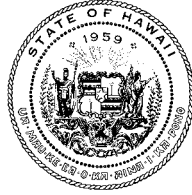


NEIL ABERCROMBIE
GOVERNOR

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To: The Honorable David Y. Ige, Chair
and members of the Senate Committee on Ways and Means

Date: Tuesday, March 20, 2012
Time: 9:00 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 1705, H.D. 1 Relating to Taxation

The Department appreciates the intent of H.B. 1705, H.D. 1 and offers the following information and comments for the Committee's consideration.

H.B. 1705, H.D. 1 exempts mutual irrigation companies exempt from federal income tax under section 501(c)(12) of the Internal Revenue Code, that supply potable water to communities that lack any access to public water services, from the Hawaii income and general excise taxes. Section 501(c)(12) exempts mutual ditch or irrigation companies from federal income tax if 85 percent or more of the company's income consists of amounts collected from its members for the sole purpose of meeting losses and expenses.

Currently, section 501(c)(12) of the Internal Revenue Code (Code) is one of the sections that Hawaii has not adopted through its conformity provisions, as set forth in Section 235-2.3, Hawaii Revised Statutes. This measure addresses only mutual ditch or irrigation companies that supply potable water to communities that lack any access to public water services exempt from federal income tax under section 501(c)(12) of the Code, not any of the other organizations exempt under section 501(c)(12).

To avoid confusion, the Department suggests amending the bill to require that either a minimum quantity of potable water be supplied to communities lacking access to public water service, or a minimum percentage of all of a company's potable water supplied be supplied to communities lacking access to public water service.

Thank you for the opportunity to comment on this measure.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: gcampbell66@msn.com
Subject: Testimony for HB1705 on 3/20/2012 9:00:00 AM
Date: Monday, March 19, 2012 8:30:40 AM

Testimony for WAM 3/20/2012 9:00:00 AM HB1705

Conference room: 211
Testifier position: Support
Testifier will be present: No
Submitted by: Gary Campbell
Organization: Individual
E-mail: gcampbell66@msn.com
Submitted on: 3/19/2012

Comments:

The people who rely on this water company for their only source of water to live on, are paying water rates 3 or 4 times higher than city water and the Non Profit water company would like to reduce the water rates but cannot do so when they have to pay GET on their water sales. From what I have heard, no other non-profit company of this nature is paying GET on their sales.

Thank you for your time.
Gary Campbell
Kailua-Kona