serves more than 2,400 children, parents and community members through its early childhood and workforce development programs on 5 different islands. The work of INPEACE over the past fourteen years has been extensive and progressive in Hawai'i, particularly within communities that would not otherwise have access to the services it provides. While INPEACE targets many of its services for the health and survivance of the Native Hawaiian communities, we also are heavily invested in statewide collaborations and partnerships because we believe in the holistic health and future of all of Hawai'i. Not only does INPEACE provide direct services through its early childhood education program, Keiki Steps, but also aims to build a culturally competent workforce by recruiting, training, and developing teachers from the very communities in which we serve. The vision for INPEACE is to build long-term change and sustainable services to our communities; we know that financial efficacy and efficiency is of value to the longevity and health of our organization and ultimately, our communities. Without the generosity of our funders, INPEACE could not accomplish its work; each dollar is carried to its maximum capacity. Non-profits such as INPEACE are dependent on the generosity of donors, and donations and gifts are maximized to extend the quality and



excellence of our work. Every dollar matters to the work that we do—please leave public service organizations tax-exempt, including our donation and gift funds. While seemingly extraneous funds, public service organizations such as INPEACE maximize these funds toward the enhancement of our services and the good of our communities. The strength, vibrancy, and collaboration of Hawai'i's communities could not be possible without the work of its various, diverse and far-reaching public service organizations.

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Denby Freeland



**MAUI COASTAL LAND TRUST**

February 25, 2009

TO: Representative Marcus K. Oshiro, Chair  
House Committee on Finance

**RE: Testimony opposed to HB 1742**

We are providing this testimony in strong opposition to HB 1742 which would remove the exemption from taxation for the vast majority of nonprofit organizations.

This proposal to begin taxing nonprofit organizations on charitable donations is a devastating one to the nonprofit community. The vast majority of nonprofit organizations work exceedingly hard to provide for the greater public good, and in the majority of these cases they are providing services the government does not have the resources to provide. This is the very reason that the IRS provides special tax advantages to charitable nonprofits and their donors. Taxation of nonprofits that would result from the passage of this bill flies directly in the face of that intent!

Those that work in the nonprofit sector do so at salaries substantially below what they could be earning in the private arena, and typically put in many more hours than counterparts in the private sector. This proposal is a terrible slap in the face to those many dedicated employees and volunteers, NONE of who gain from any "profit" by the organization.

In these extremely tight economic times, there will be hundreds of nonprofit organizations that simply will not be able to keep their doors open. This additional tax burden will hasten the demise of many, many of them.

Please do not allow this bill to pass as presented. The nonprofit sector is critical to our society, and must be enhanced, not further hamstrung. Favorable tax status for ALL charitable nonprofits must be retained.

Sincerely,

Dale B. Bonar, Ph.D.  
Executive Director





# Hawaii Island Chamber of Commerce

106 Kamehameha Avenue  
Hilo, Hawaii 96720  
Phone: (808) 935-7178  
Fax: (808) 961-4435  
E-mail: admin@hicc.biz  
[www.hicc.biz](http://www.hicc.biz)

February 25, 2009

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Jere Usui

Carol Van Camp

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
Committee on Finance

Re: HB 1742, Related to Taxation

Aloha.

On behalf of the Hawaii Island Chamber of Commerce, I submit the following testimony to your committee.

The Hawaii Island Chamber of Commerce represents more than 300 businesses and 700 members, most of them in East Hawaii. Our membership is made up of companies large and small, along with a number of community service and educational organizations. As such, we are a sizable and representative cross-section of our community. We know we need to be in concert at this time of economic stress in our state, our nation and beyond.

As the screw turns tighter on all of us, there will be more people in need of community services, less government ability to provide them, so more need of non-profits to fill gaps at a time when private contributions are reduced.

We shouldn't add to their financial woes with a major tax burden that could put them out of business.

Please do not pass this bill.

We surely understand the position government finds itself in and we appreciate Legislators' efforts to meet these challenges. We are in this together; we do feel, however, that this bill is not a best option.

Sincerely,

Barbara A. Hastings

February 25, 2009

Testimony in OPPOSITION to HB 1742  
RELATING TO TAXATION  
Presented to the House Committee on Finance  
at the public hearing to be held 3 p.m. Thursday, February 26, 2009  
in Conference Room 308  
Hawaii State Capitol

Testimony submitted by the David H. Rolf for  
The Hawaii Automobile Dealers Association  
Hawaii's franchised new car dealers

Chair Oshiro and members of the committee:

While the new car dealers understand the need to balance the budget and have a deep respect and admiration for the difficult task your committee is charged with, we must offer our opposition to portions of HB1742—particularly with regard to the proposal to eliminate the tax exemption for a vehicle taken in trade on the purchase of another vehicle.

#### **Price elasticity of demand**

The "law of demand" that is most famous in all of economics is this: that the higher the price of a good, the less consumers will purchase.

The formal economic term encompassing this is Price Elasticity of Demand.

In the case for automobiles, for every 1% increase in the price, the long term downturn in sales will be 1.35%. This bill would add \$471 to the price of the average vehicle purchased with a trade-in as part of the transaction—with a loss of 805 new vehicles sold annually.

Using price elasticity of demand formulas, this increase in price and 805 loss in new car sales would result in a loss in GET to the state amounting to -\$1,006,250.

While we don't have used car sale figures, a rough estimate would be that the loss in GET to the state for those sales would be about half of that figure... another -\$500,000 annual loss.

Total GET loss to the state: -\$1.5 million. We understand the state projects around \$4.5 million annual increase in taxes from eliminating the exemption through this measure.

The net gain to the state of \$3 million in revenue, however, would cost auto dealer revenues -\$21,735,000 on their new car sales alone. And perhaps half again as much on their used car sales. Losses to auto dealers of \$30 million in revenues, each year.

Losses coming at a time when dealers are only selling about half of the new cars they sold per year in 2005 (down from 70,000 new vehicles in '05....to a projected 36,000 for '09).

Losing \$30 million in sales represents an average loss of \$1 million in sales per dealer since there are 30 dealers in the state. This would be devastating to most.

**We request you reinstate provisions relating to the deduction of trade-ins, which have been deleted**

We respectfully request you reinstate the provisions in HB1742 (which have been deleted) relating to "the sale price of any article accepted as part payment on any new article sold, if the full sale price of the new article is included in the "gross income" or "gross proceeds of the sales."

Respectfully submitted,  
The Hawaii Automobile Dealers Association

David H. Rolf  
1100 Alakea St. Suite 2601 Honolulu, Hi. 96813 Tel: 808 593-0031 Cel: 808 223-6015

Email to FINtestimony@capitol.hawaii.gov

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Roberta L. Weil, Kauai Hospice  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Kauai Hospice, is a nonprofit with a mission to ensure the highest quality of life possible for individuals and their families facing a life-threatening illness, to provide bereavement support to individuals, and to promote an understanding of hospice services. Our clients are anyone in the community in need of our services which are given without charge.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



**PACIFIC GATEWAY CENTER**

**February 25, 2009**

**TESTIMONY IN OPPOSITION OF HB 1742  
House Finance Committee  
Thursday, Feb. 26 at 3 p.m.  
House conference room 308**

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
**FROM:** Tin Myaing Thein, Executive Director, Pacific Gateway Center  
**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308  
**RE:** Opposition to HB 1742, Relating to Taxation

My name is Tin Myaing Thein, and as Executive Director of the Pacific Gateway Center, I am writing this letter in strong opposition of bill HB 1742. The Pacific Gateway Center (PGC) is a non-profit organization dedicated to empowering immigrants, refugees, and low-income residents of Hawaii to achieve self-sufficiency while respecting the integrity of diverse cultural heritages. Formerly known as the Immigrant Center, PGC was founded in 1973 by the Episcopal Church in Hawai'i in response to the dramatic increase in Asian and Pacific Island immigrants to the islands. Since 1984, PGC has been incorporated as a private, non-profit organization with its own governing board of directors and became a member agency of the Aloha United Way. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide a social good that government itself would otherwise have to furnish, such as services caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state.

However, taxing non-profits would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking, unemployment is surging, and community demands for services are ballooning. Nonprofit schools, which dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services, albeit less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely, Tin Myaing Thein, Executive Director



PACIFIC GATEWAY CENTER

83 NORTH KING STREET, HONOLULU, HAWAII 96817 – TEL (808) 851-7010 – FAX (808) 851-7019  
EMAIL: [Myaing@pacificgatewaycenter.org](mailto:Myaing@pacificgatewaycenter.org)

FORMERLY KNOWN AS THE IMMIGRANT CENTER



**HB 1742  
RELATING TO TAXATION**

**GARY NORTH  
CHAIRMAN  
HAWAII HARBORS USERS GROUP**

**FEBRUARY 25, 2009**

Vic Angoco  
Matson Navigation Company,  
Inc.

Mar Labrador  
Horizon-Lines, LLC

Glenn Hong  
Young Brothers, Ltd./Hawaiian  
Tug and Barge

Grant Karamatsu  
NCL America, Inc.

Douglas Won  
Sause Bros., Inc.

Richard Maxwell  
Aloha Cargo Transport,  
Division of Northland Services,  
Inc.

Robert T. Guard  
McCabe, Hamilton & Renny Co.,  
Ltd.

Jeff Brennan  
Hawaii Stevedores, Inc.

John Garibaldi  
Hawaii Superferry, Inc.

Lance Tanaka  
Tesoro Hawaii Corporation

Stephanie Ackerman  
The Gas Company

Eric Yoshizawa  
Ameron Hawaii

Nate Lopez  
Hawaiian Cement

Gary North  
Chairman

Chair Marcus Oshiro, and Members of the House Finance

Committee:

I am Gary North, testifying on behalf of the Hawaii Harbors Users Group (HHUG), on HB 1742.

The Hawaii Harbor Users Group (HHUG) is a non-profit maritime transportation industry group comprised of the following key harbor users: Matson Navigation Company, Horizon Lines, LLC, Young Brothers/Hawaii Tug & Barge, Norwegian Cruse Line, Sause Brothers Inc., Aloha Cargo Transport (ACT), Hawaii Stevedores, McCabe Hamilton & Renny Stevedores, Hawaii Superferry, Tesoro Hawaii Corporation, The Gas Company, Ameron Hawaii, and Hawaiian Cement.

While HHUG recognizes the need for the State of Hawaii to address the current budgetary shortfall, the removal of the exemptions in the maritime area will markedly impact the cost of goods and services because of the multiple levels of services that are required in the transportation process. This bill propose to

remove the exemptions that currently exist in §237-24.3(4) for amounts received or accrued from the loading or unloading of cargo; tugboat services including pilotage fees performed within the State; the towage of ships, barges, or vessels in and out of state harbors, or from one pier to another; 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. Moreover because of the complicated array of providers of maritime goods and services, the impact of the removal of these exemptions would be compounded. For example there could be three or more levels in which GET taxes are commonly assessed on the same services. This would occur in the situation in which exempt services are initially provided by independent companies to a stevedore, the stevedore company then provides and charges the carrier for the entire stevedoring services, and finally the carrier charges its customers for the total carriage, including the stevedoring services. Without the exemptions GET would be assessed at each level and the cost of the initial services could effectively be charged GET three times and the stevedoring, pilotage or other now exempt services could be charged GET twice.

The bill also proposes to remove the exemption in §237-28.1 that applies to the gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade. The removal of this exemption would increase the cost of obtaining these services in Hawaii, which could result in a decrease in the demand for such work to be performed in Hawaii.

Finally, the bill would remove the exemptions in §237-24.3(1) and (2) for amounts received from the loading, interisland transportation and unloading of agricultural commodities and from the sales of specified commodities to carriers for consumption out of the state. Removal of these exemptions would also increase the cost of these services and goods and may diminish the desirability of purchasing these products in Hawaii.

In summary, while HHUG understands this legislature's effort to address our current economic situation, we are concerned with the overall impact that this bill will have upon residents and businesses in Hawaii. It is anticipated that this bill will result in additional costs and expenses that will ultimately be borne by consumers in higher prices for goods and services.

Thank you for this opportunity to testify.

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Kenneth Zeri, RN, MS  
President, Hospice Hawaii

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Our organization, Hospice Hawaii, is a nonprofit with a mission to promote the quality of life for persons facing life-limiting illness and for their families.

Hospice Hawaii is concerned with the physical, emotional, psychosocial and spiritual needs of the terminally ill and their ability to function. The goals of the Hospice team are to maximize the remaining human potential and the well-being of persons with terminal illness as well as to provide on-going support to their families, loved ones, and caregivers.

H.B. 1742 flies in the face of the fundamental principles underlying organization as a nonprofit business. By definition, the purpose is not profit-motivated, but service motivated. Any activities that have a profit motive are already taxed under general excise tax provisions, i.e. special event fundraisers and any business activities that are unrelated to the organizations exempt purpose.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742 as it would be detrimental to our organization.

Thank you for this opportunity to testify and I may be reached at Hospice Hawai'i  
924-9255 for further questions.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth L. Zeri".

Kenneth L. Zeri, RN, MS  
President, CPO



## HAWAII WOMEN'S BUSINESS CENTER

*Entrepreneur Nurturing*

To: Rep. Marcus R. Oshiro, Chair,  
Rep. Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

Hearing: February 26, 2009, 3:00 p.m. Conference Room 308

Re: Opposition to HB 1742 - Relating to Taxation

The Hawaii Women's Business Center is a 501(c)(3) nonprofit educational and economic development center designed to assist women start and grow small business through entrepreneurial nurturing. We accomplish this through free one-on-one counseling, no-cost and low-cost training, and technical assistance. We have an 11-year, proven track record of experience and success in providing women entrepreneurs with the assistance they need to become economically sustainable.

We strongly oppose HB 1742 which would repeal the excise tax exemption of Hawaii nonprofit organizations.

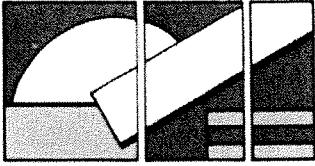
As you know, nonprofits are having a terrible time all over the state. Private gift-giving is down; Grants-in-Aid are pretty much nonexistent; our own budget, which has been funded in part through a matching grant from the Small Business Association took a 25% hit across the board as of October 1, 2008.

We provide valuable economic development services to the citizens of Hawaii, particularly those low-income and under-served women who are supporting several generations single-handedly. This bill would stretch our resources beyond our abilities. We would be forced to eliminate services which, in the end, would be counterproductive to the very economy that you and your fellow legislators are trying to support.

I strongly urge the committee to not pass HB 1742

I thank you for the opportunity to provide these comments.

Kay Dorraine  
Executive Director



## **PACIFIC HOUSING ASSISTANCE CORPORATION**

677 ALA MOANA BOULEVARD • SUITE 712 • HONOLULU, HAWAII 96813 • (808) 523-5681

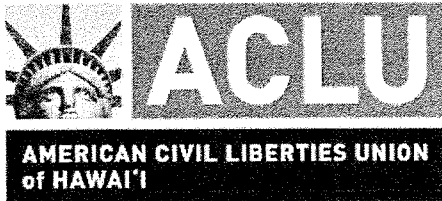
**TESTIMONY ON H. B. 1742, RELATING TO TAXATION**  
**Before the House Committee on Finance**  
**February 26, 2009; 3:00 pm (Agenda #6); CONFERENCE ROOM no**  
**Submitted By: Marvin Aways, Executive Director**

The Pacific Housing Assistance Corporation, a Hawaii non-profit corporation, strongly opposes H.B. 1742, which repeals the:

- General Excise Tax ("GET") exemption for affordable housing projects under Section 237-29, HRS and
- Exemptions related to non-profit housing providers and those that operate HUD 202 senior housing.

These exemptions are a very important element to the delivery and operation of affordable housing. It is a financial incentive that allows GET exemptions to "filter" to the affordable housing tenant and homebuyer in lower rents or sales prices.

It has proven itself in over the 20+ years of its existence to be an important and successful incentive for the development and preservation of affordable housing, and should be allowed to continue. Further, using the GET exemption on rents allows all affordable rental projects to remain so by helping meet project operating expenses.



**BY WEB**

Committee: Committee on Finance  
Hearing Date/Time: Thursday, February 26, 2009, 3:00 p.m.  
Place: Room 308  
Re: Testimony of the ACLU of Hawaii in Opposition to H.B. 1742, Relating to Taxation

Dear Chair Oshiro and Members of the Committee on Finance:

The American Civil Liberties Union of Hawaii (“ACLU of Hawaii”) writes in strong opposition to H.B. 1742, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

The ACLU of Hawaii is a private and non-partisan nonprofit whose mission is to protect the fundamental rights contained in the United States and Hawaii Constitutions for all people. We provide legal, legislative and public education services statewide at no cost to the public.

Nonprofits are tax exempt because they provide social goods and services that the government itself would otherwise have to make available. These include services to some of the most vulnerable populations in our community. The current tumultuous economy has put more individuals and families at risk and has consequently placed dramatically increased demands upon nonprofits to provide key services from housing and employment to meals and mental health care.

This bill unfairly puts a burden on nonprofits whose services are already being stretched to the limit. Hawaii cannot afford to have its nonprofit safety net threatened at this critical time. We strongly urge the Committee to hold HB 1742.

Thank you for this opportunity to testify.

Sincerely,

Vanessa Chong  
Executive Director  
ACLU of Hawaii

American Civil Liberties Union of Hawaii  
P.O. Box 3410  
Honolulu, Hawaii 96801  
T: 808.522-5900  
F: 808.522-5909  
E: [office@acluhawaii.org](mailto:office@acluhawaii.org)  
[www.acluhawaii.org](http://www.acluhawaii.org)



Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

Before:  
House Committee on Finance  
The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair

February 26, 2009  
3:00 pm  
Conference Room 308

### **HB 1742 RELATING TO TAXATION**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB1742 that would repeal certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations.

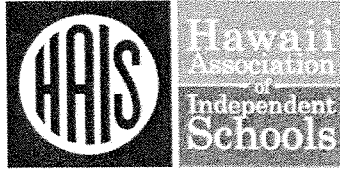
#### **Kaiser Permanente Hawaii opposes this bill.**

The cost of delivering health care in Hawaii and across the nation continues to mount. To the extent this measure would repeal excise tax exemptions and exclusions applicable to Kaiser, this measure will only add to that cost. The burden of an excise tax such as this one would be passed on to health plan purchasers and consumers, driving up the overall cost of healthcare to those purchasers and to the state.

Additionally, as a 501(c)(3) federally tax exempt, charitable organization, Kaiser provides approximately \$19 million in free care, subsidized care, grants, health education, and programs for safety net organizations within the State of Hawaii. Imposition of the excise tax would be an unfortunate precedent setting erosion of Kaiser's tax exempt status, inconsistent with its public benefit social mission.

In short, repeal of Kaiser's general excise and use tax exemptions and exclusions would be bad for the business community, bad for the public, and bad for the cost of healthcare in the State of Hawaii.

Thank you for the opportunity to comment.



February 26, 2009  
3:00 p.m.  
Conference Room 308

TESTIMONY TO  
THE HOUSE COMMITTEE ON FINANCE

RE: HB 1742 – Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Robert Witt, and I am executive director of the Hawaii Association of Independent Schools (HAIS), which represents 97 private and independent schools in Hawaii and educates over 30,000 elementary and secondary students statewide.

The Association strongly opposes House Bill 1742 – Relating to Taxation, which would repeal the general excise tax exemption for Hawaii nonprofit organizations and schools.

In challenging economic times such as these, when the State is required to make steep budget cuts in all areas, the social and economic value of nonprofits is all the more apparent. By serving the general population in ways the State cannot and via the support of private dollars, nonprofits and the programs and services they provide to our communities are more critical than ever. With regard to nonprofit schools in particular, not only do these educational institutions prepare our keiki to become responsible citizens and productive members of the workforce and society, but they also represent a huge savings for the State by independently educating thousands of Hawaii students, thereby reducing State spending on education.

Due to the economic downturn, nonprofit schools are simultaneously facing a decrease in the value of their endowments and an increase in requests for financial aid; however, as illustrated by the recent article “Tuition hikes ease up at isle private schools” in the Honolulu Star-Bulletin, Hawaii private schools are doing their best to keep costs as low as possible for students and their families without sacrificing instructional quality. In light of schools’ efforts to continue on with reduced resources, now does not seem the right time to impose additional taxes on them.

With fundraising income for nonprofits already taxable under current State law, the repeal of the existing general excise tax exemption for nonprofits proposed by HB 1742 will only serve to increase the burdens on these schools by subjecting their revenues and investment income to taxation. This will most certainly have a detrimental effect on their ability to remain operational and prevent them from continuing to provide students across Hawaii with high-quality educational experiences. For these reasons we urge the Committee to not to pass this measure.

Mahalo for the opportunity to testify on this important matter.



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Email: har@hawaii Realtors.com

February 24, 2009

**The Honorable Marcus R. Oshiro, Chair**  
House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: H.B. 1742, Relating to Taxation**

**HEARING DATE:** Thursday, February 26, 2009 at 3:00 p.m.

Aloha Chair Oshiro and Members of the Committee on Finance:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **strongly opposes the following Sections of H.B. 1742, Relating to Taxation**, which repeal certain general excise and use tax exemptions and exclusions and subject to the general excise tax ("GET") for certain sales of real property.

