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Honolulu, Hawaii

FEB 09 , 2022

RE: H.B. No. 1960

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

Sir:

Your Committee on Economic Development, 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
certain nonprofit organizations.

Your Committee received testimony in support of this measure
from Hawai'i Children's Action Network Speaks!, Hawaii Youth
Services Network, The Queen's Health System, Hawai'i Health & Harm
Reduction Center, Mental Health America of Hawaii, Hawai'i Alliance
of Nonprofit Organizations, Read To Me International Foundation,
Parents And Children Together, Hawai'i Pacific Health, H.T. Hayashi
Foundation, Big Brothers Big Sisters Hawaii, Grow Some Good, Mana
Maoli, Hawaiian Humane Society, Guide Dogs of Hawai'i, and one
individual. Your Committee received comments on this measure from
the Department of Budget and Finance, Department of Taxation, and
Tax Foundation of Hawaii.

Your Committee finds that nonprofit organizations are
currently exempt from federal income tax. Similar to the federal
government, Hawaii provides a general excise tax exemption for
income generated by a nonprofit organization's charitable
activities. However, your Committee notes that unlike the federal



government, Hawaii taxes activities that are used to produce income, even though the income may be in the furtherance of exempt activities, such as fundraisers. This measure aligns the State's general excise tax exemptions with the federal income tax code by clarifying the type of activity that would be taxable under state law.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1960 and recommends that it pass Second Reading and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



SEAN QUINLAN, Chair



Record of Votes of the Committee on Economic Development

Bill/Resolution No.: HB 1960	Committee Referral: ECD, CPC, FIN	Date: 2/2/22		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. QUINLAN, Sean (C)	✓			
2. HOLT, Daniel (VC)	✓			
3. BELATTI, Della Au				✓
4. KOBAYASHI, Dale T.	✓			
5. ONISHI, Richard H.K.	✓			
6. SAYAMA, Jackson D.	✓			
7. TAKAYAMA, Gregg	✓			
8. OKIMOTO, Val	✓			
TOTAL (8)	7	0	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: <u><i>[Signature]</i></u>				
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