

Honolulu, Hawaii

FEB 17 , 2022

RE: H.B. No. 1960
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1960 entitled:

"A BILL FOR AN ACT RELATING TO NONPROFIT ORGANIZATIONS,"

begs leave to report as follows:

The purpose of this measure is to clarify the general excise tax exemption for unrelated trade or business activities of nonprofit organizations.

Your Committee received testimony in support of this measure from the Hawai'i Health & Harm Reduction Center, Hawai'i Pacific Health, Hawaii Children's Action Network Speaks!, Hawaii Youth Services Network, Hawaiian Humane Society, Samaritan Counseling Center Hawaii, Hawai'i Arts Alliance, Pacific American Foundation, Hawai'i Alliance of Nonprofit Organizations, Hawai'i Care Choices, The Queen's Health Systems, Conflict Resolution Alliance, PHOCUSED, Aloha Harvest, Oahu Economic Development Board, Hui No'eau Visual Arts Center, WAI: Wastewater Alternatives & Innovations, Parents And Children Together, Hawaii Animal Rescue Foundation, Hawaii Substance Abuse Coalition, North Kohala Community Resource Center, Na Hoaloha, Accumulus, Malama Kaua'i, Boys & Girls Club of Hawaii, Molokai Arts Center, and one individual. Your Committee received comments on this measure from the Department of Budget and Finance and Tax Foundation of Hawaii.



Your Committee finds that this measure will align the state general excise tax law with the federal income tax code by exempting from the State's general excise tax the income generated by a nonprofit organization for any activity considered an "unrelated trade or business", as defined by the federal Internal Revenue Code. Your Committee further finds that clarifying the state general excise tax law will relieve the additional burden on nonprofit organizations having to account for income in disparate ways.

Your Committee has amended this measure by:

- (1) Changing the effective date to January 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1960, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 1960, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



AARON LING JOHANSON, Chair



