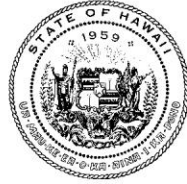


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, March 14, 2013
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1185 S.D.1 Relating to Denial of General Excise Tax Benefits

The Department of Taxation (Department) **strongly supports** S.B. 1185 S.D.1.

Hawaii Revised Statutes (HRS) sections 237-9.3 and 237-41.5 currently define "nonprofit organization" by making specific references to Internal Revenue Code sections 501(c)(2), (c)(3), (c)(4), and (c)(8). These references are not consistent with HRS section 237-23, which sets forth the entities which are exempt from general excise tax.

This bill amends the definition of "nonprofit organization" to reference HRS section 237-23(a)(3) through (a)(7). The Department believes that this amendment is consistent with the legislative intent of providing certain benefits under HRS sections 237-9.3 and 237-41.5 to nonprofit organizations exempted from general excise tax. If approved, this measure will take effect on July 1, 2013 and will allow the affected statutes to be read more consistently and clearly.

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, Denial of general excise tax benefits

BILL NUMBER: SB 1185, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS sections 237-9.3 and 237-41.5 to amend the definition of “nonprofit organization” from references to the federal Internal Revenue Code (IRC) to those organizations exempt under HRS chapter 237 - sections 237-23(a)(3), (4), (5), (6) or (7).

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-02 (13). This measure changes the definition of nonprofit organizations from making reference to the federal Code to the exempt organizations delineated under the general excise tax law to clarify the application of the law which outlines the denial of general excise tax benefits as it is applicable to nonprofit organizations.

While the attached justification sheet contains other proposed purposes for the measure, such as providing nonprofit organizations with notices about the need to comply, that notice is already in current law.

Digested 3/12/13



ALOHA SOCIETY OF ASSOCIATION EXECUTIVES
ASAE-Hawaii
P.O. Box 282
Honolulu, Hawaii 96809-0282

March 14, 2013

Testimony To: House Committee on Finance
Representative Sylvia Luke, Chair

Presented By: Tim Lyons
Legislative Chairman

Subject: S.B.1185, SD 1 - RELATING TO DENIAL OF GENERAL EXCISE TAX BENEFITS

Chair Luke and Members of the Committee:

I am Tim Lyons, Legislative Chairman for the Aloha Society of Association Executives which is an organization composed of most of the associations in the state which have paid Executive Directors and staff. We support this bill.

We see this bill as merely as a housekeeping measure however, we think it is an important one inasmuch as it clarifies which non-profit organizations are entitled to get notice prior to a denial of general excise tax benefits.

We would agree with the approach this bill takes by specifying those sections of the Hawaii Revised Statutes which are included as opposed to enumerating those based on the Internal Revenue Code.

Based on the above, we respectfully request your support.

Thank you.