

STAND. COM. REP. NO. 3105

Honolulu, Hawaii

MAR 04 2022

RE: S.B. No. 3201  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 3201 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to simplify the accounting of income for nonprofit organizations.

Specifically, this measure:

- (1) Exempts a tax-exempt nonprofit organization's fundraising income from the general excise tax; and
- (2) Retains the general excise tax for gross income derived by those organizations from any "unrelated trade or business" activities, as defined by the Internal Revenue Code.

Your Committee received written comments in support of this measure from PHOCUSED; Hawaii Substance Abuse Coalition; Hawaii Youth Services Network; Aloha Harvest; Hawaii Children's Action Network Speaks!; Aloha United Way, Inc.; Hawaii Alliance of Nonprofit Organizations; Hawaii Health and Harm Reduction Center; Big Brothers Big Sisters Hawaii; Kua`aina Ulu `Auamo; Catholic Charities Hawaii; Hawaiian Humane Society; Samaritan Counseling Center Hawaii; Hawaii Pacific Health; Hawaii Public Health



Institute; Hawaii Coalition Against Domestic Violence; Habilitat, Inc.; Na Hale O Maui; and one individual.

Your Committee received written comments on this measure from the Department of Taxation, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee notes the testimony of the Department of Taxation, which recognizes this measure's intent to establish congruity between the income tax and general excise tax treatment of tax-exempt organizations. Specifically, this measure exempts a tax-exempt organization's fundraising income and other receipts from the general excise tax, except those sourced from an unrelated trade or business. These changes would conform with federal and state income tax treatment.

Your Committee also notes that the Department of Taxation indicated in its testimony that the department would be able to administer the measure, but it requests that the effective date be changed to January 1, 2023, to provide the time necessary to make form and instruction changes.

Your Committee has amended this measure by:

- (1) Amending the preamble to accurately reflect the purpose of the measure; and
- (2) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3201, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3201, S.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



