

# SB 2260

Measure Title: RELATING TO TAXATION.  
Report Title: General Excise Tax Exemption; Homeless  
Description: Exempts from general excise taxes rents received from qualifying nonprofits and government agencies that provide homeless transitional shelters.  
Companion:  
Package: None  
Current Referral: HMS, WAM  
Introducer(s): ESPERO, CHUN OAKLAND, Gabbard, Kidani, Slom

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

To: The Honorable Suzanne Chun Oakland, Chair,  
and Members of the Senate Committee on Human Services

Date: Thursday, February 9, 2012  
Time: 1:30 p.m.  
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 2260 Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 2260, and defers to the Department of Human Services regarding its merits. The Department offers the following comments for the committee's consideration.

S.B. 2260 exempts from general excise tax income received from a nonprofit, government agency, or provider agency in exchange for providing transitional housing to homeless persons.

The Department notes that in subsection (a), the term "signed lease or rental agreement on the real property" needs clarification to specify that the lease or rental agreement includes the nonprofit organization, government agency or contract agency which intends to claim the exemption.

The Department also notes that in subsection (b), the definition of "transitional shelter for homeless persons" should be further refined. It is unclear if the "up to 24 months" refers to the individuals or families staying at the facility for up to 24 months, or the facility may operate up to 24 months. Clarifying these points would help the Department administer this exemption.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, Exempt rental income of transitional shelters

**BILL NUMBER:** SB 2260

**INTRODUCED BY:** Espero and Chun Oakland, 2 Democrats and 1 Republican

**BRIEF SUMMARY:** Adds a new section to HRS chapter 237 to exempt from the general excise tax the gross proceeds arising from the leasing of real property received by an owner or lessor from: (1) nonprofit organizations registered under section 501(C) of the Internal Revenue Code; (2) state, county, or federal agencies; or (3) provider agencies contracted by the department of human services pursuant to HRS section 346-365 provided that the real property is used to provide transitional shelter for homeless persons. Defines “transitional shelter for homeless persons” as real property that is used to provide temporary shelter to homeless families or individuals for up to 24 months. Also defines “homeless” and “real property” for purposes of the measure.

This act shall be applicable to gross income received after June 30, 2012.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** This measure proposes to exempt from the general excise tax the gross proceeds received for providing transitional shelter for homeless persons provided that such amounts are derived from: (1) nonprofit organizations registered under section 501(C) of the Internal Revenue Code; (2) state, county, or federal agencies; or (3) provider agencies contracted by the department of human services.

As proposed, it would grant a special preference to a select group of taxpayers at the expense of others who are not eligible for the exemption. The general excise tax is a tax that permits someone to operate a business in the state. Thus, businesses providing similar, if not identical, services should be treated equally as the tax is on the business and not on the customer. In this case, this proposal would grant an exemption from the tax on income that is received from the provision of transitional housing. This would discriminate against lessors who do not.

It should be remembered that businesses that qualify for the tax preferences proposed in this measure would utilize services funded by current taxpayers while being tax-exempt. The question that should be asked is why businesses other than those granted the limited exemption proposed by this measure should foot the bill to run state government. Thus, the limited tax preference granted under this measure would merely shift the burden of paying for public services to those not so favored.

Digested 2/8/12

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 04, 2012 12:41 PM  
**To:** HMS Testimony  
**Cc:** robertscottwall@yahoo.com  
**Subject:** Testimony for SB2260 on 2/9/2012 1:30:00 PM

Testimony for HMS 2/9/2012 1:30:00 PM SB2260

Conference room: 016  
Testifier position: Support  
Testifier will be present: Yes  
Submitted by: Scott Wall  
Organization: Individual  
E-mail: [robertscottwall@yahoo.com](mailto:robertscottwall@yahoo.com)  
Submitted on: 2/4/2012

Comments: