



## THE QUEEN'S MEDICAL CENTER

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Representative Robert Herkes, Chair  
House Committee on Consumer Protection & Commerce

Monday, February 1, 2010; 2:00 PM  
State Capitol, Conference Room 325

### Re: HB 2136 – RELATING TO DISTRIBUTIONS BY NONPROFIT CORPORATIONS

Chair Herkes, Vice Chair Wakai, and Members of the Committee:

My name is Sharlene Tsuda, Vice President of Community Development for The Queen's Health Systems (QHS), **testifying in strong support of HB 2136** which permits current distributions by nonprofit corporations to its nonprofit members and affiliates, provided that the distributions are in accordance with the distributing nonprofit corporations' purposes and will not jeopardize their liquidity. QHS is a parent company of a family of companies that includes The Queen's Medical Center (QMC) and Queen Emma Land Company (QEL).

Under federal tax law, a nonprofit corporation that is a supporting organization is permitted to make distributions to another nonprofit corporation that it supports. However, under the Hawaii Nonprofit Corporations Act, it is unclear whether such distributions are permitted.

To address this ambiguity, this bill harmonizes the Hawaii Nonprofit Corporations Act with federal tax law by expressly permitting distributions by a nonprofit corporation to another nonprofit corporation that it supports. The statutory language proposed in this bill is similar to the language found in other state statutes relating to nonprofit corporations, such as Arizona, Oregon, Indiana, and Wisconsin.

QEL is a supporting organization for QMC. Passage of this measure will confirm QEL's ability, as a supporting organization, to make distributions to QMC. These distributions support QMC's mission to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawaii.

Thank you for the opportunity to support HB 2136.