

Testimony in Support of HB 1705  
March 19, 2012

My name is Deanne Tully and my husband is Scott March; we are residents of the Puuanahulu community here on the Big Island of Hawaii. We are also a customer/member of the nonprofit water company, Napu'u Water Inc. (NWI), which provides safe drinking water to this community. As you may know, this community is rather isolated and we do not have access to County water. NWI has been providing us with safe, clean drinking water on a reliable basis for a number of years now. NWI is a simple nonprofit organization whose only purpose is to provide this critical water to the members of our community. Our Board of Directors consists entirely of volunteers who generously give their time to manage NWI for the benefit of all us who live here. Currently, NWI is obligated to pay GET tax just like a for-profit company, which is simply not fair or equitable. I don't begin to understand why that is, the Tax Code is simply too complicated to me. However, Representative Evans has introduced HB1705, a tax compliance bill that will rectify this unfair situation and treat NWI just like every other nonprofit. I wholeheartedly support this bill and urge you and your colleagues to support it as well. It will correct a fundamental unfairness and allow the state to tax us like a nonprofit, which is exactly what we are. We are good people in this community - we work hard, pay our taxes, help our neighbors - and we humbly and respectfully ask you to do the right thing and pass this bill.

Thank you for your consideration.  
Sincerely,

Deanne M. Tully and Scott F. March

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, Exempt potable water

BILL NUMBER: HB 1705, HD-1

INTRODUCED BY: House Committee on Finance

STAFF COMMENTS: Amends HRS section 235-2.3(b) to provide that IRC section 501(c)(12) (with respect to exempt organizations) shall be operable for companies that provide potable water to communities that lack any access to public utility water services and shall not be subject to state income taxation.

Amends HRS section 237-23 (a) to provide that companies that provide potable water to communities that lack any access to public utility water services and are exempt under IRC section 501(c)(12) shall not be subject to the general excise tax.

EFFECTIVE DATE: July 1, 2030; applicable to tax years beginning after December 31, 2011

STAFF COMMENTS: Under current law, IRC 501(c) (12) organizations, while exempt from federal income taxation, are taxable under the state income tax provisions.

While this measure would exempt from state income and general excise taxation an IRC 501(c)(12) organization that provides potable water to communities that lack any access to public water utility services, it would provide preferential tax treatment to a very select group of taxpayers. From the standpoint of equity, such preferential treatment should be granted to all IRC 501(c)(12) organizations with a sunset date of one year to allow the legislature to determine the effects and outcomes of the exemption and whether it should be continued or repealed. While this measure would make the exemptions permanent, a sunset date could be added and the exemptions could be examined to determine whether the exemptions are achieving the desired goal. At the very least, the department of taxation should be tasked with explaining whether or not such organizations should or should not be recognized as being exempt for state tax purposes.

Consideration should be given to drafting an exemption for this entity other than basing it on the fact that it is recognized under federal Code 501(c)(12). Such specific exemptions already litter both the income tax and general excise tax chapters. By specifically describing the nature of this, its composition, the public purpose that it serves, and the fact that it is exempt from federal liabilities would then insure that it does not set a precedent for other (c)(12) organizations to ask for similar treatment.

Digested 3/19/12

3/19/12

Aloha,

My name is Mahana Gomes. I am the owner of Alaka'i Consulting, LLC. I support HB1705.

Mahalo,

Mahana Gomes

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [meametcalf@yahoo.com](mailto:meametcalf@yahoo.com)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 3:46:49 PM

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Mary Metcalf  
Organization: Individual  
E-mail: [meametcalf@yahoo.com](mailto:meametcalf@yahoo.com)  
Submitted on: 3/19/2012

Comments:

Dear Senate Committee,

I urge your committee to support HB1705. A federal 501(c)12 non-profit water company fills an important role in the State of Hawaii since it provides potable water to diverse rural communities. A federal 501(c)12 non-profit water company provides a critical service to broader rural communities than the other federal non-profit water companies the State currently recognizes as non-profit in its tax code. Why should such a non-profit water company as a 501(c)12 be punished tax wise for serving broader needs for rural communities? HB1705 provides a fair and just correction to Hawaii's tax codes in this regard and in addition brings more compatibility with Federal tax codes.

Mahalo for your consideration of HB1705,

Mary Metcalf, on behalf of the rural communities of Puu Waawaa and Puuanahulu, Hawaii

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [Ninaqual@yahoo.com](mailto:Ninaqual@yahoo.com)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 4:25:26 PM

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Nina Qualizza  
Organization: Individual  
E-mail: [Ninaqual@yahoo.com](mailto:Ninaqual@yahoo.com)  
Submitted on: 3/19/2012

Comments:

As residents & members of the P'uu Lani ranch community, my husband and I are in favor of the aforementioned bill. This is a very important step in reducing the high cost of potable water to our community. Please vote support us & vote yes. Mahalo Nui Loa!

Thomas & Nina Qualizza

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [rick1drj@gmail.com](mailto:rick1drj@gmail.com)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 5:17:39 PM  
**Attachments:** [Testimony in Support of HB 1705 MS.doc](#)

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Rick Strojny  
Organization: Individual  
E-mail: rick1drj@gmail.com  
Submitted on: 3/19/2012

Comments:  
Testimony in support of HB 1705.  
March 19, 2012.

Aloha Senators,

I am Rick Strojny who along with my wife Dr. Jana Levin Strojny are residents of the Puuanahulu community on the island of Hawai'i. We urge you to support and pass HB 1705 which will provide tax relief for our non profit community and owner water system, Napu'u Water Inc. (NWI).

It is our understanding that our nonprofit system is the only nonprofit within the state of Hawaii which is subjected to the GET. Our non profit which has the highest water rates on the island provides this critical resource not only to community members, and long time island residents and Hawaiian families, but is also extremely critical to the very unique and endangered ecosystem in the Pu'u Wa'a Wa'a reserve. NWI's water system is the prime source for protection for the tropical dryland forest, the endangered Nene, and other native flora and fauna. NWI provides DLNR for water to fill a reservoir maintaining this protection and habitat. Cattle ranchers also rely on the water.

In supporting this bill, NWI is only asking to be treated just like every other nonprofit, no more, no less. By supporting this bill, you will treat your citizens fairly and justly.

Please support our community. We are not asking for handouts. We are asking for fair treatment.

Thank you for your work for the State of Hawaii,

Rick Strojny and Dr. Jana Levin Strojny

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [sally@riceohana.com](mailto:sally@riceohana.com)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 10:00:03 AM

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Sally Rice  
Organization: Napu'u Water Inc.  
E-mail: [sally@riceohana.com](mailto:sally@riceohana.com)  
Submitted on: 3/19/2012

Comments:

I have been a resident of Pu'u Anahulu for 38 years and am the president of the Board of Directors of Napu'u Water Inc. (NWI). I strongly support HB1705 (a tax compliance bill). Our non-profit community water system, NWI, has provided potable water to the entire residential community of Pu'u Anahulu and Pu'u Wa'awa'a since NWI purchased the water system from F. Newell Bohnett in 2006. There is no other potable water source available within the community for the residents of this area. The cost of our water for the residents is extremely high because the water is pumped from the source at 2500 feet below ground level. This cost is a serious financial burden for many of our residents, many of whom have lived here for generations. NWI also supplies water to the cattle that graze on the pastures leased from the Dept. of Land and Natural Resources (DLNR). These cattle are a management tool to mitigate the severe fire hazard from thousands of acres of fountain grass surrounding our residential communities and while DLNR and its partners slowly restore the invaluable native dryland forest at Pu'u Wa'awa'a. I respectfully request favorable consideration of HB1705 to alleviate some of the financial burden to our members.

Sincerely yours,  
Sally Rice, President

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [alohasharon@hawaiiintel.net](mailto:alohasharon@hawaiiintel.net)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 11:05:24 AM

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Sharon Nair  
Organization: Individual  
E-mail: [alohasharon@hawaiiintel.net](mailto:alohasharon@hawaiiintel.net)  
Submitted on: 3/19/2012

Comments:  
Please accept my Testimony in favor of HB1705 Thank You



3/19/12

Aloha,

My name is ShirleyAnn Keakealani. I am a lineal descendant of Pu'u Anahulu, HI and am a customer of Napu'u Water Inc. I support HB1705.

Mahalo,

ShirleyAnn Keakealani

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [Scheetzts@gmail.com](mailto:Scheetzts@gmail.com)  
**Subject:** Testimony for HB1705 on 3/20/2012 9:00:00 AM  
**Date:** Monday, March 19, 2012 10:10:29 AM

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

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Tom Scheetz  
Organization: Individual  
E-mail: [Scheetzts@gmail.com](mailto:Scheetzts@gmail.com)  
Submitted on: 3/19/2012

Comments:

I,m a home owner in the develpoment where we are having to pay GE tax for our drinking water. According to our representative, Cindy Evans, we are the only private water system in all the islands that have to pay this tax for our drinking water.

I feel we are being discriminated by this in addition to the burden of having GE tax added to our drinkig water bill. I ask the legislature to review and pass this legislation to stop this discrimination and put us on equal footing with all the other water systems in the State.