
HOUSE CONCURRENT RESOLUTION

URGING THE DEPARTMENT OF TAXATION, THE DEPARTMENT OF HUMAN SERVICES, AND THE UNITED STATES INTERNAL REVENUE SERVICE TO ENFORCE EXECUTIVE SALARY COMPENSATION REGULATIONS FOR NONPROFIT ORGANIZATIONS THAT PROVIDE SERVICES TO HOMELESS INDIVIDUALS, PURSUANT TO SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE.

1 WHEREAS, the private inurement prohibition precludes
2 individuals who have close relationships with and the ability to
3 exercise control over a public charity that is exempt from
4 taxation under section 501(c)(3) of the Internal Revenue Code
5 from benefiting unfairly or unreasonably from that charity's
6 income or assets; and

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8 WHEREAS, the most common type of private inurement is
9 excessive compensation paid to insiders of an organization,
10 which can result in the revocation of a charity's tax-exempt
11 status and the imposition of financial penalties known as
12 "intermediate sanctions"; and

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14 WHEREAS, courts and the United States Internal Revenue
15 Service have consistently ruled that any unreasonable benefit or
16 inurement, however small, is impermissible; and

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18 WHEREAS, section 501(c)(3) of the Internal Revenue Code
19 requires that total compensation paid to executives and members
20 of the boards of directors of tax-exempt charitable
21 organizations be fair and reasonable; and

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23 WHEREAS, in previous years, the Legislature has
24 appropriated approximately \$63,000,000 for homeless services,
25 but the State has not experienced a reduction in the number of
26 homeless persons in the State; and

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1 WHEREAS, a significant portion of these appropriated funds
2 was spent on salaries for executives, salaried personnel, and
3 administrative costs for nonprofit organizations; and

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5 WHEREAS, the State has an interest in ensuring that the
6 funds appropriated to tax exempt, charitable organizations are
7 expended for their intended purposes and not to unreasonably
8 compensate the executives of these organizations; now,
9 therefore,

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11 BE IT RESOLVED by the House of Representatives of the
12 Twenty-seventh Legislature of the State of Hawaii, Regular
13 Session of 2013, the Senate concurring, that the Department of
14 Taxation, the Department of Human Services, and the United
15 States Internal Revenue Service are urged to enforce the
16 requirements of section 501(c)(3) of the Internal Revenue Code
17 regarding excessive inurement to the benefit of executives of
18 tax-exempt charitable organizations that provide services to
19 homeless individuals in the State; and

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21 BE IT FURTHER RESOLVED that certified copies of this
22 Concurrent Resolution be transmitted to the Commissioner of the
23 Internal Revenue Service, the Director of Taxation, and the
24 Director of Human Services.

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OFFERED BY: *John T. Cabanilla*
B. Kojima
MAR 13 2013