## **SECTION 2**

HAR strongly opposes imposing the GET on real property sales under proposed HRS §237-A, because such sales are already subject to the Conveyance Tax under HRS Chapter 247.

In addition, as a technical matter, the reference to "a sales representative that is taxable under section 237-13(5)" at the end of proposed HRS §237-A, should be to "a real estate broker or salesperson that is taxable under section 237-13(6)" inasmuch as only real estate licensees should be receiving commissions on the sale of real property in Hawaii. (Please see the reference to real estate brokers or salespersons and HRS §237-13(6) in HRS §237-18(e).)

## **SECTION 18**

HAR strongly opposes the repeal of the GET exemption for "business leagues, chambers of commerce, boards of trade" under HRS §237-23(a)(5) because it will subject HAR's membership dues to the GET and thereby increase the cost of doing business for HAR and its members during these tough economic times.

HAR would note that membership dues do not appear to qualify as gifts or donations exempt from GET under proposed HRS §237-24(5)(C) as set forth in Section 19 of H.B. 1742.

## **SECTIONS 39 & 47**

HAR strongly opposes the repeal of the GET exemption for Certified or Approved Housing Projects under HRS §§ 237-29 and 201H-36.



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Neighbor Islands: (888) 737-9070  
Email: har@hawaiiirealtors.com

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from the Low Income Housing Tax Credit under HRS §235-110.8 and HRS §241-4.7. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR also believes that if Sections 39 and 47 of H.B. 1742 are passed in their current form, the repeal of HRS §§ 237-29 and 201H-36 will reduce by at least 3.5% (and 4% in the City and County of Honolulu) the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State. This will almost certainly adversely affect the projects' ability to fund their operating and maintenance reserves, and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.

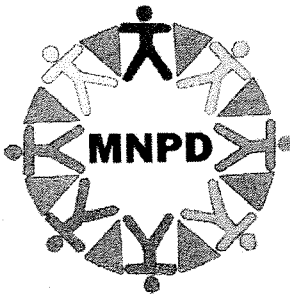
#### **SECTION 56**

For the reasons set forth above, HAR respectfully requests that if Sections 39 and 47 of H.B. 1742 are passed in their current form, a new Subsection (4) be added to Section 56 of H.B. 1742 to read as follows:

- (4) Sections 39 and 47 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2010.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.



# MAUI NON-PROFIT DIRECTORS

P. O. BOX 1186  
PUUNENE, HAWAII 96784  
mauinonprofit@yahoo.com

To: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

February 25, 2009

From: Susie Thieman, President  
Maui Non-Profit Directors Association

Hearing: Thursday, February 26, 3 pm, Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, the Maui Non-Profit Directors Association, is an organization of Executive Directors from more than 70 non-profit agencies in Maui County. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because we provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing us could add tremendously to our costs and make us less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Aloha,

Susie Thieman,  
President

<b>President:</b>	Susie Thieman, MEO Business Development Corp	<b>Directors:</b>	'Ululani Correa, Maui Memorial Medical Center Foundation
<b>Vice President:</b>	Richard Yust, Maui Food Bank		Lyn McNeff, Maui Economic Opportunity, Inc.
<b>Secretary:</b>	Keith Wolter, Maui AIDS Foundation		Melissa Ross, Big Brothers Big Sisters of Maui
<b>Treasurer:</b>	Sherri Dodson, Habitat for Humanity Maui		
<b>Past President:</b>	Paula Ambre, The Maui Farm		

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Phone: 329-1758 Fax: 329-8564  
www.Kona-Kohala.com info@kona-kohala.com

February 25, 2009

TO: HOUSE FINANCE COMMITTEE  
Rep. Marcus Oshiro, Chair and committee members

FROM: Kona-Kohala Chamber of Commerce (via email in lieu of in-person testimony)

SUBJECT: **Opposition of HB 1742 Relating to Taxation**

The Kona-Kohala Chamber of Commerce (KKCC), a not-for-profit 501 (c)(6) organization, represents **620** business members with a Mission to provide leadership and advocacy for a successful business environment in West Hawai'i. Our membership roster includes 55 not-for-profit organizations. The KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitor alike.

The Kona-Kohala Chamber of Commerce opposes HB 1742, which would repeal the excise tax exemption for Hawai'i non-profit organizations.

Many not-for-profit organizations are operating under constrained financial conditions and this additional burden may cause them to either cut back on their services or go out of business completely. It has been shown that many not-for-profit organizations supplement state social services and are able to operate more efficiently and cost-effectively than State agencies. In addition, with the troubling economic condition of the Nation, endowments, donations and charitable contributions are declining in a time when the community is more in need of these services.

Since the downturn in the economy, this Chamber has noticed an increase in demand from our members and the community for assistance on "how to survive" in these challenging times. Our budget has experienced a decline in revenues however the need for our services has increased. Placing this additional tax burden on us will mean another cut to our programs and services, and employee staffing. How can we fulfill our Mission to support our business community and the overall economic climate of West Hawai'i with fewer resources?

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

A handwritten signature in cursive script that reads "Vivian Landrum".

Vivian Landrum  
Executive Director





**A Non-Profit Human Service Agency**

**Main Office Location**

33 South King Street, Suite 300 \* Honolulu, HI 96813-4323  
Telephone (808) 521-4531 \* Fax (808) 521-4538

Honolulu Community Action Program

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Kevin Souza, Esq.  
*Vice Chair*  
Isaac W. Choy  
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Sharon Cockett  
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Christopher Hernandez  
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Catalin Makekau  
*Leeward District*  
Darlene Nakayama  
*Leahi District*  
Kapiolani Silva  
*Central District*  
Rev. Ron Valenciana  
*Central District*

**Public Sector**

Errence Aratani, Esq.  
*Office of Senator*  
Brian T. Yamaguchi  
Isaac W. Choy  
*Office of Representative*  
Marcus Oshiro  
Ka'iulani de Silva  
*Office of Senator Suzanne*  
Chun Oakland  
Karl Espaldon, Esq.  
*Governor's Representative*  
Jay Ishibashi  
*Mayor's Representative*  
Rev. Robert Nakata  
*Office of Rep. Cabin Say*  
Councilman Gary Okino

**Private Sector**

Don Anderson  
*Community Volunteer*  
Donna L. Ching  
*Leo A Daly*  
Lori Honda  
*Bank of Hawaii*  
Iris Matsumoto  
*First Hawaiian Bank*  
Colleen Minami  
*Community Volunteer*  
Kevin Souza, Esq.  
*Native Hawaiian*  
Chamber of Commerce  
Sylvia Yuen, Ph.D.  
*Center on the Family*  
University of Hawaii

Joy Barua  
*Interim Executive Director*

**HEAD START OFFICES:**

KAPALAMA  
Tel: (808) 847-2400

• KUNIA  
Tel: (808) 621-5099

**DISTRICT CENTERS**

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Joy Barua, Interim Executive Director

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: **Opposition to HB 1742, Relating to Taxation**

Honolulu Community Action Program (HCAP) is a non-profit organization with a mission to provide opportunities and inspiration to enable low-income individuals and families achieve self-sufficiency. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii non-profit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the State. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Furthermore, the proposed bill would impose dual-taxation on public dollars meant to benefit and impact the most needy. Public funding resources disallow the use of grant funds for tax payments. As such, non-profits would then be compelled to raise additional funds just to make tax payments. Please realize that this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force State government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

Therefore, we strongly urge you to not pass HB 1742. Thank you for this opportunity to testify.

Sincerely,

  
Joy Barua  
Interim Executive Director  
Honolulu Community Action Program (HCAP), Inc.

• CENTRAL O'AHU  
Tel: (808) 485-6834

• KALIHI-PALAMA  
Tel: (808) 847-0804

• LEAHI  
Tel: (808) 732-7755

• LEEWARD  
Tel: (808) 696-4261

• WINDWARD  
Tel: (808) 239-5754





Healthcare Association  
of Hawaii

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HOUSE COMMITTEE ON FINANCE

Rep. Marcus Oshiro, Chair

Conference Room 308

February 26, 2009 at 3:00 p.m. (Agenda #6)

**Testimony in opposition to repeal of GET exemption for hospitals in HB 1742**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in opposition to the portion of HB 1742 that repeals the general excise tax exemption for hospitals.

Hospitals provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. Although these patients need the care, many of them do not have the capacity to pay for it. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred \$141 million in uncollected payments in 2008, the result of bad debt and charity care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs, and these programs were under-funded by \$31.3 million in 2008. Hospitals also provide medical education for interns and residents in the John A. Burns School of Medicine.

Attached are pages from "Issues Impacting Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers," which details unfunded and under-funded community benefits provided by hospitals. The report was prepared by Ernst & Young in 2008 for the Healthcare Association of Hawaii

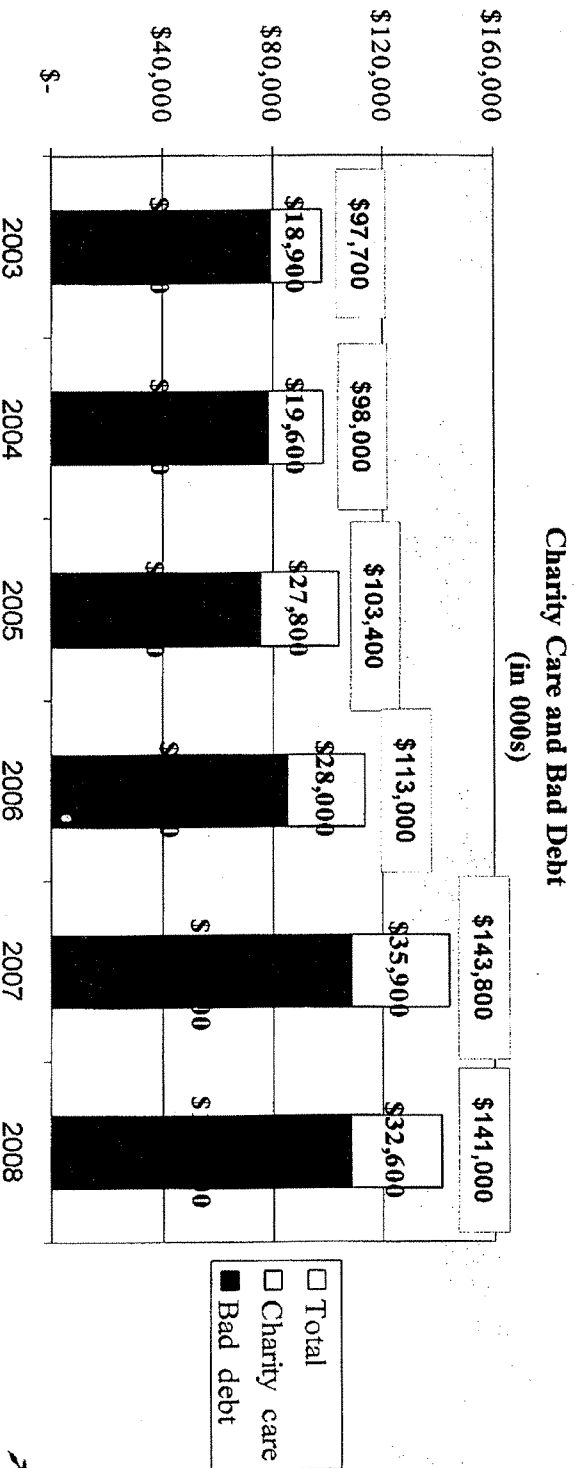
The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced financially to severely reduce or eliminate these benefits. In this way the tax exemption helps to maintain the high level of health care in our communities.

For the foregoing reasons, the Healthcare Association of Hawaii strongly opposes the portion of HB 1742 that repeals the general excise tax exemption for hospitals.

### 3. Community Benefits – Free Care

Total uncollected payments in Hawaii averaged \$116,200,000 annually from 2003 to 2008

- Services provided to those without the ability to pay result in bad debt or charity care
  - Bad debt is incurred when the amount due from a patient cannot be collected (services are provided with partial or no payments received)
  - Charity care is incurred when the hospital never expected to collect payment from the patient because the patient is indigent (services are provided at no charge to patient)
- Six year total for Bad Debt and Charity Care is \$697,000,000 in Hawaii
- Many workers who have part time jobs do not receive health insurance benefits as the Hawaii Prepaid Insurance Act only requires employers to provide coverage for employees working 19 hours or more a week



Source: Bad Debt and Charity Care information provided by 27 hospitals and 2 nursing facilities.

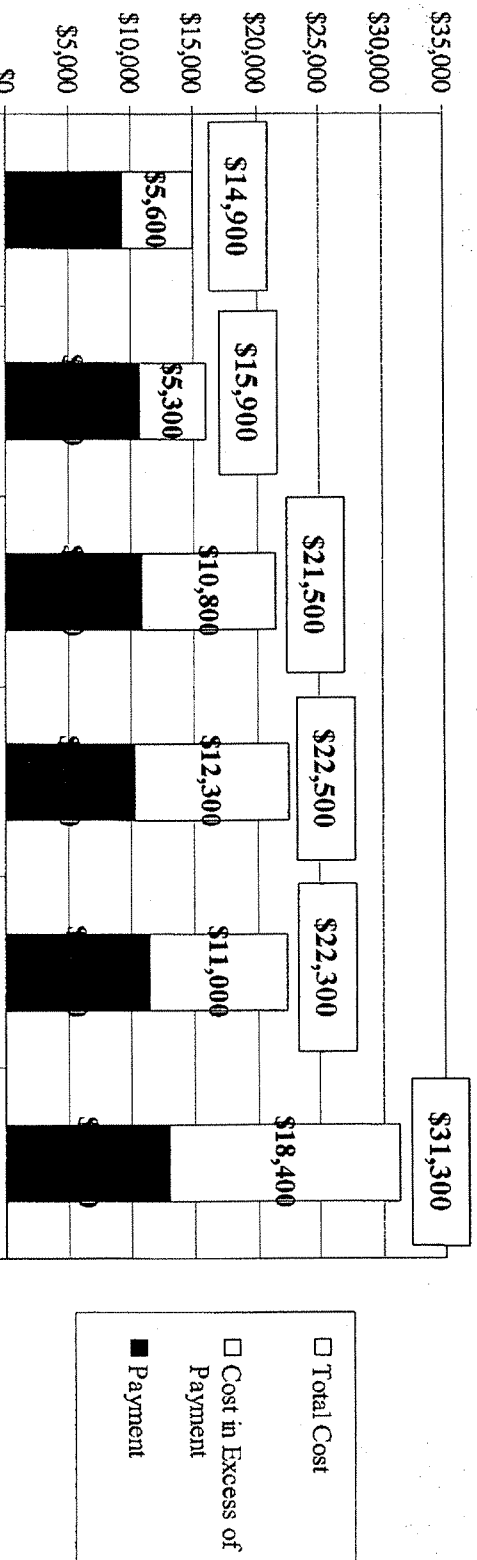
### 3. Community Benefits – Community Programs

Hawaii's healthcare organizations provide medical and social services free or at a price below cost for the benefit of the community

- Examples include health promotion, disease management programs, services for the elderly and adolescents, counseling services and outpatient clinics for the underserved and uninsured
- Medicare and Medicaid do not pay for most of these programs
- State and federal funds received through appropriations and grants are minimal
- Six year total program cost is \$128,400,000 with only \$65,000,000 received in payment. Total unfunded (net) cost is \$63,400,000
- Average annual unfunded cost from 2003 to 2008 is \$10,600,000

#### Community Programs

(in 000s)

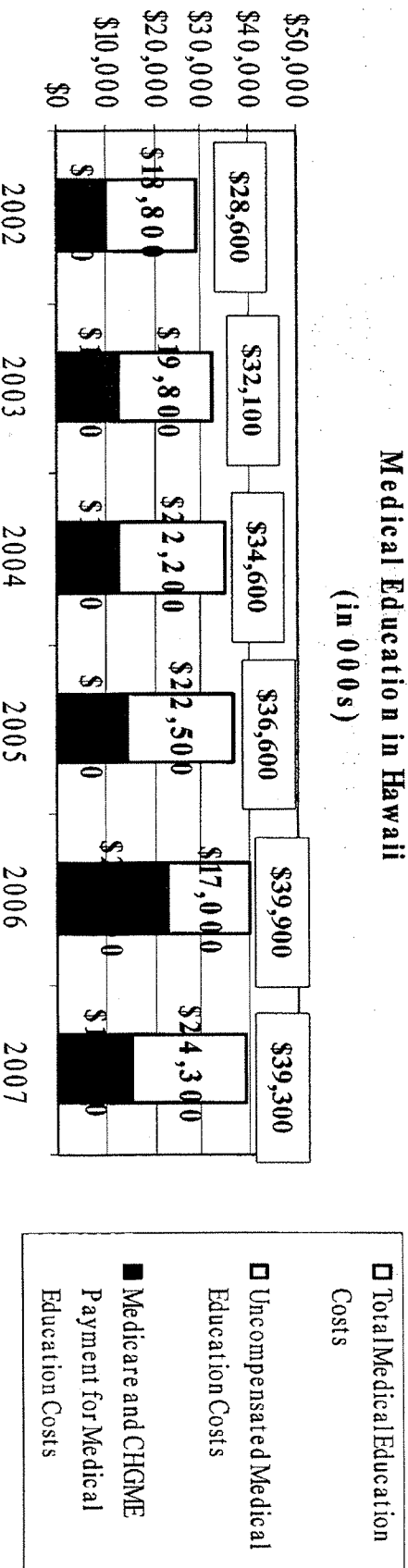


Source: Information provided by five hospitals and one nursing facility

### 3. Community Benefits – Medical Education

Payments received did not cover the cost for training interns and residents (medical education) by \$24 million in 2007 in Hawaii

- Seven hospitals have teaching programs (interns and residents) to support the University of Hawaii’s School of Medicine and medical research
- This training is essential to the UH School of Medicine and helps to alleviate the physician shortage in Hawaii
- Medicare is the major source of payments for intern and resident programs. A federal program was established to provide additional payment to children’s hospitals for medical education (CHGME program)
- Hospitals need to shift resources from other uses to provide medical education
- The six year (2002 to 2007) total uncompensated Medical Education Costs are \$124,600,000 and the annual average is \$20,800,000



Source: As-filed cost reports (7 hospitals)



# PLYWOOD HAWAII

1062 Kikowaena Place  
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Honolulu, Hawaii 96819  
Fax (808) 834-1232

February 25, 2009

**TO:** Representative Marcus R. Oshiro, Chair,  
Representative Marilyn B. Lee, Vice-Chair,  
Members of the Committee on Finance

**FROM:** Connie Smales, Board Member, YMCA of Honolulu

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

The purpose of Non-profit organizations is to provide services to the general public, in many cases the poor, that government would otherwise be required to do. Taxing these organizations is a very poor way to raise revenue for the government, especially during these difficult economic times. Non-profits have already seen their revenue decline dramatically and taxing them would deprive them further of these revenues and endanger their very existence.

I strongly urge you to vote no on this bill.

*Connie Smales*

***James V. Gomez, CPA***

**1314 South King Street**

**Suite 521**

**Honolulu, Hawaii 96814**

**Phone: 596-2885**

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: Jim Gomez  
Partners in Development Foundation  
Board of Directors

HEARING: Thursday, Feb. 26, 2009, 3:00 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Partners in Development Foundation is a 501(c)(3) non-profit public corporation which seeks to serve families and communities within the State in areas of education, social service, culture/language and environmental responsibility/remediation. Our programs serve those in need with special focus on the Native Hawaiian population throughout Hawai'i who are consistently found among the top ethnic groups for incarceration, drug abuse, homelessness, entrance into the foster care system, poorest performance on school assessments to name a few.

I strongly oppose passage of H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawai'i non-profit organizations.

Non-profits such as ours provide social goods and services that would otherwise become a governmental responsibility and are therefore tax exempt. These services are provided more economically and efficiently than the State; however, taxing them would add tremendously to their costs and make them much less effective.

Please realize that the Hawai'i GET is a gross receipts tax, which means it would tap non-profit revenues, not just net income after expenses. Non-profits would have to pay whether they are losing money or not. H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and community demands for services are escalating.

I fear this bill would force many charities that are already struggling to close, eliminate programs or lay off staff which would then require increased services from the State government and result in increasing the taxpayers' burden.

I urge the Committee not to pass H.B. 1742. Thank you for your consideration of this request.

*Mary Ann Changg*

931 University Avenue, Suite 206 • Honolulu, Hawaii 96826-3263 • (808) 955-2188

February 25, 2009

**HOUSE COMMITTEE ON FINANCE**

Marcus R. Oshiro, Chair (808) 586-6200 (808) 586-6201 FAX  
Marilyn B. Lee, Vice Chair

**TESTIMONY ON H.B. 1742  
RELATING to GENERAL EXCISE & USE TAX REFORM**

Thursday, February 26, 2009 • 3:00 pm • Room308, State Capital

Aloha! My name is Mary Ann Changg. Although I am on the Board of Trustees at Palama Settlement, I am not representing the Board or Palama in my testimony. My views here are my own.

To enact H.B. 1742 would be a dire mistake. The only reason the State could want to enact such a bill is to get more badly needed money into the State fund. Please look elsewhere for such funding.

