

Honolulu, Hawaii

MAR 24 , 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 Consumer Protection & Commerce, to which was referred S.B. No. 3201, S.D. 1, H.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 application of the general excise tax law with regard to gross income derived from unrelated trade or business activities of nonprofit organizations.

Your Committee received testimony in support of this measure from the Hawaii Youth Services Network; HT Hayashi Foundation; Hawai'i Alliance of Nonprofit Organizations; Hawaii Substance Abuse Coalition; Kona Dance & Performing Arts; Sanctuary of Mana Ke'a Gardens; Molokai Arts Center; Outrigger Duke Kahanamoku Foundation; Nā Hale O Maui; Big Brothers Big Sisters Hawaii; PHOCUSED; Hawai'i Pacific Health; Catholic Charities Hawai'i; Association of Fundraising Professionals Aloha Chapter; Hawai'i State Coalition Against Domestic Violence; Hawai'i Public Health Institute; Parents And Children Together; Hawaii Children's Action Network Speaks!; Hawaiian Humane Society; Lāna'i Kinā'ole, Inc.; New Start Discipleship; Hawai'i Forest Industry Association; and two individuals. 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 the State's taxation laws are inconsistent in their treatment of the income of nonprofit organizations. A tax-exempt organization's fundraising activities are exempt from federal and Hawaii income taxation, except for income from unrelated trade or business activity. However, income derived from activities whose primary purpose is to produce income, such as fundraising, is taxable under the state general excise tax law. Thus, for certain activities, the income derived from the activity is exempt from income tax but not exempt from the general excise tax. This disparate treatment places additional accounting burdens on nonprofit organizations in the State. This measure aligns the exemption for income of nonprofit organizations under the general excise tax law with the exemption under the income tax law, which will allow nonprofit organizations to streamline their accounting systems.

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 S.B. No. 3201, S.D. 1, H.D. 1, and recommends that it be referred to your Committee on Finance.

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

  
\_\_\_\_\_  
AARON LING JOHANSON, Chair



**Record of Votes of the Committee on Consumer Protection & Commerce**

<b>Bill/Resolution No.:</b> <i>SB 3201, SD1, HD1</i>	<b>Committee Referral:</b> <i>ECD, CPC, FIN</i>	<b>Date:</b> <i>3/21/22</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <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)				
<b>CPC Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. JOHANSON, Aaron Ling (C)	✓			
2. KITAGAWA, Lisa (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. HAR, Sharon E.	✓			
5. HASHEM, Mark J.	✓			
6. KONG, Sam Satoru	✓			
7. MIZUNO, John M.	✓			
8. MORIKAWA, Dee	✓			
9. ONISHI, Richard H.K.	✓			
10. TARNAS, David A.	✓			
11. MATSUMOTO, Lauren				
<b>TOTAL (11)</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <span style="margin-left: 150px;">committee acronym(s)</span>				
<b>Vice Chair's or designee's signature:</b>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				