

**HB2595,**

**HD1**

**LATE**



**LATE**

March 11, 2010

Chair Brian Taniguchi  
Senate Committee on Judiciary and Government Operations  
Hawaii State Senate  
State Capitol, Room 016  
Honolulu, HI 96813

**RE: HB 2595, HD 1 Relating to General Excise Tax**

Dear Chair Taniguchi and members of the Senate Judiciary and Government Operations Committee:

The Hawai'i Alliance of Nonprofit Organizations is a statewide, sector-wide professional association for nonprofits. HANO member nonprofits provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

We understand the intent of HB 2595, HD 1, which proposes that businesses comply with administrative filings in order to realize tax benefits. HANO would like to make several points about nonprofit organizations as they relate to this bill.

The imposition of personal liability on volunteer officers of nonprofit boards for organizations that do not pay their general excise tax obligation will make it difficult to get qualified volunteers to serve on nonprofit boards. It is already challenging for nonprofits to recruit good board volunteers. HANO asks that this provision be removed from the bill language.

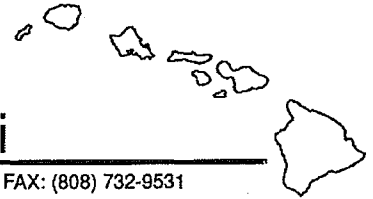
Also, the administrative filing requirements proposed by HB 2595, HD 1 are not necessary for nonprofit organizations and would be considered duplicative because there already is available data on nonprofit organizations in the State of Hawaii. The State Department of Commerce and Consumer Affairs, Department of Taxation, Attorney General and the IRS all impose annual reporting and filing requirements on nonprofits. If a nonprofit does not file its 990 tax return with the IRS for three consecutive years, its 501(c) (3) nonprofit status is revoked. Simply put, there are requirements already in place that require a nonprofit to "show up on the radar," so to speak.

Thank you for the opportunity to make constructive comments on HB 2595, HD 1 through written testimony.

Mahalo,

Lisa Maruyama  
President and CEO

**LATE**



## The **Arc** in Hawaii

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### Testimony Before The Senate Committee On Judiciary And Government Operations

#### HOUSE BILL 2595 H.D. 1 RELATING TO GENERAL EXCISE TAX

Friday, March 12, 2010  
9:30 AM  
Conference Room 016

Chair Taniguchi and Members of the Committee:

The Arc in Hawaii, a nonprofit corporation providing vital services to people with disabilities, respectfully urges the Committee to amend H.B. 2595 HD 1 to remove the provisions as they apply to nonprofit corporations.

Nonprofits rely upon the services of volunteers from the community who realize no compensation and little or no benefit for their service. The General Excise Tax statute, complex as it is for all taxpayers, is even more complicated for nonprofits. Volunteer directors, officers and helpers cannot be expected to understand the obligations and liabilities of the agencies they serve. This provision will be a powerful disincentive for individuals to serve as volunteers for our nonprofit entities.

Therefore, we urge that, at a minimum, the personal liability provisions be removed from the Bill or else modified to exclude nonprofits.

The preamble to the Bill states that its purpose is to require businesses to be "on the radar." Nonprofits doing business in Hawaii are required to file annual detailed disclosures with the IRS and Hawaii Attorney General and must make those disclosures available to the public. There is no need for further "radar". Therefore we urge that nonprofits be exempted from the scope of H.B. 2595.

Thank you for the opportunity to testify.

Leolinda Parlin, President  
Board of Directors of The Arc in Hawaii

*a state organization on mental retardation*



**Aloha United Way**



**Assistive Technology**  
Resource Centers of Hawaii

Linking, Educating, Empowering People with Assistive Technology

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March 11, 2010  
ATRC: 2010018

**THE SENATE  
THE TWENTY-FIFTH LEGISLATURE  
REGULAR SESSION OF 2010**

**COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS  
Hearing March 12, 2010  
Testimony on H.B. 2595 HD1  
(Relating to General Excise Tax)**

Chair Tanaguchi, Vice-Chair Takamine and Members of the Committee:

My name is Barbara Fischlowitz-Leong. I am the Executive Director of Assistive Technology Resource Centers of Hawaii ("ATRC"). ATRC is a nonprofit organization that receives federal funds to provide services to disabled individuals and contracts with the State of Hawaii Department of Human Services/Vocational Rehabilitation and Services for the Blind Division. ATRC files a tax return with the Federal Government and the State each year. I am testifying in opposition to HB2595 HD1.

Section 2 of this bill would impose personal liability upon the directors and officers of a nonprofit for unpaid General Excise Tax ("GET"). The threat of personal liability for the GET would prevent ATRC from attracting qualified individuals to serve on its Board of Directors. Individuals will not want to serve because of the threat to their personal security and because in many cases, there can be some ambiguity about whether a transaction with a nonprofit organization is subject to the GET. It is an area that has been subject to litigation. The Department of Taxation has been working on additional rules for several years; however, none have been finalized or published for comment.

Imposition of personal liability would be another blow to organizations that provide assistance to the underserved and disabled.

Please hold this bill.

Thank you for the opportunity to testify.



Aloha United Way  
Partner Agency

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