Non-profits must never be taxed! Non-profits such as Palama Settlement provide much needed social services to people in need and even much more in times of hardship as we are now experiencing on a national level. We provide services that the government would normally have to provide, were we not here. And let's face it, we can provide this services quicker and less costly than the government because of several factors, an important one being a large pool of volunteer service.

Non-profits are having are hard time too, right now. Last year, because of our declining economy, Palama Settlement lost over 20% in our equities account that would have helped to fund our programs. This year, we are looking at receiving only 80% of our AUW funding. This funding has been continually declining year after year.

Our Board is trying to figure out ways to raise our donation base to make up for these shortfalls. It is and has been very difficult.

To tax non-profit would send a negative message to our communities in general. I hate to say it, but the message and question would be: "Have our legislators gone nuts?"

Respectfully,

Mary Ann Changg



## HAWAII COMMUNITY FOUNDATION

February 25, 2009

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Paul Kosasa  
*Vice Chair*

Jean F. Cornuelle  
*Secretary*

Laurie T. Ainslie  
*Treasurer*

The Honorable Marcus R. Oshiro, Chairman  
House Committee on Finance  
State Capitol, Room 306  
Honolulu, Hawaii 96813

Chairman Oshiro and Finance Committee Members:

### House Bill 1742 Relating to Taxation

Claire L. Asam, Ph.D.  
Gary Caulfield  
Maggie B. Cole  
Samuel A. Cooke  
Anthony R. Guerrero, Jr.  
Richard W. Gushman, II  
Trey Bun Haynes  
Terry S. Ho  
Lawrence M. Johnson  
Micah A. Kane  
Charlie King  
Cathy Luke  
David Nakada  
Jennifer Sabas  
Lawrence Stupski  
Eric K. Yeaman

Thank you for the opportunity to provide testimony on HB 1742, Relating to Taxation. The Hawaii Community Foundation is opposed to this measure which would repeal the GET exemption for all nonprofit organizations except nonprofit religious organizations. If passed, this measure would further devastate an industry that is already experiencing a decline in contributions and severe cutbacks in contracts and would severely curtail support and services to our most vulnerable populations in a time of great need.

- This bill would hamper the effectiveness of government functions that are currently carried out by non-profit organizations. Based on a study of Hawaii's nonprofit industry commissioned by the Hawaii Community Foundation in 2006, as much as 75 percent of the revenue in the non-profit sector comes from program service fees and contracts. This partnership between government and the private sector with non-profit organizations reflect the cost effective nature of the delivery of such services, often in communities that would otherwise not be served.
- This bill would push many organizations to the brink of insolvency. We know that a large number of organizations have already cut programs and staff due to state budget cuts eliminating programs, diminishing grant in aid support, downturns in contributions and grants from the public and foundations and the impact of decreasing endowment income. A grow proceeds tax, like the GET, would have a far reaching effect beyond the 3.5 percent rate and effectively destabilize many valuable organizations.
- This bill would be a double whammy: Accelerating unemployment in the non-profit sector and diminishing services for those who most need our help. Hawaii's nonprofit sector represents 65,000 jobs and 9 percent of the GDP. As an industry that delivers services and cannot pass along the burden of such a tax to "consumers," revenue cuts will likely result in staff cuts, adding to the unemployment burden on the state and removing essential services in the community.

### Neighbor Islands:

Hawai'i:  
65-1279 Kawaihae Road  
Parker Square, Room 203  
Kamuela, Hawai'i 96743  
Phone: 808-885-2174  
Fax: 808-885-1857

Kaua'i:  
4370 Kukui Grove Street  
Suite 207  
Kukui Grove Executive Center  
Lihue, Hawai'i 96766  
Phone: 808-245-4585  
Fax: 808-245-5189

Maui:  
1141 B Vineyard Street  
Lahaina, Hawai'i 96793  
Phone: 808-242-6184  
Fax: 808-242-1505


1164 Bishop Street, Suite 800 • Honolulu, Hawai'i 96813

Phone: 808-537-6333 • Fax: 808-521-6286 • Toll-free: 1-888-731-3863 • Web site: hawaiicommunityfoundation.org



We are willing to work with this committee as well as members of both legislative houses to find other ways to share in the cutbacks but which protect Hawaii's most vulnerable population. This measure will not achieve that net effect but instead create unintended consequences that will have an even greater negative impact on the state's economy.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kelvin Taketa', with a stylized flourish at the end.

Kelvin Taketa  
President & Chief Executive Officer



A non-profit organization run by and for persons with disabilities

Hawaii Centers for Independent Living  
414 Kuwili Street, Suite 102  
Honolulu, Hawaii 96817  
Phone: (808) 522-5400  
Fax: (808) 522-5427  
TTY/TDD: (808) 536-3739  
Website: <http://www.hawaii-cil.org>

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

Hawaii Centers for Independent Living  
Thursday, February 26, 2009, 3:00 PM, Conference Room 308

**Opposing HB 1742, Relating to Taxation**

Hawaii Centers for Independent Living is a non-profit organization operated by and for people with disabilities to ensure their rights to live independently and fully integrated in the community of their choice, outside of institutional care settings. As a non-profit, statewide resource, HCIL serves people of any age with any type of disability. HCIL was founded on the historical constitutional beliefs of civil rights and the empowerment of people with disabilities to have equal access, opportunities, and choices in life, no matter how severe their disability.

We oppose HB1742, Relating to Taxation.

First, we are vigorously opposed to any effort to balance the budget on the backs of nonprofit organizations, which provide needed services to the public and which are often in at least as precarious a financial state as state government is. Furthermore, many nonprofits derive a significant portion of their budgets from state funds. You would basically be putting money into their budgets with one hand, and taking it out through taxation with the other. Second, the provision exempting only religious organizations, but not other nonprofits such as ours, would appear to be a blatant violation of the First Amendment establishment clause. That provision would likely be tied up in the courts for years, long after the present fiscal crisis has passed.

We urge the committee not to pass HB1742. Thank you for this opportunity to testify.

Sincerely,

Mark F. Romoser  
Policy and Program Analyst



*I Ola Lāhui, Inc.*

677 Ala Moana Blvd. Suite 904, Honolulu HI 96813

[www.iolalahui.org](http://www.iolalahui.org)

ph: (808)525-6255

fax: (808)525-6256

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Darryl S. Salvador, Psy.D., I Ola Lahui, Inc.  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Aloha, my name is Dr. Darryl Salvador and I am a board member/clinical faculty supervisor of the I Ola Lāhui Rural Hawai 'i Behavioral Health Program and the Behavioral Health Director at Molokai Community Health Center, both of which are 501(c)(3) non-profit organizations in Hawai'i. I wish to express my strong opposition to H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

I Ola Lāhui provides psychology training and behavioral health services to Hawai'i's rural and underserved communities. Our mission is to provide culturally-minded evidence-based behavioral health care that is responsive to the needs of medically underserved and predominantly Native Hawaiian rural communities. In recognition of Hawai'i's urgent need for more quality mental health care, I Ola Lāhui is committed not only to providing services, but also to investigating the effectiveness of the services we provide and to training future providers with the hope of making a substantial contribution to the health and well being of the lāhui.

I Ola Lāhui is a non-profit service organization that works very hard to meet the growing demand for behavioral health services in Hawai'i's most needy communities. In this difficult economic climate, I Ola Lāhui and other behavioral health providers have been given the heavy responsibility of providing services to accommodate for state funded programs that have encountered heavy cutbacks in funding.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and

other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

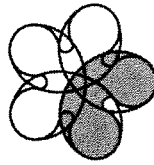
We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Mahalo for this opportunity to testify.

Darryl S. Salvador, Psy.D.  
Board Member/Clinical Faculty Supervisor  
I Ola Lāhui, Inc.  
677 Ala Moana Blvd., Suite 904  
Honolulu, HI 96813  
(808)525-6255

Director, Behavioral Health Services  
Molokai Community Health Center  
P.O. Box 2040  
Kaunakakai, HI 96748



# National Kidney Foundation

of HAWAII

Email to: [capitol.hawaii.gov/emailtestimony](mailto:capitol.hawaii.gov/emailtestimony)

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
State House Finance Committee members

From: Glen Hayashida, CEO  
National Kidney Foundation of Hawaii

Hearing: Thursday, February 26, 2009, 3:00 p.m.

Re: Opposition to HB 1742, Relating to Taxation

Chair Oshiro, Vice Chair Lee, and members of the State House Finance Committee, thank you for the opportunity to testify in **opposition** of HB1742, which would repeal the excise exemption of Hawaii nonprofit organizations. My name is Glen Hayashida and I am the CEO of the National Kidney Foundation of Hawaii. Our mission focuses on the prevention of kidney failure, provide support services for dialysis patients, and raise awareness about the need for organ donation in Hawaii.

Nonprofit organization exists solely to provide programs and services that are of public benefit. Often these programs and services are **not** provided by local, state, or federal entities.

We certainly understand the impact of the downturn of the economy in your attempts to balance the state budget. All nonprofit organizations are struggling with this same challenge of reduced resources and increased demand for services. Even prior to the downturn of the economy, nonprofit organizations, funders, donors, and the general public usually expect nonprofits to provide services more economically and efficiently than the state.

However, the solution is not to add to this challenge and burden by taking the state tax exemption away from the nonprofit organizations. Taxing us would add tremendously to our costs, serve less people and make us less effective. In some cases, the burden will eliminate services and programs in our community.

We urge you to not to pass H.B. 1742. Again, thank you for this opportunity to testify.

## **Napu'u Water Inc.**

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

Email testimony: [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

**Hearing date: 26<sup>th</sup> February 2009    Time: 3pm    Place: Room 308**

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee Vice-Chair  
and members of the Committee on Finance

Re: Opposition to H.B.1742 relating to taxation

Our organization, Napu'u Water Inc. is a nonprofit with a mission to provide potable drinking water to the rural communities of Puuanahulu, Pu'uwa'awa'a and Puu Lani Ranch on the Big Island. There is no other source of potable water in the area for this isolated rural community of less than 500 people. We strongly oppose H.B.1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, caring for the elderly, helping abused or neglected children or providing food, shelter and healthcare to those in need.

Nonprofits can provide these services more efficiently and economically than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore H.B.1742 would slash resources at a time when endowments, contracts and donations and other sources of financial support are shrinking, and when community demands for services are expanding.

Nonprofit schools which already dramatically reduce state spending on education would have to pay and pass the expenses on to parents.

We fear this Bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the committee not to pass H.B. 1742. Thank you for this opportunity to testify.

Wendy Light  
Coordinator



*I Ola Lāhui, Inc.*

677 Ala Moana Blvd. Suite 904, Honolulu HI 96813

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fax: (808)525-6256

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Allison Seales, Ph.D., I Ola Lahui, Inc.  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

I am Dr. Allison Seales, Postdoctoral Fellow of I Ola Lāhui Rural Hawai 'i Behavioral Health Program, a 501(c)(3) non-profit organization in Hawai'i. I wish to express my strong opposition to H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

I Ola Lāhui provides psychology training and behavioral health services to Hawai'i's rural and underserved communities. Our mission is to provide culturally-minded evidence-based behavioral health care that is responsive to the needs of medically underserved and predominantly Native Hawaiian rural communities. In recognition of Hawai'i's urgent need for more quality mental health care, I Ola Lāhui is committed not only to providing services, but also to investigating the effectiveness of the services we provide and to training future providers with the hope of making a substantial contribution to the health and well being of the lāhui.

I Ola Lāhui is a non-profit service organization that works very hard to meet the growing demand for behavioral health services in Hawai'i's most needy communities. In this difficult economic climate, I Ola Lāhui and other behavioral health providers have been given the heavy responsibility of providing services to accommodate for state funded programs that have encountered heavy cutbacks in funding.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are

ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Mahalo for the opportunity to testify.

Allison Seales, Ph.D.  
Postdoctoral Fellow  
I Ola Lāhui, Inc.  
PO BOX 1777  
Kaunakakai, HI 96748  
(808)553-8288  
ahs@iolalahui.org





# Housing Hawaii

Advocating Creating Maintaining Affordable Housing

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Hawaii

### **Director** – Kirk

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County of Honolulu

### **Director** – Kamaile

Sombelon, Lokahi  
Pacific

---

### **Executive Director**

Nani Medeiros

February 26, 2009

The Honorable Marcus Oshiro, Chair  
House Committee on Finance  
Hawaii State Capitol, Room 308  
Honolulu, HI 96813

Dear Chair Oshiro and Members:

### **RE: HB 1742, RELATING TO TAXATION**

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying on House Bill 1742, Relating to Taxation. This bill repeals the General Excise Tax (GET) Exemption for Certified or Approved Housing Projects.

Housing Hawaii opposes this bill.

The GET exemption is critical to the successful development and operation of affordable housing statewide. The exemption for certified affordable housing projects assures the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has been a successful incentive for the development and preservation of affordable housing.

Furthermore, without the GET exemption on affordable rents, many affordable rental projects would not be able to meet operating expenses.

Thank you for the opportunity to testify.

Nani Medeiros  
Executive Director

*Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813*

*Phone: 808-469-7774*

*Email: [housinghawaii@hawaii.rr.com](mailto:housinghawaii@hawaii.rr.com)*

*[www.housinghawaii.org](http://www.housinghawaii.org)*



# HAWAII ORGANIC FARMERS ASSOCIATION

Office: 808-969-7789 Fax: 808-969-7759

PO Box 6863 Hilo HI 96720

hofa@hawaiiorganicfarmers.org www.hawaiiorganicfarmers.org

Toll Free: 1-877-ORG-ISLE (674-4753)

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TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Deborah Ward, Quality Control Officer, Hawaii Organic Farmers Association

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: **Opposition to HB 1742, Relating to Taxation**

Our organization, **Hawaii Organic Farmers Association**, is a nonprofit with a mission to protect the life of the land and the health of our communities through education about organic land care practices. Developing and strengthening certified organic farms enhances Hawaii's many fragile ecosystems and provides a base for a local sustainable economy. The Hawaii Organic Farmers Association (HOFA) is a third-party organic certifier accredited by the USDA National Organic Program (NOP). HOFA is the sole Hawaii-based certification agency serving 148 crop producers and processors in the state of Hawaii. The organization was initiated by farmers in 1993, and operates a small non-profit office in Hilo with three part-time staff. HOFA was among the first third-party certifiers accredited by the NOP in 2001.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

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Hawaii Organic Farmers Association

*Our mission is to protect the life of the land and the health of our communities through education about organic land care practices. Developing and strengthening certified organic farms enhances Hawaii's many fragile ecosystems and provides a base for a local sustainable economy.*

## FINTestimony

---

**From:** Hau'oli Tomoso [jtomoso@hnpkop.org]  
**Sent:** Wednesday, February 25, 2009 3:49 PM  
**To:** FINTestimony  
**Subject:** Testimony against H.B. 1742

02-25-09

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: John A. H. Tomoso, Exec. Dir., Hui No Ke Ola Pono, Inc.  
BCC: HNKOPBOARD, HNKOPSTAFF, POL-NHHCS  
BCC: JACOSA, MNPDA, MAUIHAO, Maui County State Legislators

**HEARING: Thursday, Feb. 26, 3 p.m., Room 308**  
**RE: Opposition to HB 1742, Relating to Taxation**

Our organization, Hui No Ke Ola Pono, Inc., the Native Hawaiian Health Care System for Maui, is a nonprofit with a mission to improve the health status of Native Hawaiians and others by empowering them to be their own health advocates, serves over 4,000 individuals with health enhancement, behavioral and oral health, Traditional Healing, medical and other enabling services, as mandated by the Federal *Native Hawaiian Health Care Improvement Act*. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits such as ourselves are tax exempt because we provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. We believe that nonprofits provide these services more economically and efficiently than the public sector. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are rising. Nonprofit private and independent schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

This bill, if passed, will likely contribute to the closing down of many nonprofits that are already stretched beyond their means, thus eliminating programs and/or laying off of employees. This would force the public sector to provide vital "safety net" and other community services less efficiently than nonprofits can, increasing the burden on taxpayers.

Please to not pass H.B. 1742. Thank you for this opportunity to present this testimony.

\*\*\*\*\*

"Ho'okahi ka 'ilau like ana"  
(Work together.)  
John A. H. Tomoso, MSW, ACSW, LSW  
Executive Director  
Hui No Ke Ola Pono - Native Hawaiian Health Care System  
"An Association to Strengthen and Perpetuate Life"  
J. Walter Cameron Center  
95 Mahalani Street, Room 16-A  
Maui, Hawaii 96793  
Phone: 808-442-6801  
Fax: 808-442-6884  
e-mail: [jtomoso@hnpkop.org](mailto:jtomoso@hnpkop.org)

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2009 3:52 PM  
**To:** FINTestimony  
**Cc:** kjayne@imuafamilyservices.org  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Karen L Jayne  
Organization: Imua Family Services  
Address: 95 Mahalani Street, 19A Wailuku, HI  
Phone: 808-244-7467  
E-mail: [kjayne@imuafamilyservices.org](mailto:kjayne@imuafamilyservices.org)  
Submitted on: 2/25/2009

**Comments:**

Please kill this bill, it will have significant adverse effects on nonprofit fundraising and revenue generation.

## FINTestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 25, 2009 3:53 PM  
To: FINTestimony  
Cc: don@doncouch.com  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Don Couch  
Organization: Individual  
Address:  
Phone:  
E-mail: [don@doncouch.com](mailto:don@doncouch.com)  
Submitted on: 2/25/2009

### Comments:

This bill will drastically affect the fundraising efforts of non-profit organizations. Taxing donations to nonprofits makes no sense. Especially when the state is cutting back on funds for non-profits.

## FINTestimony

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**From:** Diane Zachary [dzachary@kauainetwork.org]  
**Sent:** Wednesday, February 25, 2009 4:04 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742

Dear House Finance Committee,

I am writing to convey my strong opposition to HB 1742 which would remove the exemption for the general excise tax on grants, contracts, participant fees and membership dues received by Hawaii's nonprofits.

Nonprofits throughout the state are struggling to stay afloat so they can provide greatly needed social, health, human and community services on our islands. Already they have experienced cuts in their county, state and federal contracts. In a recent survey of Kauai nonprofits conducted by our organization, we found that 48% had had contracts or grants reduced, rescinded or not released since September 2008. Many are finding that corporate and individual giving has greatly decreased.

Nonprofits already pay general excise tax on income not specifically related to their mission. For example, we pay taxes on income when we hold a fundraising dinner. But these organizations operate to provide public benefit, and funds received to further that public benefit and fulfill their mission should not be taxed.

This is not the time to impose an additional tax burden to our nonprofits. Their funding is already at risk and the need for their services is increasing due to the economic downturn. Unlike businesses, most nonprofits are not in a position to increase what they charge for their services. While I understand the legislature is considering all possibilities for raising funds, it must look elsewhere instead of adding to the burden nonprofits face.

I urge you to vote a resounding NO to this legislation.

Sincerely,  
Diane Zachary  
President & CEO

Kaua'i Planning & Action Alliance  
2959 Umi Street, Suite 201  
Lihu'e, HI 96766  
Tel: 808.632.2005  
Fax: 808.632.2018  
Website: [www.kauainetwork.org](http://www.kauainetwork.org)

*Bringing people together to create a better future for Kaua'i*

## FINTestimony

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From: Clskwock@aol.com  
Sent: Wednesday, February 25, 2009 4:28 PM  
To: FINTestimony  
Cc: lslee@hawaii.rr.com  
Subject: 09.02.26 HB1742 GET Exemptn Repeal

House Bill 1742 should be rejected. This is crazy and nuts to force GET on non-profits - services Government should have provided to the community. I ask you to vote NO!

Chu Lan Shubert-Kwock  
Principal Broker

**ABC Mortgage**  
**Chu Lan Properties**  
1181 Wanaka Street  
Honolulu, Hawaii 96818

Fax: 808-422-7803  
Cell: 808-391-4350  
email: [clskwock@aol.com](mailto:clskwock@aol.com)

V-President of Finance, OCA National 2009-2010  
Member, OCA LLC

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Immediate Past President, OCA Hawaii  
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Dear Honorable Finance Chair and Committee,

Please vote no on HB1742 because it will shift more of the tax burden away from visitors and onto local people. As a small business owner this will make it more difficult for me to pay my employees a living wage. Already with the cost of rents, food and other expenses it is impossible to afford to live in Hawaii and earn minimum wage. In fact many employers turn to part time employment in order to lower the already high cost of doing business in Hawaii. Although tax revenues are down – and while government is hurting that hurt pales in comparison to the pain the rest of us feel – raising taxes now is inhuman, cruel and political suicide.

Respectfully,  
Carol Philips





# SECOH

SUPPORTING EXCEPTIONAL CITIZENS OF HAWAII

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Sandra J. Yoro, Executive Director, SECOH

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, SECOH (Special Education Center of Hawaii), is a nonprofit with a mission to provide services and supports for people with Developmental Disabilities, or acquired disabilities due to aging or head injuries. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

# **STARWOOD**

VACATION OWNERSHIP

9002 San Marco Court  
Orlando, Florida 32819  
(407) 418-7271

February 26, 2009

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
House Committee on Finance

Fr: Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation  
Ownership

Re: **HB 1742 - RELATING TO TAXATION – OPPOSE**  
Agenda # 6: Committee on Finance, Thursday, February 26, 2009,  
Conference Room 308, ~~10 a.m.~~

Aloha Chair Oshiro, Vice Chair Lee, and Committee members:

My name is Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership, ("SVO"). Thank you for the opportunity to testify in opposition to HB 1742, Relating to Taxation.

