Honolulu, Hawaii

MAR 18 , 2022

RE: S.B. No. 3201
      S.D. 1
      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 Economic Development, to which was referred
S.B. No. 3201, S.D. 1, 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 Hawaiʻi Alliance of Nonprofit Organizations; Hawaiʻi
Pacific Health; Catholic Charities Hawaiʻi; Hawaii Children's
Action Networks Speak!; HT Hayashi Foundation; Kuaʻāina Ulu ʻAuamo;
Big Brothers Big Sisters Hawaii; Hawaii Substance Abuse Coalition;
Hawaii Youth Services Network; Hawaiʻi Arts Alliance; Hoʻōla Nā
Pua; The Institute for Human Services, Inc.; Hawaiʻi Forest
Industry Association; Molokai Arts Center; Outrigger Duke
Kahanamoku Foundation; Association of Fundraising Professionals
Aloha Chapter; Hawaiian Humane Society; Kauaʻi Habitat for
Humanity, Inc.; Hawaiʻi State Coalition Against Domestic Violence;
North Kohala Community Resource Center; Samaritan Counseling
Center Hawaii; Habitat for Humanity Maui; Nā Hale O Maui, a
Community Land Trust; and one individual. Your Committee received

comments on this measure from the Department of Taxation, Department of Budget and Finance, 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.

Your Committee has amended this measure by:

(1) Changing the effective date to October 18, 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 Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3201, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3201, S.D. 1, H.D. 1, 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.: SB 3201 SD1	Committee Referral: ECD, CPC, FIN	Date: 3/16/22

☐ The committee is reconsidering its previous 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)

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: ☑ Adopted   ☐ Not Adopted

If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: _____

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