

STAND. COM. REP. NO.

2480

Honolulu, Hawaii

FEB 17 2022

RE: S.B. No. 3201

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

Sir:

Your Committee on Human Services, 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 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 Queen's Health Systems, Hawai'i Alliance of Nonprofit Organizations, Hawaii Youth Services Network, Hawai'i Appleseed Center for Law & Economic Justice, Hawai'i Forest Industry Association, Hawaii Substance Abuse Coalition, K.E.L.I.I. Foundation, Hawai'i State Coalition Against Domestic Violence, H.T. Hayashi Foundation, Samaritan Counseling Center Hawaii, Aloha United Way, Big Brothers Big Sisters Hawaii, Parents and Children Together, Hawai'i Children's Action Network Speaks!, Hawai'i Public Health Institute, Molokai Arts Center, Outrigger Duke Kahanamoku Foundation, PHOCUSED, and Boys & Girls Club of Hawaii. Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, and Tax Foundation of Hawaii.

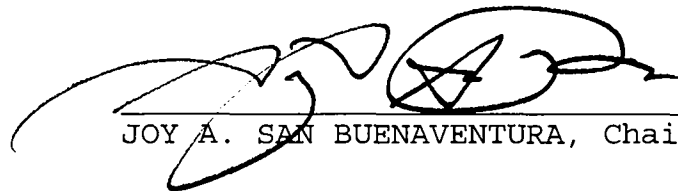
Your Committee finds that because the State's general excise tax law referring to "the primary purpose of which is to produce income" does not align with the federal income tax code's



"unrelated business income" provision, nonprofit organizations have additional burdens in accounting for income in disparate ways. While the federal law is clear with an extensive body of statutory interpretation, the nonconforming language used in the state general excise tax provision produces incongruities in how nonprofit activities are taxed. Your Committee further finds that imposing the general excise tax on a nonprofit organization's fundraising income deprives the nonprofit sector of needed financial support for the delivery of program services. This measure would simplify and improve a nonprofit organization's accounting of income and exempt fundraising income from the general excise tax.

As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3201 and recommends that it pass Second Reading and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Human Services,



JOY A. SAN BUENAVENTURA, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Human Services
HMS

Bill / Resolution No.:* SB3201	Committee Referral: HMS, WAM	Date: 2/15/22
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The Committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
SAN BUENAVENTURA, Joy A. (C)	✓			
IHARA, Jr., Les (VC)	✓			
ACASIO, Laura	✓			
MISALUCHA, Bennette E.	✓			
FEVELLA, Kurt	✓			
TOTAL	5	0	0	0

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:

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*Only one measure per Record of Votes