This bill proposes to repeal certain general excise and use tax exemptions and exclusions, but retains the exemptions for non-profit religious organizations. It also reduces the tax rate on sales to the final consumer from 4% to 3.5%, reduces the public service company tax rate and repeals certain public service company tax exemptions, and subjects certain sales of real property, sales of securities, commodities futures, and bonds to the GET.

This bill would impose a heavy burden to a timeshare industry that is already experiencing severe recessionary challenges.

Timeshare projects with their high and consistent rates of occupancy and customer satisfaction are a vital part of Hawai'i's tourism industry. In addition to providing traditional resort operations jobs similar to hotel projects, timeshare projects add high skilled and high compensated sales and marketing jobs. As such, timeshare projects represent a valuable and diverse component of Hawai'i's important tourism market.

For these reasons, we respectfully request that you hold this bill in committee.

As always, I thank you for the opportunity to share our views on this matter.

## FINTestimony

**From:** jess Ziemer [theziemers@yahoo.com]  
**Sent:** Thursday, February 26, 2009 7:50 AM  
**To:** FINTestimony  
**Subject:** Fw: Opposition to HB 1742, Relating to Taxation

From: jess Ziemer <theziemers@yahoo.com>  
Subject: Opposition to HB 1742, Relating to Taxation  
To: FINtestimony@capitol.hawaii.gov  
Date: Thursday, February 26, 2009, 12:47 PM

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Jessica Ziemer, Hana Arts  
Hana Canoe Club  
And most importantly, a mother of deserving children!

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hana Arts, is a nonprofit with a mission to supplement our childrens education through arts and culture. We believe the arts have a profound and long lasting impact on peoples lives and have watched the arts been cut from the school curriculum slowly over the years until they no longer exist without support of outside agencies. We see that the ability to embrace and understand a variety of cultures enables children a higher level of tolerance and less judgment towards other ethnicity's of people.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state

government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.  
We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mahalo,

Jessica Ziemer

Board Member for Hana Arts, 501-c3  
Board Member for Hana Canoe Club, 501-c3

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Kathy Clark, Wilcox Memorial Hospital

HEARING: Thursday, February 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Wilcox Memorial Hospital, is a nonprofit with a mission to meet the healthcare needs of the Kauai community. We work closely with many of Kauai's dedicated nonprofits. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

---

**From:** Paul R Andre [andre.paulr@gmail.com]  
**Sent:** Wednesday, February 25, 2009 2:03 PM  
**To:** FINTestimony  
**Subject:** House Bill 1742

To Whom It May Concern:

Please, please, please do not pass House Bill 1742 and repeal the Hawaii General Excise Tax exemption for nonprofit organizations. As an employee for a Medicaid Waiver Program Service Provider we have already felt the affect of the weakened economy in the form of budget cuts for all our participants we serve. This not only decreases the hours of care given to individuals but also the amount of money coming into our organization and the amount we pay our employees. Adding the burden of the Hawaii GET would cripple, if not ruin, most nonprofit organizations providing services to those with disabilities, only increasing the burden on those families and the State. Many rely on the services we provide to be employed while their dependent is under our care. Families that could no longer have services would then no longer be able to work and rely on the state for assistance. This cycle would not provide income for the state, but actually cost more then it is worth. Please note that many of the services provided by nonprofits are delivered to families at rates lower then what the state can afford. Please, please, please do not repeal the Hawaii GET exemption for nonprofit organizations.

Mahalo,

Paul Andre  
DSW Coordinator  
Arc of Kona

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2009 3:47 PM  
**To:** FINTestimony  
**Cc:** palmtreebetsy@yahoo.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Betsy Scheller  
Organization: Individual  
Address: 1332 Hia Hia Wailuku, HI  
Phone: 808-242-4034  
E-mail: [palmtreebetsy@yahoo.com](mailto:palmtreebetsy@yahoo.com)  
Submitted on: 2/25/2009

**Comments:**

Non-profits agencies are already struggling to stay afloat while employing many of Hawaii's residents, this just futher penalizes them for staying in business.

## **FINTestimony**

---

**From:** Elaine Warner [emwarner@hawaiiantel.net]  
**Sent:** Wednesday, February 25, 2009 10:41 AM  
**To:** FINTestimony  
**Subject:** House Bill 1742

Regarding taxing of nonprofits:

Please consider that this is a "big picture" issue; although it's nice to have the income stream, it's counter-productive for nonprofits to have to pay state tax on revenue that they've raised to support their mission/operations because the state does not fully subsidize the work the nonprofits are expected to do.

Furthermore, fund-raising on the part of nonprofits leads to greater community awareness and support of these essential services, such as those provided by the West Hawaii Mediation Center. These organizations should be encouraged to fund-raise without being penalized by the state.

Thank you for your consideration.

Elaine Warner  
P.O. Box 1185 (Mailing address)  
62-2040 Mahua Street (Location)  
Kamuela HI 96743  
(808) 885-1725 home  
(808) 895-7573 cell



## FINTestimony

---

**From:** Tomshawed@aol.com  
**Sent:** Wednesday, February 25, 2009 12:58 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742 Relating to Taxation

To: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

Our organization the Arizona Memorial Museum Association, is a nonprofit with a mission to support the National Park Service in the interpretation and education of the events leading up to and the War in the Pacific. Specifically at Pearl Harbor we expense hundreds of thousands of dollars earned through revenue in our store to help educate the public, Hawaii's children and school age children from throughout the world on the events of December 7, 1941 here at Pearl Harbor and all around Oahu on that fateful day. We also support the National Park Service at this site in fundraising for the new Pearl Harbor Memorial Museum and Visitor Center to be completed in December 2010. We are still fundraising to complete the exhibits for this important visitor venue and have completed the fundraising necessary to award the contract for construction, a total of \$32,900,000. We also help the National Park Service with funding for interpretive programs, research, historian operations, dive operations on the USS Arizona and many other worthwhile and productive tasks.

Our services provide much needed support for this site and for the education of the public at this site in areas not funded by the US Government, State of Hawaii, Department of Education or City and County of Hawaii,

As such HB 1742 would strongly erode our capability to provide all of those services which in turn, if provided would have to come from government funding. We strongly oppose HB 1742 whose foundation would have a negative impact on the ability of this organization and many other non-profits to provide the services provided at this time of dwindling resources from the community and government.

Our education efforts have provided learning tools for both teachers from the State of Hawaii through our annual teachers workshops and have also provided transportation funding for local schools when they are cash strapped for such funding. We have brought hundreds of students to this facility this year and last through grants providing funding for the schools to come to the USS Arizona Memorial. Taxing our efforts will result in a diminished capacity to provide these essential and educational services.

We feel that this bill would force many non-profits to reduce services, lay off employees, eliminate programs and would therefore place more burden upon the State of Hawaii to provide vital services and result in taxing our citizens more for the services that used to be provided by our community non-profits.

We strongly urge the Committee to not pass HB 1741. Thank you for the opportunity to submit this testimony.

Tom Shaw  
President/CEO  
Arizona Memorial Museum Association  
1 Arizona Memorial Place  
Honolulu, Hawaii 96818  
(808) 422-2771 ext. 118

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## FINTestimony

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**From:** Veronica Tomooka [VTomooka@waimanalohc.org]  
**Sent:** Wednesday, February 25, 2009 11:33 AM  
**To:** FINTestimony  
**Subject:** SB 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Veronica Tomooka, Waimanalo Health Center employee  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo Health Center, is a nonprofit with a mission to *dedicated to improving the quality of life for the people of Hawai`i nei by providing ready access to primary and preventative holistic health services.*

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

**Veronica K. Tomooka**  
Executive Assitant  
Waimanalo Health Center  
41-1347 Kalaniana`ole Highway  
Waimanalo, HI 96795-1247  
Main (808) 259-7948, ext.113  
Direct (808) 259-7949  
Fax (808) 259-6449

E-mail: [vtomooka@waimanalohc.org](mailto:vtomooka@waimanalohc.org)

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## **FINTestimony**

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**From:** Bob Brooks [bbrooks@maui.net]  
**Sent:** Wednesday, February 25, 2009 12:59 PM  
**To:** FINTestimony  
**Subject:** Taxes

Kihei Canoe Club, Maui, is a nonprofit organization whose mission is to revive, develop, perpetuate and promote the Hawaiian traditions. This will be accomplished through educational, recreational, cultural and competitive Hawaiian outrigger canoeing programs for youth and adults, in a safe, healthy and nurturing environment.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Best Always,

Robert Brooks  
Kihei Canoe Club  
Board of Directors  
[www.KiheiCanoeClub.com](http://www.KiheiCanoeClub.com)

## **FINTestimony**

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**From:** Debbie Hallof [debbiehallof@yahoo.com]  
**Sent:** Wednesday, February 25, 2009 10:59 AM  
**To:** FINTestimony  
**Subject:** tesitmony from Small Business Resource Alliance and Center from Entrepreneurial Development

Email to [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

Sample testimony:

TO: Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;

and Members of the Committee on Finance

FROM: Your name, your organization

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our two organizations, Small Business Resource Alliance, and Center for Entrepreneurial Development both nonprofits with a mission to provide resources to support entrepreneurs and small business in Hawaii and the Pacific . Small business owners are truly struggling in these current economic times. As non-profits with a mission to help them we would be severely and detrimentally impacted by this Bill if we are required to pay GET. In fact we might no be able to continue to provide our services as we operate on a very small margin.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing

them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.

1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Debbie Hallof, President

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Jeff Bloom, President & Chair BOD  
Hawaii Center for Attitudinal Healing

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hawaii Center for Attitudinal Healing, is a nonprofit with a mission to help people experience inner peace and happiness through innovative programs. Our client population includes at risk teenagers, incarcerated men and women, adults who are experiencing life altering situations such as cancer, divorce, and addiction.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and

that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



## **FINTestimony**

---

**From:** David Knox [davidk@knoxhoversland.com]  
**Sent:** Wednesday, February 25, 2009 10:20 AM  
**To:** FINTestimony  
**Cc:** 'Front Desk'; 'John Reppun'; 'Snookie Mello'  
**Subject:** HOUSE BILL 1742

As one who has been a Board member of several non-profits over the past fifteen years, the passage of House Bill 1742 could strike a death knell to numerous non-profits. Recent years have seen severe program cutbacks in State and Federal funding, as well as in private sector contributions. It is already difficult for most, adding the burden of effectively an additional 4.5 percent reduction in revenues will be unsustainable for some. We need to preserve our social responsibilities. Please vote NO.

Aloha  
David Knox  
[davidk@knoxhoversland.com](mailto:davidk@knoxhoversland.com)

**KNOX HOVERSLAND ARCHITECTS LTD**  
850 Mililani Mall, Honolulu, HI 96813  
Telephone: 808.524.2244  
Fax: 808.528.2244



Please consider the environment before printing this email

## **FINTestimony**

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**From:** KATHERINE SHEARS [kathyanddavid8@msn.com]  
**Sent:** Wednesday, February 25, 2009 11:28 AM  
**To:** FINTestimony  
**Subject:** House bill #1742

To Whom This May Concern,

I am a volunteer Mediator for the West Hawaii Mediation Center. We do a very important job for the community, court system and the state of Hawaii. Every week I attend court to take all of the mediation referrals from the circuit judge. Yesterday I took 5 cases that will go to mediation and with a 90% success ratio these cases will not have to go to trial and take up valuable court time. If you tax what little income and donations we have, we will not be able to continue this important service and it will end up costing the state more in court and legal time. This is not the way to gather more income for the state of Hawaii. Please do not pass this bill.

Sincerely,

Katherine Shears  
Mediator  
67-5001 Yutaka Pen Place  
Kamuela, HI 96743

## FINTestimony

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From: rosalime@aol.com  
Sent: Wednesday, February 25, 2009 2:54 PM  
To: FINTestimony

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Ebb & Flow Arts (www.ebbandflowarts.org)  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Ebb & Flow Arts, is a nonprofit with a mission to present contemporary music and art in concerts and school workshops.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** Margarita Scheffel [mscheffel@keck.hawaii.edu]  
**Sent:** Wednesday, February 25, 2009 3:08 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Margarita Scheffel, CFO, W. M. Keck Observatory

HEARING: Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, W. M. Keck Observatory, is a charitable 501(c)(3) nonprofit with a mission to foster scientific interaction among educational and research institutions and to foster high school, college and university educational research in astronomy. The academic researchers that use the observatory are primarily from the University of California, California Institute of Technology, the University of Hawaii, the Association of Universities for Research in Astronomy (AURA) and the National Aeronautics and Space Association (NASA). W. M. Keck Observatory's fiscal activities include soliciting donations and entering into grants and contracts to carry out its research and instrumentation development.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking while operating and benefit expenses increase.

Even donations and possibly grants that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate needed research programs or lay off workers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Margarita Scheffel  
Chief Financial Officer

W. M. Keck Observatory

651120 Mamalahoa Hwy., Kamuela, HI 96743  
Tel 808-885-7887 fax 808-885-4464  
email: [mscheffel@keck.hawaii.edu](mailto:mscheffel@keck.hawaii.edu)  
HST (8:00am-5:00pm)

## FINTestimony

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**From:** Brian Williams [williams@aloha.net]  
**Sent:** Wednesday, February 25, 2009 3:05 PM  
**To:** FINTestimony  
**Subject:** HB 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Your name, your organization  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

I am the Medical Director of the Hamakua Health Center, one of Hawaii's Community Health Centers, our safety net clinics to care for the uninsured and underinsured. We are facing funding challenges from a variety of sources this year. **We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.**

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses.

Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Brian L. Williams MD  
Medical Director  
Hamakua Health Center, Inc.

\*Please note: The information contained in this message may be privileged and confidential, protected from disclosure, and/or intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient you are hereby notified that any dissemination, distribution or copying of this communication is prohibited. If you have received this communication in error, please notify me immediately by replying to the message, delete it from your own computer, and ask your network administrator to delete it from any storage or backup files.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Wednesday, February 25, 2009 3:02 PM  
**fo:** FINTestimony  
**Cc:** holter@maui.net  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lance Holter  
Organization: Maui Democratic Party  
Address: 58 Luna Pl Paia  
Phone: 5799442  
E-mail: [holter@maui.net](mailto:holter@maui.net)  
Submitted on: 2/25/2009

### Comments:

This is a flawed Bill, the Bill will Tax existing non -religious non-profits. This is not fair nor equitable. The financial status of Non-profits in Hawaii is tenuous at best and this year will test them to the utmost. Taxing volunteer organizations is an unfair position, as well as, many obligations that State Government can't fund or support are being conducted by these private non-profit agencies. Why double their burden with this Tax ? Please hold HB1742. Lance Holter, Chairman, Maui Democratic party

## FINTestimony

---

**From:** Keith Wolter [keith@mauiids.org]  
**sent:** Wednesday, February 25, 2009 3:04 PM  
**To:** FINTestimony  
**Subject:** HB 1742

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Keith R. Wolter, ED, Maui AIDS Foundation

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Maui AIDS Foundation is a nonprofit with a mission to help those infected or affected by HIV/AIDS in the County of Maui. We serve hundreds of clients living with or at risk of HIV, the virus that causes AIDS

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state.

However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Keith R. Wolter

Executive Director

**FINTestimony**

**From:** tobie.uedoi@centralpacificbank.com  
**ent:** Thursday, February 26, 2009 7:38 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance  
FROM: Friends of the Children's Justice Center of Maui, Inc.  
HEARING: Thursday, Feb. 26, 3 pm., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Friends of the Children's Justice Center, is a nonprofit with a mission to provide assistance to abused and neglected children; promote the prevention of child abuse and neglect; and support the Children's Justice Center of Maui (part of the State Judiciary). We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.

742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Tobie Uedoi  
Central Pacific Bank, Branch Manager  
2061 Wells Street  
Wailuku, Hawaii 96793

email: tobie.uedoi@centralpacificbank.com

Phone: (808) 249-2571 Fax: (808) 249-2572

4000 DTD EDS F02 G&676  
FRf&F6FVB F02 G&6276 &fFRB6fFVB  
2000FVFB F&R 6VB F02 G&676VVB W6VB' FFRfGV2"VFW2FW6  
vFVB&fRb FOR &VFW"b F02 G&627676B FRRFVFB &V6VVB  
RR&RW&V'fVVB F02 G&676B G26FVG2&R & &WF' F02B  
FRW6W6fR &W'Gbb FOR 6VFW"w26B FB W6RFF76VFF  
7G&'WF"6 b F02 G&67 200076G&7F0 &&FVBb RRfR &V6VFB F02  
G&676W'&" V6RFFVFFV0FFg FOR 6VFW" 'RRB &WGW  
RR&v G&676 F FOR 6VFW" B FRRFG&W72&fR"FW7G&"FVWFR 60B G&6  
76FR



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 7:22 AM  
**To:** FINTestimony  
**Cc:** carolphilips1@gmail.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

**Attachments:** Testimony-HB1742.odt



Testimony-HB1742.  
odt (12 KB)

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Carol Philips  
Organization: Individual  
Address: Kamehameha hwy Haleiwa, Hawaii  
Phone: 808-637-2977  
E-mail: carolphilips1@gmail.com  
Submitted on: 2/26/2009

Comments:

Please do not pass HB 1742 applying GE tax to non-profit organizations. These groups deliver services the state should be supporting, not taxing. GE tax is a tax on all income, not net income, therefore an organization could be losing money and still be taxed on all its receipts.

This is an unfair and unwise idea.

Katherine Sweetser  
Kailua Kona

## **FINTestimony**

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**From:** CSH May Consultant [cshmayconsultant@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 2:18 PM  
**To:** FINTestimony  
**Cc:** James Jennings; Alda Kennedy; Charles Nakoia; Frank Jahrling; Jamie Boyd; Mark Anderson; Momi Cazimero; Lowell Kalapa; Keikilani Meyer; Alex Jamile  
**Subject:** HB 1742

Please accept this testimony vote down HB 1742.

This bill would critically damage non-profit organizations who are effectly providing needed services very efficiently in an economy that depressed and local government that has cut non-profit support drastically.

I am on the Board of Hui Hanai which supports the efforts of the Queen Liliuokalani Childrens Center who mission is the help orphan and destitute children.

I am also on the Board of The Moanalua Gardens Foundation who's mission is to provide enviromental and cultural education to children in grades 4 through 6.

Non-profits these days are finding it near impossible to provide services and stay in existance. Please do not pass HB 1742.

Mahalo, Scott May.

## FINTestimony

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**From:** Georgie Kennedy [georgie@hihaf.org]  
**Sent:** Wednesday, February 25, 2009 2:12 PM  
**To:** FINTestimony  
**Subject:** HB 1742 - opposition

**Importance:** High

Email to

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Your name, your organization  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hawaii Island HIV/AIDS Foundation, is a nonprofit with a mission to assist those infected with HIV/AIDS in the State of Hawaii and to end the transmission of HIV in the state. We serve the neediest, poorest, and most affected of this group of individuals.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Georgie Kennedy, Executive Director, Hawaii Island HIV/AIDS Foundation  
([georgie@hihaf.org](mailto:georgie@hihaf.org))

## **FINTestimony**

---

**From:** Dawna SuMaria [eclectic@aloha.net]  
**Sent:** Wednesday, February 25, 2009 2:04 PM  
**To:** FINTestimony  
**Subject:** HB 1742

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Donna Buhrman, BOD Member  
Hawaii Center for Attitudinal Healing

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Hawaii Center for Attitudinal Healing, is a nonprofit with a mission to Help people experience inner peace and happiness through innovative programs. Our client population include at risk teenagers, incarcerated men and women, adults who are experiencing life altering situations such as cancer, divorce, and addiction.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## Testimony of David Tarnas

### In Opposition to HB 1742 Relating to Taxation

**House Committee on Finance  
Thursday, February 26 at 3pm  
Conference Room 308**

Aloha.

My name is David Tarnas. I live in Kamuela on the island of Hawaii and serve on the Board of Directors for a statewide nonprofit organization with a mission related to marine conservation, and a local nonprofit organization with a mission related to community health. My family utilizes the services of many local nonprofit organizations for educational programs, team athletics, and health care. These nonprofits and the services they provide to my family and my neighbors help our quality of life in this rural community. I strongly advocate for the nonprofit sector and the important role they have in our economy and social infrastructure.

I am testifying in opposition to HB 1742 because it would cause major financial problems for our statewide and local nonprofit organizations. This would result in cut backs to environmental education and research programs in Hawaii. Our community health centers would have to cut back services and charge more. Our children's athletic programs will cost more. This loss of community programs and services would reduce the quality of life for all of us.

Nonprofit organizations in Hawaii provide important services in our community. Private for-profit companies don't do this work. State government doesn't do this work. Nonprofit organizations do the work. Sometimes the State pays the nonprofits to do the work. Sometimes, the nonprofits charge for the programs and services. This economic system works if the State doesn't levy General Excise Tax on revenue that's generated by these nonprofits providing services directly related to the organization's mission.

