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Monday, February 1, 2010 – 2:00pm
Conference Room 325

The House Committee on Consumer Protection & Commerce

To: Representative Robert N. Herkes, Chair
Representative Glenn Wakai, Vice Chair

From: Earl Inouye
Vice President & System Controller

Re: **Testimony in Support of HB 2136 Relating to Distributions by Non-Profit Corporations**

My name is Earl Inouye, Vice President & System Controller at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a nonprofit health care system and the state's largest health care provider, committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 44 outpatient clinics and more than 2,200 physicians and clinicians. The network is anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Kapi'olani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital. Collectively, they lead the state in the areas of women's health, pediatric care, cardiovascular services, bone and joint services and cancer care. Hawai'i Pacific Health ranks among the top 3.8 percent of hospitals nationwide in electronic medical record adoption, with system-wide implementation that allows its hospitals to offer integrated, coordinated care throughout the state. Learn more at: <http://www.hawaiipacifichealth.org>

We are writing in 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 provided it does not jeopardize their liquidity.

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. Thank you for the opportunity to submit written testimony.



Affiliates of Hawai'i Pacific Health

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