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

begs leave to report as follows:

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,"

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 VING JOHANSON, Chair

State of Hawaii

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.:	Committee Referral:	Dates	2/11/22	
HB 1940	ECP, CPC, FI	1-1	- 1111	
☐ The committee is reconsidering its prev	rious decision on the measure.			
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. JOHANSON, Aaron Ling (C)	V			
				7
2. KITAGAWA, Lisa (VC)				
3. AQUINO, Henry J.C.	· ·		Sangra Turanian ya saidan as ass	<u> </u>
5. AQUINO, Henry 3.0.				
4. HAR, Sharon E.	V			
5. HASHEM, Mark J.	✓		Total Base Section	
6. KONG, Sam Satoru				
7. MIZUNO, John M.				
7. William V.				
8. MORIKAWA, Dee				
9. ONISHI, Richard H.K.	V			
10. TARNAS, David A.				
11. MATSUMOTO, Lauren		NAME OF THE PARTY	N. N. State Communication of the Communication of t	i U jan Madal Aliana amang ili Mataloka araw
11. MATISONIO 20, 244101				
TOTAL (11)	10	0	0	1
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				