HB 1742 would put all this at risk by taxing all revenues to nonprofits. This would cause significant economic and social upheaval to Hawaii.

I strongly urge you to vote against HB 1742.

Mahalo.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 11:48 AM  
**To:** FINTestimony  
**Cc:** Lscadden@hawaii.rr.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lawrence Scadden  
Organization: Individual  
Address: 76-177 Kamehamalu St. Kailua-Kona, HI, 96740  
Phone: 808-329-7133  
E-mail: [Lscadden@hawaii.rr.com](mailto:Lscadden@hawaii.rr.com)  
Submitted on: 2/26/2009

**Comments:**

Re: HB1742  
February 26, 2009

Members of the Hawaii State House of Representatives Committee on Finance

I am writing in opposition to a portion of HB1742 regarding proposed repeal of exemptions for nonprofit organizations for General Excise Tax.

The Bill would impose a 4.5% General Excise Tax on all of the receipts of nonprofit organizations from sources other than donations and gifts. It would tax income from government grants, fees for services, tuitions, distributions from investments, and a variety of other sources of income that are now exempt.

Government is created by a social contract with society to promote and protect the general welfare of the public. Private organizations are chartered under government regulations to provide services to citizens who are in need of special attention. Many of these organizations are given nonprofit status by state and federal governments to permit them to provide needed services without additional economic hardship that would be produced by additional taxes. Due to the current downturn in the nation's economy, revenue collected by the state of Hawaii is below predictions which led to an executive department decision to cut program budgets by 15% across the board. This decision – albeit understandable – has caused serious operational problems for nonprofit service organizations that receive funds from the state through the Departments of Health and Human Services. Simultaneously, caused by the same national downturn in the economy, charitable contributions from corporations and the general public to nonprofit organizations have also decreased. Now, on top of the negative reality facing nonprofit human service organizations in the state of Hawaii, someone in the state legislature had the gall to propose an additional Draconian tax that will further cripple the delivery of services. Who suffers most? The government? the nonprofit organization? Or the citizens who are in need of important services. Obviously it is the citizenry.

This proposed change in the GET must be rejected. Any legislator who votes for repealing the GET exemption for nonprofit organizations does not deserve the sobriquet "public servant" because he or she has broken the trust contained in the social contract between government and society.

Lawrence A. Scadden, Ph.D.  
76-177 Kamehamalu Street  
Kailua-Kona, HI 96740  
Tel: 808.329.7133  
E-mail: [LScadden@hawaii.rr.com](mailto:LScadden@hawaii.rr.com)



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 11:44 AM  
**To:** FINTestimony  
**Cc:** kulm@hawaii.edu  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Becki Kulm  
Organization: Individual  
Address: 68-3824 Manu Aihue Pl Waikoloa, HI  
Phone: 808-896-6741  
E-mail: [kulm@hawaii.edu](mailto:kulm@hawaii.edu)  
Submitted on: 2/26/2009

**Comments:**

I am a Masters Degree student in the UH Manoa School of Social Work, distance education program. I wish to voice my strong opposition to the proposal to remove exemptions for taxations to non-profit social service organizations.

The current economic situation in Hawaii is leading to increased needs for social service agencies in all of our communities, regardless of size. The neighbor islands are especially hard hit, because of the limited number of organizations practicing in rural areas. Because of this scarcity of service providers, those agencies that are providing assistance are stretched thin, both in terms of manpower, and finances. Many of these small agencies have small budgets to begin with, even with the current tax exemptions. I have noted that several of these agencies operating on the Big Island have had to reduce staff, and therefore services, in a time that more individuals and families are in need of assistance. Taking a logical step forward; these staff who have and will be laid off, as a result of a decrease in funding, may themselves be in need of help -- complicating the situation further. Removing the current exemption from taxes on non-profit organizations would be to "kick 'em when they're already down". This action is not in anyone's best interest.

Thank you for the opportunity to testify in opposition to HB1742.

## **FINTestimony**

---

**From:** Jean Lilley [jean@honoluluhabitat.org]  
**Sent:** Thursday, February 26, 2009 11:38 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Jean Lilley, Honolulu Habitat for Humanity

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Honolulu Habitat for Humanity is a nonprofit with a mission to partner with low income families to build simple decent home for them to purchase through a no interest, 20-year mortgage for the cost of construction for the home, using volunteer labor and inkind and discounted materials. Habitat families are working families with income at 30% to 60% of the area median income on Oahu, as calculated by the US Department of Housing and Urban Development. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities, including ours, that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Jean Lilley  
Executive Director  
Honolulu Habitat for Humanity

---

Jean Lilley, Executive Director  
Honolulu Habitat for Humanity  
1136 Union Mall, Suite 510  
Honolulu, HI 96813

## **FINTestimony**

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**From:** Christine Jaworski [gardeninggal66@msn.com]  
**Sent:** Thursday, February 26, 2009 11:33 AM  
**To:** FINTestimony  
**Subject:** I strongly oppose House Bill 1742

I strongly oppose House Bill 1742 re: general excise tax on non-profit funds.

Christine Gosse  
15-279 Puni Makai Loop N  
Pahoa HI 96778

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## FINTestimony

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**From:** Mike Goto [mike@ischool.org]  
**Sent:** Thursday, February 26, 2009 11:57 AM  
**To:** FINTestimony  
**Subject:** Against HB 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Robert Springer, Island School  
Mike Goto, Island School

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Island School, is a nonprofit with a mission to provide private-school education to Kauai youth. (Describe your organization, its clients, members, etc.) We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mike Goto  
Business Manager

Bob Springer  
Head of School  
3-1875 Kaumualii Highway  
Lihue, Hawaii 96766

--

Mike Goto, Business Manager  
Island School  
3-1875 Kaumualii Highway

Lihue, Hawaii 96766  
#808-246-0233/#808-245-6053(f)

To: Representative Oshiro, Chair Finance Committee  
Hearing: Thu 02/26/2009  
Time: 3:00 pm  
Place: Conference Room 308  
Electronic Testimony

Twenty-Fifth Legislature, State of Hawaii  
**RE: Testimony in Opposition of H.B. 1742**  
General Excise and Use Tax Reform

Mr. Chairman and honorable committee members, my name is William Schmidtke, President of the Hawaii Independent Auto Dealers Association, a Hawaii non-profit trade organization. **I and my members are opposed to H.B. 1742** as it relates to deleting the section "the sale price of any article accepted as part payment on any new article sold, if the full sale price of the new article is included in the "gross income" or "gross proceeds of the sales."

We as motor vehicle dealers collect from our customers the general excise tax and this change will result in higher transportation costs for our customers. Higher taxes on goods vital to our economy can have nothing but an adverse impact.

Thank you for the opportunity to testify.

Signed,

William L. Schmidtke  
President, Hawaii Independent Auto Dealers Association  
2027 Republican Street  
Honolulu, HI 96819

## **FINTestimony**

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**From:** Brenda Olcott [brendaolcott@hotmail.com]  
**Sent:** Wednesday, February 25, 2009 2:58 PM  
**to:** FINTestimony  
**Cc:** Gloria Lau; Julie Hugo; Holly Nagasako; ricolei@aol.com; Claudia; cmschrandt@yahoo.com; leeevely@hawaii.edu; hscofield@live.com; Jennifer Zelko; Karen Hayashida; Keahi King; lillian-hi@hotmail.com; lg1212@hawaii.rr.com; mendozalar@yahoo.com; lnuniez@cuhawaii.com; m.genova1@gmail.com; hilo4us2@yahoo.com; rebecca.choi@gmail.com; regina@hawaiiparents.org; susie@hiedb.org; Taylor; Cynthia Albers; Lorraine Davis; Kathy McNally YWCA; Del; Andy Kahili; Chantelle; jkaaa@ywcahawaiiisland.org; ssolt@ywcahawaiiisland.org; Venica Ftacek; Janice Meli; Deidre Weiss; jcreed@hano-hawaii.org  
**Subject:** 2/26 HEARING (3 p.m., Room 308): Opposition to HB 1742, Relating to Taxation

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Dear Representative Oshiro, Representative Lee, and Members of the Committee on Finance,

For the past 90 years, the YWCA of Hawaii Island has been an integral part of the community, working tirelessly to forward our mission to empower women and eliminate racism. Strengthening our community has been the historical imperative of the work that we have done and continue to do through the eight mission focused programs we provide - the Healthy Start Program, Enhanced Healthy Start Program, Teen Court, Hamakua Youth Center, Developmental Preschool, School Age Programs, Health Promotions Services, and the Empowering Alternatives Program. As the oldest women's led organization in Hawaii, we provide services that impact the lives of thousands across our community every day. As a nonprofit organization, we strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state.

Taxing Hawaii's nonprofit organizations will add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are rapidly growing. For the many who benefit from the work of the YWCA, this tax will create a tremendous financial hardship, it will greatly impact our ability to continue the services your constituents need.

We fear this bill will force many charities already stretched beyond their means, including the YWCA, to close, eliminate programs or lay off workers and that it would force our state government to provide vital community services less efficiently than nonprofits can, significantly increasing the burden on taxpayers.

On behalf of the people who rely on us to provide needed services and continue our work, we urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

Mahalo,  
Brenda Olcott, MBA  
President, Board of Directors  
YWCA Hawaii Island  
[rendaolcott@hotmail.com](mailto:rendaolcott@hotmail.com)  
557-8975

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February 26, 2009

RE: Bill HB1742

To whom this may concern:

I was informed today that the legislation is looking at a proposed bill to tax non-profit organizations. I oppose this bill due the fact that non profits already have difficulties in maintaining their organizations. The recent economy has left non-profits with less donations and cuts in funding. The non profits in my community have been essential in assisting families with the recent hard times of loss in employment and homelessness in our community. The need has increased for these non-profits to assist the people in our community. To add a tax on the non-profits seem unrealistic and could essentially decrease resources that are much needed in these hard times.

Mahalo, Kelly Balga

## FINTestimony

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**From:** Karen Fischer [karen@mauiarts.org]  
**Sent:** Wednesday, February 25, 2009 1:02 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation of Nonprofit Organizations

25 February 2009

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Karen A. Fischer  
President & CEO, Maui Arts & Cultural Center

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, the Maui Arts & Cultural Center, is a nonprofit organization with a mission to provide education, arts, and cultural services to the County of Maui and State of Hawai'i. We serve over 260,000 people each year, including 18,000 school children. Our constituency includes every part of Maui County, from kupuna 'o keiki. We take free performances and education services to Moloka'i, Lana'i, and Hana (Maui's more remote areas) to ensure that everyone has access to arts experiences.

Because of the role of the MACC in arts education, Maui has the first public school in Hawai'i that offers an arts-integrated education, Pomaika'i Elementary. Research and studies continue to show that kids who learn reading, writing, math, social studies and sciences through arts-integrated classrooms (using visual arts to improve writing skills, for example) are far better prepared for the world and the workforce they are entering. Arts integrated education teaches problem-solving, creative thinking, team-building, communication, and other skills vital to today's workforce.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, providing education, creating a healthy ecology in our communities through arts and cultural experiences, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

The structure of a nonprofit organization is that money earned from programs does not cover the cost of those programs, because of the nature and marketability of the services provided, so the non-profit raises charitable contributions to make up the balance of the budget. Taxing earned income will put an impossible burden on the need to fundraise more to balance the budget, in an economy when contributions are declining. As it is,

nonprofits do pay GET tax on non-related business income. **However, adding tax to mission-related activity negates the whole reason for the non-profit structure in the first place.**

H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

With aloha,  
Karen

---

Karen A. Fischer  
President & CEO  
Maui Arts & Cultural Center  
One Cameron Way  
Kahului, HI 96732  
808-243-4223 direct  
fax 808-242-4665  
[karen@mauiarts.org](mailto:karen@mauiarts.org)  
[www.mauiararts.org](http://www.mauiararts.org)

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Thursday, February 26, 2009 8:11 AM  
**To:** FINTestimony  
**Cc:** Michele372@hotmail.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Michele Bachman  
Organization: Individual  
Address: PO Box 132 Haleiwa, HI 96712  
Phone: 808-637-6505  
E-mail: Michele372@hotmail.com  
Submitted on: 2/26/2009

**Comments:**

This change in structure just doesn't make sense. It will have devastating effects on small business, will cause a reduction in jobs to offset the additional payroll taxes, and move a burden now shared by the tourist market onto the already struggling local small businesses.

What are you thinking?

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Mike Gleason, President & CEO, The Arc of Hilo

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Arc of Hilo, is a nonprofit with a mission to improve the quality of life for People with Disabilities on the island of Hawaii. We serve over 250 people with disabilities by providing residential opportunities, Community Support Services and Employment Training Services.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means, to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

---

**From:** Ritchie Henderson [ritchie@awshi.com]  
**Sent:** Wednesday, February 25, 2009 11:39 AM  
**To:** FINTestimony  
**Cc:** 'Victoria Kravitsky'; Kathy Garson  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Ritchie Henderson, Friends of the Children's Justice Center of East Hawaii

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, **The Friends of the Children's Justice Center of East Hawaii**, is a nonprofit with a mission to *help sexually, physically, emotionally abused and neglected children. We do this in partnership with the Children's Justice Center of East Hawaii, by providing funds and resources to support the needs of these children. The "Friends" offer hope, encouragement, and opportunity for victims of child abuse.* We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Representative Marcus R. Oshiro  
Representative Marilyn B. Lee  
Committee on Finance

Re: HB 1742, Related to Taxation


Aloha, Chair Oshiro, Vice-Chair Lee and Members of the Finance Committee:

Please do not pass this bill. The impact on non profits could be the straw for many of them at a time when we can also anticipate there will be less money coming to them from government and from private contributions.

In addition, we can anticipate a cutback in government services to in-need populations in our state. This cutback will mean more pressure on the nonprofit community to step up and serve. Don't hobble them.

We need to be in this together. Surely you are faced with Hobson's choices this year. We respect what you do but in this case, we urge you to not support this bill.

Sincerely,

A rectangular box containing a handwritten signature in cursive script that reads "Barbara A. Hastings".

Barbara A. Hastings  
2316C Ainakahele Street  
Hilo, HI 96720  
bahastings@me.com

## FINTestimony

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**From:** Lee Hoxie [leehoxie@hotmail.com]  
**Sent:** Wednesday, February 25, 2009 11:49 AM  
**To:** FINTestimony

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**To:** 'FINTestimony@capitol.hawaii.gov'  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Friends of the Children's Justice Center of Maui, Inc.  
HEARING: Thursday, Feb. 26, 3 pm., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Friends of the Children's Justice Center, is a nonprofit with a mission to provide assistance to abused and neglected children; promote the prevention of child abuse and neglect; and support the Children's Justice Center of Maui (part of the State Judiciary). We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.


Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Lee Hoxie, Chair of the Friends of the Children's Justice Center of Maui  
*Lee Hoxie* 

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## FINTestimony

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**From:** Sue [suecando@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 12:10 PM  
**To:** FINTestimony  
**Cc:** 'Diana Pinard'; linda.rich@usw.salvationarmy.org; 'Glen Hayashida'; 'Laura Dang'; mele@kidreyclothes.org; 'Marlu West'; abclark@aloha.net  
**Subject:** HB 1742 Re: Taxation of Nonprofits  
**Importance:** High

Aloha,

My name is Sue Sowders. I am a CPA with several nonprofit clients, and I am in opposition to HB 1742 , which would repeal the excise tax exemption of Hawaii nonprofit organizations.

I realize that the State of Hawaii has a revenue shortfall, but so does everyone else, including the nonprofit organizations. Many of our nonprofit organizations perform services to our community that the government would have to provide if they were not around. Most nonprofit organizations are already experiencing declines in grants and charitable contributions from private foundations, corporations and the general public, making it difficult for them to continue their operations, and taxing their contributions may be just enough to push them out of business. If they go under, that adds more people to our unemployment lines and more services the government has to provide. In tough economic times, everyone, including the government, must look to managing expenses more efficiently. It is always easier to cut expenses than increase revenues. It's basic finance ... If the government tries to increase its' revenues by taxing the public, it will pinch the public out of business and into unemployment, which will ultimately reduce government revenues, and increase expenses. Now is a time to reassess ALL expenditures and re-prioritize and re-allocate ALL resources. This is not the time to increase taxes.

urge the committee to VOTE NO on HB1742.

Thank you for your consideration,

Sue

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Leslie Ross, Ph.D. President, Hale Ipu Kukui Alaka`i

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hale Ipu Kukui Alaka`i, is a nonprofit with a mission to **assist the most vulnerable members of society—the youth, the elderly, the disabled-by providing services that address the specific needs of the target population in a manner that promotes the greatest degree of self-determination.**

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** john robinette [johnrobinette2@gmail.com]  
**Sent:** Wednesday, February 25, 2009 12:38 PM  
**To:** FINTestimony; repyamane@hawaii.gov  
**Cc:** Nancy Bottelo  
**Subject:** HB 1742, Relating to Taxation

**TO:** Representative Marcus R. Oshiro, Chair;  
  
Representative Marilyn B. Lee, Vice-Chair;  
  
and Members of the Committee on Finance

**FROM:** John A. Robinette, Board Member - Special Olympics Hawaii

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

I probably followed to quickly on our CEO's eloquent and well crafted testimony to you in an earlier email. However, I do endorse everything stated there. But, I would like to add a personal statement about my experience at a State run institution and then with Special Olympics Hawaii.

In the Spring of 1967 I arrived in Hawaii to attend then Chaminade College. It was after the end of the school year with nothing scheduled to start again until the fall. For that Summer of 1967 I volunteered to work at Waimano Home. Our group was assigned to the building containing those with the most severe effects of intellectual disabilities. This was hopeless work for the staff and volunteers as the patients never did anything but regress in a very chaotic environment. In the three months we worked there we saw individuals go from being able to take a shower by themselves to not even being able to feed themselves. During this same time I do recall one family coming to visit and leaving very quickly when their son could not even greet them with a show of acknowledgment. The State of Hawaii was responsible for administration of the Waimano Home and therefore paid for by our tax dollars. As you know Waimano Home has been closed for some time as an institution. People with intellectual disabilities now live in nurturing homes with their families for support. Many of them are Special Olympics Hawaii Athletes and living full and productive lives. All of this at no cost to the State. I have worked with Special Olympics Hawaii since 1988 and can personally attest to meeting some of those most wonderful athletes and unbelievable parents that allow them to participate in our programs. I urge the Committee not to pass H.B. 1742 and allow Special Olympics Hawaii to continue their great work with our fellow citizens with intellectual disabilities. Thank you for this opportunity to testify.

John A. Robinette  
94-282 Kokoiki Place  
Mililani, HI 96789

## FINTestimony

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**From:** Brenda Olcott [brendaolcott@hospiceofhilo.org]  
**Sent:** Wednesday, February 25, 2009 2:26 PM  
**To:** FINTestimony  
**Cc:** brendah@hospiceofhilo.org; Cynthia Sorenson; David Hammes; Elaine Johnson; James Nakagawa; Karen Maedo; Karen Moriuchi; Kerwin Iwamoto; Le Pomaski; Lito Asuncion; Nancy Lundblad; 'Richard Newkold'; Sidney Fuke; Ted E. Dixon; wilson.audrey@verizon.net  
**Subject:** 2/26 HEARING (3 p.m., Room 308): Opposition to HB 1742, Relating to Taxation

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Dear Representative Oshiro, Representative Lee, and Members of the Committee on Finance,

It is the mission of Hospice of Hilo to be an integral part of the community, providing compassionate, quality end-of-life care through support, counseling and education. Since 1983, Hospice of Hilo has provided mission focused quality end-of-life care to hundreds of patients and families on the Island of Hawai'i. As a nonprofit organization, we strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state.

Taxing Hawaii's nonprofit organizations will add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are rapidly increasing. For hospice, this tax would create a tremendous financial hardship that would greatly impact the care we are able to provide to the increasing number of people who are in need of our services.

We fear this bill will force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force our state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

On behalf of the people who rely on us to provide needed services, we urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mahalo,



Brenda S. Ho, RN MS  
Executive Director

## **FINTestimony**

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**From:** Stephen Luksic [Tree@Hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 11:49 AM  
**To:** FINTestimony  
**Subject:** HB 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Stephen Luksic, President Kihei Canoe Club  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Kihei Canoe Club, Maui, is a nonprofit organization whose mission is to revive, develop, perpetuate and promote the Hawaiian traditions. This will be accomplished through educational, recreational, cultural and competitive Hawaiian outrigger canoeing programs for youth and adults, in a safe, healthy and nurturing environment.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Best Always,

Stephen Luksic  
Kihei Canoe Club  
Board of Directors, President  
[www.KiheiCanoeClub.com](http://www.KiheiCanoeClub.com)

## **FINTestimony**

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**From:** Judi Wohlman [FinanceDir@FullLifeHawaii.org]  
**Sent:** Wednesday, February 25, 2009 11:53 AM  
**To:** FINTestimony  
**Subject:** HB 1742

I believe this bill is just forcing all nonprofits (except religious) to register with the attorney general's office (Charitable Solicitations Act). Once they register, (and if their ducks are in a row) they will be granted the exempt status. I don't think people understood that part. HANO sent out this big notice to try to get this bill stopped, but it's really not a big deal to register and pay the registration fee. I agree with having charities registered, it'll make us all accountable.

### **Judi Wohlman**

Finance Director  
Full Life Hawaii

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2009 6:22 PM  
**To:** FINTestimony  
**Cc:** kimamaui@yahoo.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Kim Abrahamson  
Organization: Individual  
Address: 35 Laiki Place Makawao Hi  
Phone: 8088704470  
E-mail: [kimamaui@yahoo.com](mailto:kimamaui@yahoo.com)  
Submitted on: 2/25/2009

**Comments:**

This bill would pose a staggering blow to the non-profits in HI who are already fighting for survival due to decreased funding and fewer corporate and individual donors. We cannot afford this taxation and deliver the vital services to Maui's youth. Kim Abrahamson Board Director

To: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: Faye Newfield, Consumer

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Aloha,

As a member of the public and a consumer, I strongly oppose HB 1742, Relating to Taxation to repeal excise tax exemption of Hawaii nonprofit organizations. Given the present economic situation, this repeal of the excise tax would make it more difficult for nonprofits to deliver services to those in need. Nonprofit organizations are meant to be tax exempt because they serve to make our community a better place. They do these services with very little money as it is, and compensation. To take away this tax exempt status would dismantle many nonprofits which currently serve the state. Nonprofits serve the community. They provide services which many can not provide, such as taking care of the dying, the mentally ill, the disabled, helping children and families who have been abused or neglected, providing services, like hot meals and food banks and shelter for the homeless and homebound seniors or healthcare to those in need. Without these services, many of our residents would be living in more difficult conditions than is presently known.

Moreover, nonprofits provide these services more economically and efficiently than the state. Taxing them would be extremely costly and add to their costs. Funding is tight right now for nonprofits; this is not a good plan on the part of the State Legislature to consider such a bill. Moreover, the Hawaii GET would tap gross receipts taxes. This means nonprofits would have to pay even more money towards taxes in an economy which is in decline. With this pressure, many nonprofits will understandably become unable to keep their doors open.

I strongly oppose H.B. 1742 as it would gravely reduce resources during this time when resources for nonprofits are shrinking and when the needs of the community are expanding. Nonprofits as it is are unable to keep up with demand for services by those in need, because most operate on a small budget for the depth of services that they provide to entire communities. These are services which private practices or businesses would be unable to provide at the same cost. The move to repeal state GET is not *pono* for the people of Hawai'i. We respectfully request that the government of Hawaii seriously consider the negative effects of this bill on the people of Hawaii. Can we afford to layoff more workers and eliminate programs for residents in Hawaii? How can we care for the people if much more of the funding dries up?

**We urge the Committee to not pass H.B. 1742.**

Thank you so much for this opportunity to testify against H.B. 1742.

Faye Newfield  
P.O. Box 3659  
Lihue, Hawaii 96766



Email to FINtestimony@capitol.hawaii.gov

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Susan Doyle, Aloha United Way  
HEARING: Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Aloha United Way, is a nonprofit whose mission is to improve lives, motivate people to help others, raise resources to meet needs and inspire collective solutions to community problems. We are best known for mounting a community-wide fundraising campaign on behalf of many other health and human service organizations and for investing in collaborative solutions to pressing community problems.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Especially in our current economic environment, health and human service nonprofits are seeing the demand for their services grow. At the same time, contributions to nonprofits are generally declining; in particular, Aloha United Way has seen a significant decline in its fundraising results. As a consequence, fewer donor dollars are available to meet growing social needs. H.B. 1742 would further reduce resources to provide necessary services at a time when increased resources are needed.

Many charities in our community are already stretched beyond their means. This bill could force them to close, eliminate programs or lay off workers at a time when their services are needed the most and we can least afford to lose jobs.

We urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** Randy Iwashita [riwashita@sacredhearts.org]  
**Date:** Wednesday, February 25, 2009 5:08 PM  
**To:** FINTestimony  
**Subject:** House Bill 1742

As a Business Manager of a private all girls school, I urge you to oppose the House Bill 1742. The Academy is already doing everything we can to cut cost while meeting the school's mission to provide education to a diverse socio-economic population. This would add another financial burden to the budget.

*Randy M Iwashita  
Business Manager  
Sacred Hearts Academy  
Phone (808)734-5058 ext 240  
Fax (808)737-7867*

## **FINTestimony**

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**From:** Frank Haas [fhaas@hawaii.edu]  
**Sent:** Wednesday, February 25, 2009 3:43 PM  
**To:** FINTestimony  
**Subject:** HB1742

I am on the board of directors or chairman of several Hawai'i Not-for-Profits including:

Read to Me International  
Hawai'i Book and Music Festival  
Historic Hawai'i Foundation  
American Marketing Association Hawai'i chapter  
Honolulu Theatre for Youth  
Hawai'i Capital Cultural District  
Kapi'olani Sex Abuse Treatment Center

All of these organizations do good in various ways for the Hawai'i community ... and all are struggling in this economy. While the state certainly needs to look at new measures to increase revenues, I strongly believe that applying the GET to these organizations is not a reasonable option. The impact, financially, would be to reduce the good that they do in the community. In the worst case, some of these organizations may not survive if their donations are taxed. They are that close to the edge. Additionally, collecting and reporting the GET would place an additional burden on these organizations, some of whom have no permanent staff.

I strongly urge you to reject HB1742. Thank you for the opportunity to testify.

Aloha,  
Frank Haas  
Interim Assistant Dean  
University of Hawaii School of Travel Industry Management  
\_560 Campus Road  
Honolulu, Hawai'i 96822  
Direct: (808) 956-4887 Cell: (808) 781-6625  
mailto: [fhaas@hawaii.edu](mailto:fhaas@hawaii.edu)

## FINTestimony

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**From:** Sherman Warner [shermw@hawaiiintel.net]  
**Sent:** Wednesday, February 25, 2009 10:26 AM  
**To:** FINTestimony  
**Subject:** Testimony in opposition to HB1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Sherman Warner, Board President, West Hawaii Mediation Center

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Our organization, West Hawaii Mediation Center, is a nonprofit with a mission to provide alternative dispute resolution services. Approximately half of the 300 cases we handle annually are referred by the courts through a Purchase of Services contract with the State Judiciary. The balance are cases that probably would have ended in court if our services were not available. Less than half of our funding comes from the POS contract with the State; the balance comes from grants and donations which make up the shortfall and allow our 45 volunteer mediators to continue to provide an essential service to our communities and to the Judiciary. At a time when we have been warned to plan for deep cuts in our State funding, other funding sources are reducing grants, the country is in a deep recession, and donations are drying up, our caseload is soaring. Bills before the Legislature will raise the limit on Small Claims Court to either \$5,000 or \$7,500, which will increase the number of cases we receive from that court. Another bill would establish mortgage foreclosure mediation.

We are struggling to meet the demand for our services and to replace lost revenue. Adding the additional cost of GET to our fragile budget will have a serious effect. Our survival depends on relief, such as that offered by HB1350, not an increase in our expenses. We are in crisis mode now, trying to develop strategies for survival. Pushing us closer to the edge will result in increased costs to the courts, the State, and, ultimately, the taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mahalo,  
Sherman Warner

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: Judith F. Lenthall, Executive Director  
Kaua'i Food Bank, Inc.

HEARING: Thursday, February 26, 3 PM, room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, the Kaua'i Food Bank, is a non-profit with a mission to feed the hungry; respond to emergencies, and eliminate Hunger. We gather food from the community and distribute it to about 50 other non-profit agencies and/or churches who then feed the needy islandwide. Recently, we have seen a 25% increase in demand for our services.

Non-profits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter, and health care to those in need.

Non-profits provide these services more economically and efficiently than the State. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations, and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs, or lay off workers and that it would force state governments to provide vital community services less efficiently than non-profits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sincerely,

Judith F. Lenthall  
Executive Director  
Kauai Food Bank  
(808) 246-3809, FAX (808) 246-4737  
e-mail: [food@hawaiiink.net](mailto:food@hawaiiink.net)

## FINTestimony

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**From:** Mary Navarro [mnavarro@haleopio.org]  
**Sent:** Wednesday, February 25, 2009 10:22 AM  
**To:** FINTestimony  
**Subject:** HB 1742 relating to taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Mary Navarro, Executive Director, Hale 'Opio Kaua'i, Inc.

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hale 'Opio Kaua'i, Inc., is a nonprofit with a mission to "embrace children and youth entrusted to our care by providing residential and community programs to enhance quality of life and strengthen 'ohana".

Hale 'Opio Kaua'i, Inc. has provided needed services since 1975 on the island of Kaua'i for children and youth experiencing emotional and behavioral problems, academic failure, and who come from families living below the poverty level and who often experience physical, emotional, and sexual abuse in that environment.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government, itself would have to provide, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Hawaii expects nonprofit agencies to provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mary Navarro  
Executive Director  
Hale 'Opio Kaua'i, Inc.  
2959 Umi Street  
Lihu'e, Hawai'i 96766

(808)245-2873 x223 (808) 245-6957 fax

[www.haleopio.org](http://www.haleopio.org)

"Embracing Children & Youth Entrusted to Our Care"

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."  
Charles Darwin

February 25, 2009

Lisa Cook, LSW  
Executive Director  
Kū Aloha Ola Mau  
1130 N. Nimitz Hwy. Ste. C-302  
Honolulu, HI 96817

TO: Honorable Representative Marcus R. Oshiro, Chair;  
Honorable Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
**RE: Opposition to HB 1742, Relating to Taxation**

Our organization, Kū Aloha Ola Mau, is a nonprofit with a mission to restore meaningful, healthy lives for all communities in Hawai'i through responsive and responsible action towards present and future needs for the prevention and treatment of drug dependency and its related issues. Through our treatment sites in Hilo, Puna and Honolulu, we provide Medication Assisted Treatment and Culturally Based Treatment to many who use Ice, heroin, prescription opiates, cocaine, alcohol and marijuana. We provide treatment for up to 400 persons per year, as well as providing services to families. We depend on other nonprofits to work in mutual collaboration towards successful recovery and productive lifestyles for our clients. Some of them are very small companies. **We strongly oppose** H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. **Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.** Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to **not pass H.B. 1742**. Thank you for this opportunity to testify.



## **FINTestimony**

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**From:** Jeani [kalopa51@aol.com]  
**Sent:** Wednesday, February 25, 2009 1:47 PM  
**To:** FINTestimony  
**Subject:** House Bill 1742

Aloha to all,

I urge you to consider the negative impact House Bill 1742 will have on non profit organizations throughout the islands

We are the backbone of our communities serving those who have no where else to go for food, shelter, medical care, and other services such as those to the disabled population.

This is coming at a time when we are all struggling to keep the resources we do have in play and to continue to offer quality services with less money.

Please assist those of us who work to keep Hawaii healthy, feed, educated and sheltered so they do not lose anymore than they already have in this current economic climate.

Thank you for your consideration.

Jean B. Navarro  
Vice President Hamakua Health Center  
(808) 775-1090 Office and Fax  
(808) 938-7512 cell

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## **FINTestimony**

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**From:** Mary Vinson [mvinson@himonline.org]  
**Sent:** Wednesday, February 25, 2009 10:25 AM  
**To:** FINTestimony  
**Subject:** Written testimony on bill HB 1742

**TO:** Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

**FROM:** Mary Vinson Executive Director Hawaiian Islands Ministries

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Hawaiian Islands Ministries, is a nonprofit with a mission to bring together the churches of Hawaii. We equip, unify and encourage pastors and leaders by bringing them together in annual conferences. We strongly oppose H.B. 1742, Relating to Taxation.

Nonprofits are tax exempt because they provide social goods and services that otherwise the government itself would have to. Most of the food pantry's in HI for example are run out of churches. Many non-profit organizations provide day care and pre-school services. In the economy we are in, non profits cannot afford to give up one more cent. Please look elsewhere for increased tax revenues.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Mary Vinson  
Executive Director Hawaiian Islands Ministries  
808-988-9777 Office

## **FINTestimony**

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**From:** Francoise Mueller [FMueller@waimanalohc.org]  
**Sent:** Wednesday, February 25, 2009 9:33 AM  
**To:** FINTestimony  
**Subject:** We strongly oppose H.B. 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Francoise Mueller, Waimanalo Health Center

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo Health Center, is a nonprofit with a mission to

Provide ready access to primary and preventive holistic health services

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

***Francoise Mueller***

***Accounting Specialist***

*Waimanalo Health Center*

*41-1347 Kalaniana'ole Hwy*

*Waimanalo, HI, 96795*

*Main: 808-259-7948 x 111*

*Direct: 808-954-7111*

*Fax: 808-259-6449*

*Email: [fmueller@waimanalohc.org](mailto:fmueller@waimanalohc.org)*

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2009 3:32 PM  
**To:** FINTestimony  
**Cc:** chuck@ccallen.net  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Chuck Allen  
Organization: Individual  
Address: 133 Hokai Pl Kihei, HI  
Phone: 808-286-0077  
E-mail: [chuck@ccallen.net](mailto:chuck@ccallen.net)  
Submitted on: 2/25/2009

**Comments:**

Organizations like Boys & Girls Clubs in Hawaii that receive State of Hawaii & County funding will now be required to give back to the excise tax collection those amounts that were given by State, County government in the first place. It simply becomes a reduction in grants for non-profits and makes no sense. It will hurt 100% of the beneficiaries of the non-profits in Hawaii that receive State and County funding.

## **FINTestimony**

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**From:** Alethea Lai, Kahilu Theatre [alethea@kahilutheatre.org]  
**Sent:** Wednesday, February 25, 2009 9:57 AM  
**To:** FINTestimony  
**Cc:** 'Alethea Lai, Kahilu Theatre'  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Alethea Lai, Kahilu Theatre Foundation  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Kahilu Theatre Foundation, is a nonprofit with a mission to provide a home for the presentation, support, education and promotion of the performing arts. The Kahilu Theatre serves over 11,000 community members in the North Hawaii area of the Big Island, and an additional 13,000 preK-12 students through our children's programming. We are currently offering some of the only arts programming that public school students are receiving in the North Hawaii area. In addition, our organization has a significant positive economic impact on the Waimea community, besides the staff and vendors that we employ through direct operations, we also bring in 490 patrons regularly who attend our evening performance series and most of whom dine at Waimea restaurants and patronage Waimea businesses while attending their show.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, filling gaps in the public education system, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. If this bill passes, this will certainly be the situation the Kahilu Theatre Foundation would be in. The Kahilu Theatre has already had to cut its current operating budget by 10% to try and tackle the decrease in donations and grants, the addition of this tax would be detrimental to our ability to continue with programming and would certainly lead to us to face the unpleasant task of cutting some of our staff. The Kahilu Theatre Foundation knows that this bill would absolutely force many non-profits to shut down.

We STRONGLY urge the Committee to not pass H.B. 1742. This is not the way to make up for lost revenue. Thank you for this opportunity to testify.

### **Alethea Lai**

Development Director  
Kahilu Theatre Foundation  
P.O. Box 549  
Kamuela, HI 96743  
(808) 885-7936

## **FINTestimony**

---

**From:** Andrew Perez [APerez@waimanalohc.org]  
**Sent:** Wednesday, February 25, 2009 9:39 AM  
**To:** FINTestimony  
**Cc:** May Akamine; May Akamine; Uyanga Batzogs; Aukahi Austin; Christina Lee  
**Subject:** Opposition to HB 1742, Relating to Taxation

"Biting The Hand That Feeds You"

Dear Representative Marcus Oshiro, Representative Marilyn Lee, and members of the House Committee on Finance:

I am writing to you today as a proactive registered voter who has voted in every election since 1976. I am also writing to you as an employee of a Community Health Center, where I work as an Accountant.

I understand that state revenues have been declining for the past few quarters and that there is a need to find new sources of revenue. Repealing the excise tax exemption for Hawaii nonprofit organizations would be "biting the hand that feeds you" in so many ways.

Think of your own lives, your family, and your friends. Do you know of someone who has been helped by a nonprofit? Of course you do. Don't reduce or eliminate the essential services that nonprofits provide to you, to your family, to your friends, and to your community.

Vote NO on HB 1742!

Thank you for your public service.

Andrew Perez  
Accountant  
Vaimanalo Health Center  
808-954-7110  
[aperez@waimanalohc.org](mailto:aperez@waimanalohc.org)

## FINTestimony

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**From:** Donna Gamboa [dgamboa@hawaii.rr.com]  
**sent:** Wednesday, February 25, 2009 9:27 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: D. Gamboa, Christ-Centered Consulting Services

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

Our organization, Christ-Centered Consulting Services, is a nonprofit tax-exempt organization with a mission to help other nonprofit organizational and community leaders, provide quality human, social, civil and spiritual services to the disenfranchised, underprivileged and needy individuals and families within our island State. Many of these leaders and their staff serve at the grassroots level and provide their programs and services at low or no cost to its beneficiaries.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because we provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the State. However, taxing us would add tremendously to our costs and make us less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. As nonprofits, we would have to pay whether we are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations, grants and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents—many of whom are now unemployed and medically uninsured. We are seriously concerned that this bill would force many charities that are already stretched beyond our means to close, eliminate programs or lay off workers and that it would force State government to provide vital community services less efficiently than we nonprofits can, thereby increasing the burden on taxpayers. We urge the Committee to **not pass H.B. 1742**. Thank you for this opportunity to testify.

D. Gamboa  
Board President  
Christ-Centered Consulting Services

## **FINTestimony**

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**From:** Randy Echito [randy@mauicjc.org]  
**Sent:** Wednesday, February 25, 2009 9:19 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Friends of the Children's Justice Center of Maui, Inc.  
HEARING: Thursday, Feb. 26, 3 pm., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Friends of the Children's Justice Center, is a nonprofit with a mission to provide assistance to abused and neglected children; promote the prevention of child abuse and neglect; and support the Children's Justice Center of Maui (part of the State Judiciary). We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Randy Echito  
Executive Director  
Friends of the Children's Justice Center of Maui  
1773-A Wili Pa Loop  
Wailuku, HI 96793  
Phone: (808) 986-8634  
Fax: (808) 243-8688



## **FINTestimony**

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**From:** Charles Braden Jr. [charles.braden@rcoh.org]  
**sent:** Wednesday, February 25, 2009 10:21 AM  
**to:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Charles G. Braden, Jr., CEO Responsive Caregivers of Hawaii

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Responsive Caregivers of Hawaii (RCH), is a nonprofit with a mission to provide services to the Developmentally Disabled and Mentally Retarded.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

RCH urges the Committee to not pass H.B. 1742.

Thank you for this opportunity to provide testimony on this matter.

*Charles G. (Chuck) Braden, Jr.*  
Chief Executive Officer  
Responsive Caregivers of Hawaii  
98-1247 Kaahumanu Street, Suite 219B  
Aiea, HI 96701  
Office: (808) 488-7391  
Fax: (808) 488-6952  
E-Mail: [Charles.Braden@rcoh.org](mailto:Charles.Braden@rcoh.org)

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## FINTestimony

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**From:** Jerri Chong [jcrmh@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 1:11 PM  
**To:** FINTestimony  
**Subject:** Testimony on HB 1742

**TO:** Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee  
Members of the House Finance Committee

**FROM:** Jerri Chong, President & Executive Director  
Ronald McDonald House Charities of Hawaii

Hearing Date: February 26, 3 p.m., Room 308

**RE:** **Opposition to HB 1742, Relating to Taxation**

Aloha,

Ronald McDonald House Charities of Hawaii (RMHC-HI), is a not-for-profit 501(c)(3) organization, that helps families with seriously ill children from the Neighbor Islands and the Pacific Rim by providing them with lodging and numerous family services when they are required to come to Honolulu for the child's medical treatments. Each year more than 500 families receive vital assistance from RMHC-HI.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii Nonprofit organizations. We believe it could be devastating to Hawaii's charitable organizations.

Nonprofits were given tax exempt status because they provide the social goods and services that otherwise would fall on the government to provide. They represent important and reliable partners to government, actually saving the state resources it would have to direct toward the community's social service needs. Nonprofits provide these services more economically and efficiently than the state. Taxing them would add tremendously to their costs and make them less effective.

The Hawaii G.E.T is a gross receipts tax, which means, it would tap nonprofit revenues, not just net income after expenses. This means nonprofits would have to pay whether they are losing money or not. Therefore H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are dwindling, and when community demands for services are expanding.

We fear that this bill would force many Hawaii charities that are already stretched beyond their means, to close, eliminate programs or lay off workers, and that would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

Jerri Chong  
President/Executive Director  
Ronald McDonald House Charities of Hawaii  
Ph: (808) 973-5683 ext. 222

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and members of the Committee of Finance

FROM: Hannah Preston-Pita, I Ola Lahui and Waimanalo Health Center  
HEARING: Feb. 26, 2009; Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Dear Mr. Oshiro, Ms. Lee and Members of Committee of Finance:

As a member and recipient of various non-profit organizations, I know first hand how important it is for these organizations to continue to provide vital services. It would be catastrophic if non-profits are subjected to pay taxes. These non-profits play an essential part in our communities, especially during these trying times when we are the ones who are in the front lines having to deal with economic and emotional turmoil. I worry that this would drive many non-profits to close. I am asking you to consider the extensive damage this would do to our communities. I strongly oppose H.B. 1742, Relating to Taxation which would repeal the excise tax exemption of Hawaii nonprofit organizations. Mahalo for hearing my testimony.

Sincerely,  
Hannah K. Preston-Pita, Psy, D.  
Clinical Psychology Post Doc

## FINTestimony

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**From:** RWSurber [rwsurber@aol.com]  
**ent:** Wednesday, February 25, 2009 9:24 AM  
**To:** FINTestimony  
**Subject:** Oppose HB 1742

Aloha Finance Committee Members,

I am writing to strongly oppose HB 1742. I cannot understand how the legislature could support a bill that undermines our non-profit community. A central tenet non-profit organizations is that they are exempt from paying taxes at any level of government, so that they can use their resources most effectively to serve the public good. When people donate to charitable organizations they expect that their contributions will serve the intended purpose and not to pay additional taxes. HB 1742. If enacted, HB 1742 would weaken the goals for an important and long-standing public/private partnership.

Mahalo for your consideraton,

Robert Surber  
Principal

**Robert Surber & Associates**  
*Enhancing Performance & Improving Outcomes  
For Health & Human Services*  
PO Box 10741  
Hilo, HI 96721  
Tel: 808.963.5181  
E-mail: [RWSurber@aol.com](mailto:RWSurber@aol.com)  
Web: [www.RobertSurber.com](http://www.RobertSurber.com)

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## FINTestimony

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**From:** Bonnie Kim [artsforall-hawaii@hotmail.com]  
**Sent:** Wednesday, February 25, 2009 10:17 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742

Aloha! I have sent a letter of testimony yesterday via email. But I just got informed that some information I received yesterday on the HB 1742 was incorrect. I have revised my letter according to the correction. The introduced HB 1742 will tremendously affect so many services and programs offered by many nonprofit organizations in Hawaii. It'll definitely affect not only the nonprofits and people who benefit from the services but also the State which will have to provide services instead of the nonprofits because many nonprofit organizations, especially the small ones will not be able to continue offering services from having to pay exercise taxes even though they lose money. What the state will experience financially in long term with this bill will be much more than what the state may gain from this bill in short term. Despite the tough economic challenges, we all need to look into long term goals and situations. The following is my revised letter of testimony in opposition to HB 1742.

Mahalo,  
Bonnie Kim

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Bonnie Kim, Bare & Core Expression

**HEARING:** Feb. 23, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, Bare & Core Expression, is a nonprofit arts organization based in East Hawaii on the island of Hawaii with a mission to provide opportunities where everyone can access arts to appreciate as well as to participate in the process of creativity through performances, workshops, exhibits, and arts education programs. Since the establishment in 2003, Bare & Core Expression has been involved in promoting the accessibility of arts in our community. We have collaborated with several community organizations and schools to bring more arts to the community. We offered creative arts workshops in schools, serving many underserved areas on the island of Hawaii. More than 50% of students we serve in schools are on free lunch or reduced price lunch.

Much of our services are provided with community support and in-kind contributions. With our small operating budget which is less than \$20,000, it's always challenging to provide various arts programs and events. But with our dedicated volunteers and artists, we have brought many valuable arts programs and events to people of Hawaii. Thus, having to pay GE taxes on services for our nonprofit mission will make things even worse. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to **not** pass H.B. 1742. Thank you for this opportunity to testify.

\*\*\*\*\*

Bonnie Kim  
Director  
Bare & Core Expression  
Non Profit Multi-Arts Organization  
[www.bareandcore.org](http://www.bareandcore.org)  
P.O. Box 6308 Hilo, Hawaii 96720  
808.333.2730

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## FINTestimony

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**From:** fawnelder@aol.com  
**sent:** Wednesday, February 25, 2009 8:55 AM  
**To:** FINTestimony  
**Subject:** Fwd: no more tax exemption for non profits

TO: Representative Marcus R. Oshiro, Chair Representative Marilyn B. Lee, Vice-Chair; and  
Members of the Committee on Finance

FROM: Fawn Elder Hana Arts board member  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hana Arts, is a nonprofit with a mission to supplement our childrens education through arts and culture. We believe the arts have a profound and long lasting impact on peoples lives and have watched the arts been cut from the school curriculum slowly over the years until they no longer exist without support of outside agencies. We see that the ability to embrace and understand a variety of cultures enables children a higher level of tolerance and less judgment towards other ethnicity's of people.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

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## **FINTestimony**

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**From:** Deena Dray [ddray@diamondheadtheatre.com]  
**Sent:** Tuesday, February 24, 2009 5:03 PM  
**To:** FINTestimony  
**Subject:** testimony HB 1742

TO:  
Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Deena Dray, Diamond Head Theatre

HEARING: Feb. 25, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Diamond Head Theatre is a non-profit community theatre founded by New England missionary families in 1915.

Diamond Head Theatre offers six theatrical productions each season to over 35,000 theatergoers, presenting the latest musicals, plays and traditional favorites. Our shows are cast, built and produced with the help of hundreds of volunteers who contribute their time, talent and energy under the guidance of theatre professionals.

DHT also offers comprehensive performing arts training in voice, dance and acting to the community through special workshops and regular class sessions. Musical Theatre Experience is our summer musical theatre program with over 75 children ranging from 7-16 years old attending our 8-week program. We also have a youth performing troupe, the Diamond Head Theatre "Shooting Stars."

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

~~~~~  
Deena Dray  
Executive Director  
Diamond Head Theatre  
808.733.0277x301  
visit us at [www.diamondheadtheatre.com](http://www.diamondheadtheatre.com)



HB 1742

**FINTestimony**

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**From:** Debra Blachowiak [Debra@SleepingGiant.com]  
**Sent:** Wednesday, February 25, 2009 7:51 AM  
**To:** FINTestimony  
**Subject:** Excise tax on non-profits

I am on 3 non-profit boards. A tax of this nature would just put a final nail in the coffin of the very organizations that help the people of Hawaii on the grass roots level. Please do not take this road. Hawaii's non-profits need all the help they can get now in this economic climate. Donations are way down. Please consider all the good that we do. I am on the Kauai United Way, Hawaii Children's Theatre and Island School boards. I also help with Kauai Hospice, Wilcox Hospital and Imaginarium of Kauai. I donate to many, many more, including worthy organizations on Oahu. Please do not make things worse than they already are. Mahalo for yqur consideration. Aloha

Debra Blachowiak, Realtor  
Sleeping Giant Sotheby's International Realty  
[debra@sleepinggiant.com](mailto:debra@sleepinggiant.com)  
[www.sleepinggiant.com](http://www.sleepinggiant.com)  
(800)247-8831-toll free  
(808)245-8831-ext. 33  
(808)639-2437-cell  
(808)246-9478-fax

## **FINTestimony**

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**From:** Snookie Mello [smello@hawaiiantel.net]  
**Sent:** Wednesday, February 25, 2009 12:58 PM  
**To:** FINTestimony  
**Cc:** jreppun@keyproject.org  
**Subject:** Testimony opposing HB 1472

Aloha Representative Marcus Oshiro, Chair; Marilyn Lee, Vice-Chair and Finance Committee members:

I am testifying in opposition to HB 1472. Kala mai ia'u, I cannot be there today to testify in person so I am sending this email to you.

I am currently president of the board of directors for Kualoa-He'eia Ecumenical Youth Project (KEY) located in Waihe'e Valley on the windward side of O'ahu. KEY started out in 1968 in an old house next to Hygienic Store. The last 41 years have seen many ups and downs in funding resulting in increasing and decreasing program services as community needs continue to increase. Through it all KEY persevered in its mission to nurture and promote the cultural, environmental, social, economic and recreational well-being of the Kualoa-He'eia area by providing a vital grassroots civic resource that effectively serves the needs of our diverse multi-cultural community. KEY is a family center with intergenerational programs focussing on at-risk youth and their families. Our programs include food distribution, after school hour activities for children and teens, employee training, information and referral and a gathering place for seniors and other organizations.

I strongly oppose Bill 1472. Passing this bill will be a grave mistake for the state of Hawai'i. Our non-profit agencies provide valuable and much-needed goods and services more efficiently and economically than the state could. Taxing KEY with the 4.5% GET on grants, donations and all sources of funding will take away funds for much needed programs.

With the loss of endowment interest, reduction in grants and reduction in donations from companies and individuals, we are currently struggling to keep all the programs we have operating, passage of this bill will mean eliminating or severely handicapping our programs. Our employees work for low pay and put in many volunteer hours. Our board is involved in several fundraising projects throughout the year. We will end up having to hold a fundraiser in order to pay the GET on grants and donations. This is wrong. The money we fund raise should go directly to providing services.

I would like to strongly urge this committee not to pass HB 1472.

Mahalo for your time,

Jacqueline "Snookie" Mello

## FINTestimony

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**From:** Marseel@aol.com  
**ent:** Wednesday, February 25, 2009 8:54 AM  
**fo:** FINTestimony  
**Subject:** HB 1742 Testimony

House Finance Committee  
Hearing, Thursday, February 26, 3:00 PM  
Room 308

To: Representative Marcus Oshiro, Chair, Representative Marilyn Lee, Vice Chair, and members of the House Committee on Finance

From: Marilyn R. Seely

Subject: HB 1742, Relating to Taxation

Re: Opposition to HB 1742

I oppose HB 1742 which removes the tax exemption for non-profit organizations. As a board member of several non-profits, I know first hand they struggle they are undergoing to continue their missions. While I understand the budgetary crisis the state and the nation are facing, I don't believe we should resort to this measure to balance the budget. Too many of Hawaii's citizens are being crushed by financial shortfalls and will rely even more on the help these organizations provide. Why jeopardize them further?

Thank you for your consideration of this testimony.

Marilyn Seely  
Kaneohe, Hawaii

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## FINTestimony

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**From:** Christy @ NPK [cschumann@hawaii.rr.com]  
**ent:** Wednesday, February 25, 2009 9:03 AM  
**fo:** FINTestimony  
**Subject:** H.B. 1742

**TO:** Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

**FROM:** Neighborhood Place of Kona

**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308

**RE:** Opposition to HB 1742, Relating to Taxation

Neighborhood Place of Kona (NPK) is a 501 (c) (3) non-profit organization that serves families and communities through partnerships with public and private agencies and groups. NPK's free, voluntary and confidential services are open to all families. In a supportive, compassionate atmosphere grounded in Hawaiian values, the focus is on the well-being of families through environments of peace and safety.

The Mission of Neighborhood Place of Kona is to ensure the well being of our children and families by promoting environments of peace and safety

Our services are provided to families and communities through partnerships with public and private agencies and groups. NPK's free, voluntary and confidential services are open to all families. In a supportive, compassionate atmosphere grounded in Hawaiian values, the focus is on the well-being of families through environments of peace and safety. We believe in the importance of strong families and through strong families; caring communities. Our work focuses on the prevention of child abuse and neglect.

- We help strengthen family relationships through a process of increasing knowledge of child development, improving parenting and coping skills and enhancing problem-solving abilities.
- In our environment of peace and safety, called Pu`uhonua in Hawaiian, the well-being of children and families can be ensured. Trust and respect is built through collaborative efforts and through recognition of the importance of spirituality in all aspects of life.
- Through informational sessions, Hawaiian value classes, training and workshops, child abuse prevention activities and fostering of partnerships, NPK is able to help families and communities become better informed, better educated and more engaged in the process.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing

money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

With Aloha,

Christy

Christy A. Schumann  
Business Manager  
Neighborhood Place of Kona  
74-5565 Luhia Street B-1  
Kailua Kona, HI 96740  
808-331-8777 ph  
808-331-8774 fax  
[cschumann@hawaii.rr.com](mailto:cschumann@hawaii.rr.com)  
[www.neighborhoodplaceofkona.org](http://www.neighborhoodplaceofkona.org)

Neighborhood Place of Kona is a 501(c) (3) non-profit organization. Our mission is to ensure the well being of children and families by promoting environments of peace and safety.

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TO:

Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM:

Anne Irene Wilcox Young  
Kona Hospital Foundation,  
Also representing Hawaii Island Humane Society, Kona Outdoor Circle, Kona  
Historical Society

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, The Kona Hospital Foundation, is a nonprofit with a mission to improve the Kona Community Hospital for the entire community by funding medical technology, expanded medical services and enhanced facilities that would otherwise be unavailable. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** Cecilia Mukai [cmukai@hawaii.edu]  
**Sent:** Tuesday, February 24, 2009 8:34 PM  
**To:** FINTestimony  
**Subject:** HB 1742 - oppose taxing non-profits

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Cecilia Mukai, PhD, APRN, Associate Professor, UH Hilo  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

As a private citizen, I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

I urge the Committee not to pass H.B. 1742. Thank you for this opportunity to testify.

Email to FINtestimony@capitol.hawaii.gov  
TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: North Hawaii Women's and Children's Services  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, North Hawaii Women's and Children's Services, is a nonprofit with a mission to: *"help and empower diverse learners in school and in life"* helps students in public school and private schools in Hawaii through strengths based student assessments and teacher training with a strong partnership with Kohala Elementary School (DOE Public School) to train all their teachers by 2010 using the "All kinds of minds model. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and service that otherwise government itself would have to. We provide teacher professional development for individual teachers and for a "school a time" ,supporting and enhancing the mission of public schools.

Nonprofits in general often provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective and dramatically reduce their capacity to benefit the community which they serve. Common sense tells us this does NOT make sense. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Clearly this will put many non profits out of business leaving the government to address many of the challenges which non profits currently address. Such a change is clearly NOT focused on community benefit or on the long run.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and then pass the additional expense on to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this



opportunity to testify.

Sharon H. Vitousek MD

President of Board of North Hawaii Women's and Children's Services

## **FINTestimony**

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**From:** Paul [ohana-art@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 12:53 PM  
**To:** FINTestimony  
**Subject:** Testimony OPPOSITION to HB 1742, relating to Taxation

Email to [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

**TO:** Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance  
**FROM:** Paul V. Kaminski, Secretary to the Board of West Hawaii Healthcare Council  
**HEARING:** Thursday, Feb. 26, 3 p.m., Room 308  
**RE:** Opposition to HB 1742, Relating to Taxation

Our organization, West Hawaii Healthcare Council, is a nonprofit with a mission to provide assistance to needy elderly in payment of medical expenses.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. herefore, H.B.

1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** Matilda Tompson [TompsonP001@hawaii.rr.com]  
**Sent:** Tuesday, February 24, 2009 5:06 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;

and Members of the Committee on Finance

FROM: Mala'ai: The Culinary Garden of Waimea Middle School

HEARING: Feb. 23, 3 p.m., Room 308

Our organization, Mala'ai: The Culinary Garden of Waimea Middle School, is a nonprofit with a mission to deepen Waimea Middle School students' relationship with food, their culture, and their

environment by creating and sustaining an organic garden and kitchen classroom that engages

them in all aspects of growing, harvesting, preparing and sharing nourishing, healthy food.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption

of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government

itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or

neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing

them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit

receives, not

just its net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other

sources of financial support are shrinking and when community demands for services are ballooning.

Even donations that are exempt from state and federal taxes would be subject to excise tax under this

bill's provisions.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay

and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close,

eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Matilda Tompson  
Executive Director  
Mala'ai: The Culinary Garden  
of Waimea Middle School  
P.O. Box 6954  
Kamuela, HI 96743  
808-885-9206

## FINTestimony

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**From:** Isa [mypurpledress@earthlink.net]  
**Sent:** Wednesday, February 25, 2009 6:01 AM  
**To:** FINTestimony  
**Subject:** HB 1742

Dear Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;

and Members of the Committee on Finance

Hearing: Thursday, Feb. 26, 3 p.m., Room 308,

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Supporting the Language of Kaua'i, Inc., is a nonprofit with a mission to

enhance and preserve the Hawaiian language through educational means. We are a small, volunteer run organization.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.

1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital

community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to NOT pass H.B. 1742.

Thank you for this opportunity to testify.

Isa Segismundo

Treasurer, Supporting the Language of Kaua'i, Inc.

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Bonnie Kim, Bare & Core Expression

HEARING: Feb. 23, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Bare & Core Expression, is a nonprofit arts organization based in East Hawaii on the island of Hawaii with a mission to provide opportunities where everyone can access arts to appreciate as well as to participate in the process of creativity through performances, workshops, exhibits, and arts education programs. Since the establishment in 2003, Bare & Core Expression has been involved in promoting the accessibility of arts in our community. We have collaborated with several community organizations and schools to bring more arts to the community. We offered creative arts workshops in schools, serving many underserved areas on the island of Hawaii. More than 50% of students we serve in schools are on free lunch or reduced price lunch.

Much of our services are provided with community support and in-kind contributions. With our small operating budget which is less than \$20,000, it's always challenging to provide various arts programs and events. But with our dedicated volunteers and artists, we have brought many valuable arts programs and events to people of Hawaii. Thus, having to pay GE taxes on services for our nonprofit mission will make things even worse. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Even donations that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to **not** pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** Monica Adams [madams@bayclinic.org]  
**Sent:** Tuesday, February 24, 2009 5:05 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance  
FROM: Monica Adams; Bay Clinic, Inc. Community Health Centers  
HEARING: Feb. 23, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, **Bay Clinic, Inc.** is a nonprofit community health center serving the health care needs of the low-income and uninsured people of East and South Hawaii Island. We serve 15,000 people with primary medical care, dental care, and behavioral health care services. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. **Our organization in particular would suffer from this tax exemption and impede our ability to continue to be one of the major employers and service providers in all of Hawaii Island.** The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Even donations that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Monica Adams  
Director of Development  
Bay Clinic Inc.  
Hilo, HI 96720

## **FINTestimony**

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**From:** Okimoto, Ron [ROkimoto@ymcahonolulu.org]  
**Sent:** Tuesday, February 24, 2009 5:06 PM  
**To:** FINTestimony  
**Subject:** RE: Opposition to HB 1742, Relating to Taxation

**Importance:** High

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Ron Okimoto, YMCA of Honolulu

HEARING: Feb. 23, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, the YMCA of Honolulu, is a nonprofit with a mission to build strong kids, strong families, and strong communities through programs that build spirit, mind, and body for all. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, not just its net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Even donations that are exempt from state and federal taxes would be subject to excise tax under this bill's provisions.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.



## FINTestimony

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**From:** Mabel Spencer [mspencer@waimanalohc.org]  
**Sent:** Wednesday, February 25, 2009 1:23 PM  
**To:** FINTestimony  
**Subject:** Opposition of HB 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Mabel Ann Spencer  
41-1378 Kuhimana Street  
Waimanalo Hawaii 96795

HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Laulima O Waimanalo is a nonprofit with a mission to advocating for our community in securing the funds to improve our Waimanalo Sewage Treatment Facility.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** Joyce Washington [ymca-jwashington@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 12:59 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

**To:** Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
And Members of the Committee on Finance

**From:** Joyce Washington, CFO\Interim CEO  
Island of Hawaii YMCA

**Hearing:** Thursday, Feb. 26, 3 p.m. Room 308

**Re:** Opposition to HB 1742, Relating to Taxation

The Island of Hawai'i YMCA is a nonprofit with a mission to develop the values of respect, caring, honesty, and responsibility through various programs to the youth on the Island of Hawai'i. We strongly opposed H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because we provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter, and health care to those in need. Nonprofits provide these and other services more economically and efficiently than the state. However, taxing us would add tremendously to our costs and make us less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofits revenues, not just net income after expenses. Nonprofits would have to pay whether we are losing money or not. Therefore, H.B. 1742 would slash resources at a time when donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1472.

Mahalo for this opportunity to testify.

**Joyce Washington**  
CFO\Interim CEO  
Island of Hawai'i YMCA  
PO Box 7067  
Kamuela, HI 96743

(808) 885-5034 Office  
(808) 887-1861 Fax

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair  
and Members of the Committee of Finance

From: Carol Down, Full Life (Board Member and mother of a developmentally disabled child)

Hearing: Thursday, Feb. 26, 3 p.m., Rm. 308

Re: Opposition to HB 1742, Relating to Taxation

Our organization, Full Life, is a nonprofit that provides services to the developmentally disabled. Our mission is to assist in the empowerment of people with developmentally disabilities, so they can enjoy a self-determined quality of life.

I oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations, such as Full Life.

Since the Hawaii G.E.T. is a gross receipts tax and not a tax after expenses, this would severely cut into what little funds we have to provide these services to a group of individuals with no voice and no ability to fight for themselves.

Our nonprofit has already had a severe cut, via the Medicaid waiver program, costs to operate are rising, donations are dwindling and financial support is quickly shrinking. The needs of this defenseless population does not go away.

This bill would have a strong impact on our charity that is already struggling to meet vital social services.

I urge the Committee to NOT pass H.B. 1742.

Thank you for this opportunity to voice my objection.

*Carol Down*

## **FINTestimony**

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**From:** Patty Schumacher [pschumacher@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 11:40 AM  
**To:** FINTestimony  
**Subject:** RE: Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Patricia Schumacher, CPA, LLC

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I represent many non-profits where the organizations were formed to assist needs of individuals where the federal and state governments are unable to assist due to budget constraints.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.

1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Patty Schumacher  
Patricia K. Schumacher, CPA, LLC  
P.O. Box 4384  
Kailua-Kona, HI 96745-4384  
Phone: (808) 322-4909  
Fax: (808) 322-9169  
Cell: (808) 345-7900

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## **FINTestimony**

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**From:** info [info@volcanohouseproject.org]  
**Sent:** Wednesday, February 25, 2009 10:48 AM  
**To:** FINTestimony  
**Subject:** Do not not pass H.B. 1742

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: David Howard Donald, Big Island Learning and Arts Center / Volcano House Project  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Big Island Learning and Arts Center / Volcano House Project, a 501(c)3 nonprofit is bidding on the lease of the Volcano House concession in Hawai'i Volcanoes National Park. Our mission is to provide permanent training & job creation opportunities to the unemployed and disenfranchised, with a focus on youth at risk, through meaningful and practical education in the culinary arts, hospitality industry, and Hawaiian culture, at a self-sustaining, world-class hotel & culinary institute - Volcano House - while enhancing the local & international visitor experience with the true Hawaiian spirit of Aloha.

**We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.**

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as working with the disenfranchised, caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

**Imagine if all of you had to work for no pay as most of us do! Do not do this. Do not hurt your people.**

**We urge the Committee to not pass H.B. 1742.**

Mahalo for this opportunity to testify.

David Howard Donald  
Co-Founder - Volcano House Project

## **FINTestimony**

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**From:** SueGrose@aol.com  
**Sent:** Wednesday, February 25, 2009 12:03 PM  
**To:** FINTestimony  
**Subject:** Opposition to H.B. 1742

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

I fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

I urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Sue Grose

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## FINTestimony

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**From:** John Parkinson [john@ballethawaii.org]  
**Sent:** Wednesday, February 25, 2009 11:13 AM  
**To:** FINTestimony  
**Cc:** Rep. Marcus Oshiro; Rep. Marilyn Lee; Rep. James Tokioka; Rep. Henry J.C. Aquino; Rep. Karen Awana; Rep. Tom Brower; Rep. Isaac W. Choy; Rep. Denny Coffman; Rep. Sharon Har; Rep. Gilbert Keith-Agaran; Rep. Chris Kalani Lee; Rep. Scott Nishimoto; Rep. Roland Sagum; Rep. Jessica Wooley; Rep. Kyle Yamashita; Rep. Kymberly Pine; Rep. Gene Ward; John@ballethawaii.org  
**Subject:** Oppose HB 1742, relating to taxation from Ballet Hawaii

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: John Parkinson, Ballet Hawaii

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Ballet Hawaii, is a nonprofit with a mission to Produce, present, promote and teach dance in Hawaii. We provide after school dance programs for families from all areas of Oahu. We also produce and present dance related shows which include the Nutcracker with the Honolulu Symphony as well as touring companies such as Alonzo King's LINES Ballet, Paul Taylor Dance, Pilobolus, Stars of San Francisco Ballet.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need, or as in our case, provide valuable cultural resources for the community. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

John Parkinson  
Executive Director  
Ballet Hawaii  
650 Iwilei Rd. Box 221  
Honolulu, HI 96817  
808-521-8600 x 105 Office  
[www.ballethawaii.org](http://www.ballethawaii.org)

## **FINTestimony**

---

**From:** Kathy Harper (Director of Development) [KHarper@eastersealshawaii.org]  
**Sent:** Wednesday, February 25, 2009 11:01 AM  
**To:** FINTestimony  
**Subject:** Testimony in opposition of HB 1742 from Easter Seals Hawaii

Easter Seals Hawaii (ESH) is one of the state's oldest and largest non-profit providers of programs for infants, children, youth and adults with developmental disabilities or special needs and their families. ESH employs more than 400 people on five islands, delivering more than 400,000 hours of direct services annually. As an affiliate of a highly respected national non-profit organization on the front line of many health and human service issues, we offer in-depth policy expertise and insight.

If passed, HB 1742 would severely threaten the financial stability of non-profit organizations across the state, and result in drastic reductions in critical programs and services – or outright closures – in an economic environment where Hawaii's people are facing decreased choices, options or alternatives at nearly every turn.

Many ESH families are already impacted by state budget cuts to Medicaid Waiver DD/MR support, and as a direct provider of such programs ESH is aggressively seeking alternatives to replace these revenue streams and maintain levels of service. Should HB 1742 pass, ESH would be further encumbered and forced to reduce or eliminate critical programs relied on by hundreds of families across the state.

From a fundraising perspective, subjecting non-profit revenues to GET would severely hamper organizations such as ESH that invest an average of 92 cents out of every dollar raised in programs and services. ESH's strong fiscal management positions us positively with donors, grant makers and corporate sponsors. Should GET be imposed on these revenues, this would serve as a clear disincentive to those with the financial resources to support our mission.

The fact remains that ESH and many other non-profit organizations already pay their fair share of GET on income earned from certain activities. However many do not, either intentionally or ignorantly. If current enforcement procedures were adequately followed, there might not be a need for HB 1742. By imposing GET on all non-profit revenue, the state is effectively punishing those organizations that adhere to the law and pay their tax obligations.

The current exemption for religious organization left in tact by HB 1742 also needs to be addressed. A non-profit organization that provides health and human service programs and also happens to be faith-based cannot fairly be held to a higher beneficial standard than a similar non-profit but secular organization.

The State relies on non-profit organizations throughout Hawaii to deliver diverse programs and services for the health, well-being, education and enlightenment of Hawaii families. The non-profit sector exists precisely because the public and private sectors cannot or will not do so as efficiently or effectively. HB 1742 would impose a punitive and egregious financial hardship on Hawaii non-profit organizations whose only bottom line is service to Hawaii's people.

Mahalo,  
Kathy Harper

Director of Development

Easter Seals|Hawaii  
710 Green Street, Honolulu, HI 96813




Phone: (808) 536-1015  
Fax: (808) 536-3765

[www.eastersealshawaii.org](http://www.eastersealshawaii.org)

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## FINTestimony

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From: HanArts@aol.com  
Sent: Wednesday, February 25, 2009 5:45 AM  
To: FINTestimony  
Subject: Testimony

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Your name, your organization

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hana Arts, is a nonprofit with a mission to supplement our childrens education through arts and culture. We believe the arts have a profound and long lasting impact on peoples lives and have watched the arts been cut from the school curriculum slowly over the years until they no longer exist without support of outside agencies. We see that the ability to embrace and understand a variety of cultures enables children a higher level of tolerance and less judgment towards other ethnicity's of people.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

Joanne Fanning  
Executive Director  
Hana Arts

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TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Uyanga Batzogs, Chief Financial Officer, Waimanalo Health Center  
HEARING: Thursday, Feb. 26, 3 p.m., Room 308  
RE: Opposition to HB 1742, Relating to Taxation

Our organization, Waimanalo health center, is a nonprofit with a mission to provide primary care services to the low income families, especially children and women. We don't deny health care services to people because of their inability to pay for the services. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B.1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## FINTestimony

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**From:** The Nagai's [nagais004@hawaii.rr.com]  
**Sent:** Tuesday, February 24, 2009 10:43 PM  
**To:** FINTestimony  
**Subject:** Opposition to HB1742  
**Attachments:** Fusayo Nagai.vcf

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Seichi Nagai, Pearl City Foundation

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Pearl City Foundation, is a nonprofit with a mission to keep a private park property in the possession of the community in which it is located and to also ensure the continued operation and programming that support the lessening of neighborhood tensions, combating community deterioration and juvenile delinquency. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not.

Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742.

Thank you for this opportunity to testify.

Seichi Nagai

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Jennifer Barrett, President, Friends of Hanauma Bay

HEARING: Thursday, February 26, 2009, 3:00 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Friends of Hanauma Bay, is a nonprofit dedicated to the conservation of coastal and marine environments, emphasizing stewardship of the natural resources of Hanauma Bay.

We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because we provide goods and services that government would otherwise have to, such as protecting our natural resources, caring for the mentally ill, taking care of the elderly, helping abused or neglected children, and providing food, shelter and health care to those in need.

Nonprofits are often able to provide these services more economically and efficiently than the state. Taxing nonprofits would add tremendously to our costs and make us less effective.

Furthermore, the Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill will force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers which will force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

## **FINTestimony**

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**From:** O'Malley, Michael J. [momalley@goodsill.com]  
**sent:** Wednesday, February 25, 2009 6:47 AM  
**To:** FINTestimony  
**Subject:** RE: Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair;

Representative Marilyn B. Lee, Vice-Chair;

and Members of the Committee on Finance

FROM: Michael J. O'Malley, Trustee, Historic Hawai'i Foundation

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I am a tax partner with Goodsill Anderson Quinn & Stifel LLP, and am writing as an individual (and not on behalf of my law firm) in my capacity as a Trustee of Historic Hawai'i Foundation, a tax-exempt

nonprofit organization whose mission to preserve and protect Hawaii's historic structures and sites. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption

of Hawaii nonprofit organizations. Nonprofits are tax-exempt because they provide social goods and services that otherwise government itself would have to. They serve a critical role in our community by

lessening the burden on government by providing such goods and services. Nonprofits provide these services more economically and efficiently than the State. However, taxing them would add

tremendously to their costs, make them less effective and even threaten the viability of many of Hawaii's charitable organizations, which already are financially strapped and run on thin margins. And all this

would occur at a time when the burdens and demands on such organizations are rising at the same time that their contributions and fund raising are being severely tested, even declining.

The Hawaii GET is a gross receipts tax, which means it would tap non-profit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore,

H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. We fear

this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community

services less efficiently than nonprofits can, increasing the burden on taxpayers. In other words, this bill is very likely to make worse, rather than alleviate, the State's financial situation.

We strongly urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

**Michael J. O'Malley**

**Goodsill Anderson Quinn & Stifel**

A Limited Liability Law Partnership

1099 Alakea Street, Suite 1800

Honolulu, Hawaii 96813

Direct: (808) 547-5836

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Email: [momalley@goodsill.com](mailto:momalley@goodsill.com)

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## **FINTestimony**

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**From:** Ka'ohi Ward [kaohi@kalo.org]  
**Sent:** Wednesday, February 25, 2009 8:18 AM  
**To:** FINTestimony  
**Subject:** Opposition to HB 1742, Relating to Taxation

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair; and Members of the Committee on Finance

FROM: Ka'ohi Ward, Kanu o ka Aina Learning 'Ohana

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Kanu o ka 'Aina Learning 'Ohana is a nonprofit with a mission to Grow womb to tomb models of education that advance Hawaiian culture of a sustainable Hawaii. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need. Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of

financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents. We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers. We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Aloha,

Vera Ka'ohi Ward  
Accounts Payables  
(808) 887-1117

Kanu o ka 'Aina Learning 'Ohana  
Grows womb-to-tomb models of education that advance Hawaiian culture for a sustainable Hawaii  
P.O. Box 651, Kamuela (Waimea), Hawaii 96743



TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Maurice Miranda  
Secretary/Treasurer & Board Member  
Hamakua Health Center  
Honoka'a, HI 96727  
(808)775-7227

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Our organization, Hamakua Health Center, is a nonprofit with a mission to provide health care to the rural communities of Hamakua & Kohala. We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective. The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify

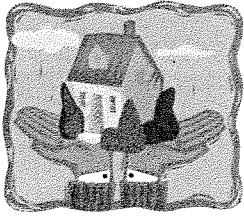
## **FINTestimony**

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**From:** Monroe Richman [kauai\_96756@yahoo.com]  
**ent:** Wednesday, February 25, 2009 11:55 AM  
**To:** FINTestimony

Your proposed tax on donations to non-profits will do nothing more than decrease the contributions to worthwhile agencies. Whoever proposed this bill should rethink what they are doing. Please, do not pass this tax proposal.

Monroe Richman  
1728 Keoniloa Place  
Koloa, HI 96756



# Weinberg Village Waimanalo

A Program of

## Holomua Na 'Ohana

"Families Moving Forward to a Better Life"

### TESTIMONY IN OPPOSITION TO H.B. 1742 RELATING TO TAXATION.

The Honorable Marcus R. Oshiro  
Chair, House Committee on Finance  
Rep. Marilyn B. Lee, Vice Chair

RE: H.B. 1742 Relating to Taxation  
Removing exemption for Homeless Programs

FROM: Holly Holowach, Director – Weinberg Village Waimanalo

HEARING: Thursday, February 26, 2009, 12:00 pm; CR 308

Holomua Na 'Ohana strongly opposes the removal of the Exemption as stated in H.B. 1742, which repeals the General Excise Tax ("GET") Exemption for Certified or Approved Housing Projects under HRS §237-29. This program is critical to the successful operation of our two transitional housing programs for homeless families.

The following two sections of HB 1742 delete the tax exemptions for homeless programs.

SECTION 18. Section 237-23, Hawaii Revised Statutes, is amended to read as follows:

(3) Corporations, associations, trusts, or societies organized and operated exclusively for religious[, charitable, scientific, or educational] purposes[, as well as that of operating senior citizens housing facilities qualifying for a loan under the laws of the United States as authorized by section 202 of the Housing Act of 1959, as amended, as well as that of operating a prepaid legal services plan, as well as that of operating or managing a homeless facility, or any other program for the homeless authorized under part VII of chapter 356D]; and SECTION 36. Section 356D-129, Hawaii Revised Statutes, is amended to read as follows:

"[[§356D-129]] Exemptions. [(a) Any compensation received by a provider agency for services rendered to homeless families or individuals, or in operating or managing a homeless facility authorized by this part, is exempt from taxation under chapter 237.]

The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue. If we are required to pay the General Excise tax, we will be given two options:

One: We could pass the tax amount on to our clients which would greatly impact their household income. Most of our clients are receiving welfare so they would be asked to give some of that money back in the form of taxes. Asking a family to pay between \$15-30 more per month would be a hardship for them. It is hard for them to find \$1.00 for their laundry. We haven't raised our prices in 10 years because the homeless still cannot afford to pay more.

Two: If we don't raise the Program Fees charges to the client, the shelters will need use money from the stipend funds that we receive from the state to cover the costs. This would mean that other areas would suffer. Utility costs such as electricity, gas, water and sewer charges have sky-rocketed this past year and we are already stretched trying to cover those costs. Other items that we pay for such as participant support costs would need to be reduced or eliminated.

We understand that there is a budget shortfall this year, but removing this would severely impact the people we house and our ability to serve our clients.

Please do not remove the exemption. We humbly request that you take that section out of your bill.

Thank you for the opportunity to testify.

Holomua Na 'Ohana

41-490 Saddle City Road ~ Waimanalo, HI 96795

Phone: 808-259-6658 ~ Fax: 808-259-5303

## **FINTestimony**

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**From:** Sean Perkins [SPerkins@kukuiula.com]  
**Sent:** Wednesday, February 25, 2009 3:41 PM  
**To:** FINTestimony  
**Subject:** HB 1742 Hawaii General Excise Tax Exemption for Non-profits

Gentlemen and Ladies of the House Finance Committee,

I would like to submit written opposition to the proposed HB 1742, General Excise and Use Tax Reform, which is going to be heard by the Finance Committee on Thursday, 02-26-09 3:00pm in House conference room 308.

I represent myself and fellow paddlers within canoe clubs that are registered charitable organizations that will be affected by this bill. We are running on very small budgets that are raised solely from the generous giving of individuals and corporations. Should this bill be passed, many of these organizations efforts in education, recruitment and propagation of the Hawaiian cultural would cease to be able to be funded. It is very important that the tax exemption that charitable organizations have is not taken away.

Thank you for your time,

**Sean Perkins**  
Puuwai South Canoe Club  
Koloa, Kauai, HI

## FINTestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 25, 2009 3:39 PM  
To: FINTestimony  
Cc: cminford@mauinews.com  
Subject: Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Chris Minford  
Organization: Individual  
Address: 141 Hokai Place Kihei, HI  
Phone: 808-242-6369  
E-mail: [cminford@mauinews.com](mailto:cminford@mauinews.com)  
Submitted on: 2/25/2009

Comments:  
This Bill will hurt non-profit Fundraising greatly. I am against it!!

## FINTestimony

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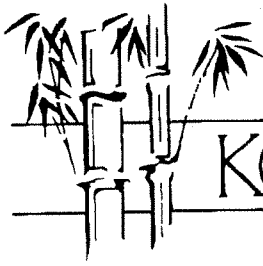
**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2009 3:38 PM  
**To:** FINTestimony  
**Cc:** cbode@asbhawaii.com  
**Subject:** Testimony for HB1742 on 2/26/2009 3:00:00 PM

Testimony for FIN 2/26/2009 3:00:00 PM HB1742

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Craig Bode  
Organization: Boys and Girls Clubs of Maui  
Address: 1332 Hia Hia Street Wailuku  
Phone: 8082643231  
E-mail: [cbode@asbhawaii.com](mailto:cbode@asbhawaii.com)  
Submitted on: 2/25/2009

### Comments:

This is not only unhealthy for the non-profits, but for all of Hawaii. Do you want the GET to go right to unemployment to pay for laid off workers? Do you want this GET money from NONPROFITS to go to QWEST to get healthcare for unemployed/uninsured people? Do you want this GET on grant funding to go to prisons and more policing as our youth are not recognized as a group needing help? I can go on and on! What IS your intent?!?



# KONA ADULT DAY CENTER

P.O. BOX 1360  
KEALAKEKUA, HI 96750  
(808) 322-7977

DATE: February 26, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
And Members of the Committee on Finance

FROM: KONA ADULT DAY CENTER, INC.

HEARING: Thursday, February 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

Kona Adult Day Center is a nonprofit organization with a mission to provide health, social and recreational programs and activities that enable impaired adults to remain in a secure social environment as long as possible before institutionalization.; We strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those who need.

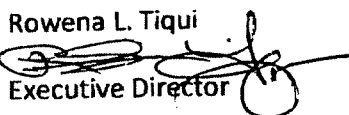
Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their cost and make them less effective.

Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

We urge the Committee to NOT pass H.B. 1742. Thank you for this opportunity to testify.

Rowena L. Tiqui

  
Executive Director

## **FINTestimony**

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**From:** eschick [eschick@hawaii.rr.com]  
**Sent:** Wednesday, February 25, 2009 5:53 PM  
**To:** FINTestimony  
**Subject:** HB 1742 - Testimony

February 25, 2009

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Elizabeth R. Schick, Kailua-Kona

HEARING: Thursday, Feb. 26, 3 p.m., Room 308

RE: Opposition to HB 1742, Relating to Taxation

I am a Board member at the West Hawaii Community Health Center, a non profit health center that serves the poor and uninsured of our community and I strongly oppose H.B. 1742, Relating to Taxation, which would repeal the excise tax exemption of Hawaii nonprofit organizations. Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

Nonprofits provide these services more economically and efficiently than the state. However, taxing them would add tremendously to their costs and make them less effective.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 1742 would slash resources at a time when endowments, contracts, donations and other sources of financial support are shrinking and when community demands for services are ballooning. Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.



I fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than nonprofits can, increasing the burden on taxpayers.

I urge the Committee to not pass H.B. 1742. Thank you for this opportunity to testify.

Elizabeth R. Schick  
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Kailua Kona, HI 96740



Hearing date:  
**Friday, February**  
**26, 2009, 3:00**  
**p.m.**  
**House Finance**  
**Committee**  
Room 308

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
HOUSE COMMITTEE ON FINANCE

From: Elisabeth Chun, Executive Director  
Good Beginnings Alliance

Date: Thursday, February 26, 2009, 3:00 p.m.  
Conference Room 308

Subject: **HB1742: Repeals certain general excise and use tax excise exemptions and exclusions, but retains the exemption for nonprofit religious organizations. Reduces the tax rate on sales to the final consumer from 4% to 3.5%. Reduces also the public service company tax rate and repeals certain public service company tax exemptions. Subjects to the general excise tax certain sales of real property and sales of securities, commodity futures, and bonds. Makes conforming amendments to other laws.**

The Good Beginnings Alliance is a nonprofit policy and advocacy organization focused on Hawaii's youngest children and their families. We strive to ensure a nurturing, safe and healthy development for all children from pre-birth to age eight. We believe all children deserve safe and supportive environments that meet their needs as they grow and develop. Good Beginnings Alliance has been actively working for a better future for Hawaii's young children for the last 12 years together with state, nonprofit, business, and philanthropic leaders. We rely on the generosity of philanthropic foundations who believe in our work, and **we strongly oppose this bill for the following reasons:**

- The Hawaii GET is a gross receipts tax, which means it will tap *every* dollar our nonprofit receives, not just our net income after expenses. We are already operating on a reduced budget, and this bill will definitely hurt our ability to provide our valued service.
- Nonprofits are tax-exempt because we provide a social good that government would otherwise furnish, such as educating our youngest children. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.
- Donations that are exempt from state and federal taxes would be subject to excise tax.
- Nonprofit preschools and family child interaction centers, which the state helps to fund for only low-income families, would have to pay.
- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

We strongly recommend you not pass this bill. Mahalo for your support. For more information contact: Good Beginnings Alliance; phone: 531-5502; [lchun@goodbeginnings.org](mailto:lchun@goodbeginnings.org)